

# Valence Industries: Feasibility Study Expansion and ADV Manufacturing

02.01.2015 | [ABN Newswire](#)

Adelaide, Australia (ABN Newswire) - Valence Industries (ASX:VXL) has completed its Feasibility Study for the significant expansion of its currently operating Phase I graphite mining, processing and advanced manufacturing capacity.

The Feasibility Study reflects the continued focus by Valence Industries on a program of advanced manufacturing shifting the emphasis from bulk tonnages to value added product lines and increased margins. The Executive Summary of the Feasibility Study is appended with the key elements discussed below.

## Production & Manufacturing Strategy

The Feasibility Study defines an advanced manufacturing program for Valence Industries with two aspects:

- (1) base flake graphite concentrate production at the Uley Graphite(TM) site; combined with
- (2) advanced product handling facilities near the port of Adelaide.

Valence Industries has ore reserves exceeding 2Mt to meet current production and sales programs and is drilling its exploration targets on a schedule to match the need for additional future raw material.

Expansion of the facilities at the Uley Graphite(TM) site will provide additional processing capacity in 25000tpa increments of graphite output to reach 64000tpa to effectively match market demand.

This Phase II plant is also designed to deliver significant advances in quality, output reliability and reduced processing costs compared to the existing Phase I plant.

The combined Capex over the program for the Phase II plant expansion program and for establishing Uley Pit 2 will be \$37M applied over 3 years.

The Feasibility Study also brings forward some of Valence Industries' Phase III programs with Capex of \$13M. The need to provide for efficient and agile supply of multiple flake graphite products, with certainty of cost and supply time, has determined that an Advanced Product Handling facility be located near the company's export port at Adelaide. The location of such a facility is influenced not only by economics, but also Government requirements and its support for value adding opportunities.

The Advanced Product Handling facilities will include sophisticated product blending and packaging operations, micronisation plant and scaleable pilot plant for high purity graphite production. Each of these processes add value and provide greater margin opportunities, reducing reliance on basic flake graphite grades.

The direct operating costs identified in the Feasibility Study reduce significantly from the current Phase I operations and are expected to average in the range of A\$400/t to A\$500/t at the mine gate and in the range of A\$750/t to A\$950/t FOB in Port Adelaide.

Based on the diversity of market regions, industries and products targeted by Valence Industries the weighted average sales price for the company's flake graphite products fall in a range of A\$1669/t for general products to an average A\$4774/t for advanced processed products (fob Port Adelaide).

These capital costs, operating costs and sale prices in conjunction with the ore reserve and taking account of general and administrative, marketing, royalty and corporate tax currently give the project an estimated NPV of A\$65M and an IRR of 46%.

These financial estimates are based only on the current JORC 2012 Ore Reserve. This is considered a conservative position as the ore reserve and mine plan do not take account of the inferred mineral resources in Uley Pit 2 or the indicated resources in the stockpiles. Current drilling also supports the view that Uley Pit

2 can be extended. NPV per additional reserve tonne contributes \$32 per tonne in the financial modelling.

### **Market Strategy**

The analysis of the global graphite market in the Feasibility Study is based on independent research and analysis, combined with assessment and research undertaken by Valence Industries with its existing graphite customers and markets. This has confirmed that the graphite market is facing a shortfall in supply over the next few years.

Valence Industries is well placed in relation to other emergent graphite producers as it has the ability to provide material to customers now from existing production facilities, meaning the lengthy qualification process has already commenced. This qualification program and productive capacity enables the conversion of MOUs to sales orders to commence in advance of Phase II production.

To reduce sales pricing risk, the strategy focuses on added product value through multiple combinations of branding, packaging, product purity and size that exceed more than 100 unique graphite product lines. This is consistent with Valence Industries' focus on advanced manufacturing rather than on tonnes produced. This advanced manufacturing program will include certification to meet ISO9001 and ISO14001 standards in line with customer requirements.

The geographic, market and product diversification adopted in Valence Industries' marketing plan also reduces the dependency on any key market or customer.

The political, economic and environmental risks for Valence Industries in Australia are low in comparison to other current and potential flake graphite sources allowing the company to provide a low risk supply of high grade flake graphite to markets where quality and supply certainty are valued.

### **Further Recommendations**

The Board of Valence Industries has adopted a number of recommendations from the Feasibility Study and has directed management to review some optimisation alternatives before commencing significant construction activities.

In addition, recent testing of the Uley Pit 2 ore has identified how a proven overseas minerals treatment technology could be adapted for Uley Graphite(TM), including for the unique very high grade Arterial Flake(TM), to further reduce the capital and operating costs, particularly for crushing.

Valence Industries expect that these activities will be completed by the end of the March quarter 2015 and that securing of financing and detailed project planning for construction can continue over that quarter.

To view the Feasibility Study report, please visit:  
<http://media.abnnewswire.net/media/en/docs/ASX-VXL-837322.pdf>

### **About Valence Industries:**

[Valence Industries Ltd.](#) (ASX:VXL) is an industrial manufacturing company producing high grade flake graphite products for distribution and sale to global markets. Valence Industries owns established processing facilities and infrastructure to manufacture a wide range of graphite product lines for multiple applications and multiple industries. Valence Industries produces and sells its graphite products from its Uley Graphite facilities in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America.

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<https://www.rohstoff-welt.de/news/189274--Valence-Industries--Feasibility-Study-Expansion-and-ADV-Manufacturing.html>

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