

Valence Industries Managing Director's address at General Meeting

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Perth, Australia (ABN Newswire) - General Meeting Adelaide, 19 February 2015 - Advanced Manufacturing of Graphite presentation by Christopher Darby, CEO & Managing Director with significant highlights.

Current Status

- Government Approvals obtained in late December 2014
- Graphite production is now underway from existing Stockpiles
- Strong customer demand exceeds production capacity
- Export shipments to commence in the current quarter
- Feasibility Study completed for Phase II plant expansion to 64,000 tpa
- Negotiations for Phase II financing is expected to be concluded by April 2015
- Planning for high purity processing is on track

Processing Commenced

Since obtaining the final Government PEPR approval in late December 2014:

- Fines stockpiles successful testing for flotation systems, fluid transfers, piping, valves, drying and bagging of graphite
- Operating personnel trained across full process including integration of primary crushing, screening and ball mill with the flotation and drying circuits
- Processing of Run of Mine (ROM) Ore Stockpiles underway & combining with remaining fines stockpiles as feed
- Low impact liberation from clay hosted soils provides ease of production and maximises recovery of large flake sizes
- Export logistics now in place from Uley processing site to Port Adelaide

Production Plan

- Production is being increased progressively at the Uley Graphite™ Phase I Plant.
- The existing plant has a nameplate capacity of 14,000 tpa processed graphite
- Production rates are being increased progressively with a production target of ~8,000 tonnes of graphite product in the first year
- Output rates will also increase as production shifts from ROM stockpiles at 6% gC to 9% gC to higher grade ore from the new Uley Pit 2 at 12.9% gC
- The transition to new higher grade ore from Uley Pit 2 is expected in Q4 CY 2015
- Full run-rate production capacity from the existing plant is expected to be reached by Q3 CY 2015

Customer Engagement

- Exports are set to commence from site at end of Q1 CY 2015
- Customers are located in:

- * Europe
- * Asia Pacific &
- * North America

- Customers are segmented into the following industry sectors right across Valence Industries branded product lines:

- * Refractories, foundries & lubricants (HEATPRO.TM)
- * Industrial manufacturing & construction (StratGRAFF.TM)
- * Battery & energy storage (PowerGRAFF.TM)
- * Electronics & consumer goods (GraffTEX.TM)
- * Biomedical (GraffMED.TM)

Sales: Qualification Process

- Product qualification is an essential step in graphite marketing for all higher value uses of graphite
- Qualification involves customers taking sample product to confirm its suitability for their specific industrial, chemical or electronic processes

- * Qualification can take 3, 6, 9 or 12+ months depending on the application
- * Higher value applications tend to have longer qualification lead times
- * Samples are typically small initially and progress to industrial scale samples through grams, kgs, tonnes and sometimes 20+ tonnes
- * Qualification must be from actual plant output not just lab-scale
- Qualification samples have been provided to 15 customers
- * Final rounds in current qualifications will typically lead to multi-tonne trial orders
- * Full qualification completed with 1 customer in Q1 CY 2015

- No adverse issues have been raised by customer qualification of Uley graphite to date.

Sales: Contracts

- The Company's sales strategy is focused initially on rapid qualification industries while longer qualification customers complete their product qualification process
- Sales Contracts have now been signed with 6 new customers

- * These 6 customers are located in Europe and in the Asia Pacific
- * Refractory & foundry customers targeted initially in line with growth strategy
- * First shipments on orders are scheduled over the coming 3 months
- * Orders scheduled to reach 8,000 tonnes or 90%+ of Year 1 production volume

- Valence Industries has also signed MoUs for volumes exceeding 29,000 tpa over periods between 2 and 3 years

- * Negotiations continue for transition of MoUs to additional sales contracts

- Average pricing across full range of traditional flake graphite products is A\$1,667t

Phase II Expansion

- Current plant nameplate capacity is 14,000 tpa
- New Phase II plant designed to increase production in stages to 64,000 tpa
- * Initial increase to 39,000 tpa capacity 2016
- * Increase to 64,000 tpa capacity 2018-2019
- Uley Pit 2 extension planned for 2017 onwards
- Advanced product handling & specialist blending facility in planning for 2016
- High purity & micronisation production facilities in planning for 2016
- Feasibility study indicates:

- * Capital cost over 3 years:

- Phase II Plant & New Uley Pit A\$37m
- Adv. Prod. Handling, HP & Micronising A\$13m

- * Globally competitive all-in opex cost A\$750 -A\$950 /tonne (FOB Adelaide)
- * Ave selling price A\$1,669 -A\$4,774 /tonne

Project Finance

- Valence Industries has received multiple term sheets for project finance
- Since release of Feasibility Study in early January 2015

- * Interest has been received from a range of financiers to fund expansion
- * Negotiations are progressing with multiple US, UK, Asia Pacific & Australian financiers
- * Finance facilities are expected to also provide for working capital requirements over the 2015-2016 construction & commissioning periods

- Valence Industries expects to conclude financing arrangements by April 2015

Growth Outlook

- Graphite production underway with volumes ramping up
- Sales Contracts signed for volumes scheduled for 90%+ of Year 1 production
- Export shipments to commence end of Q1 CY 2015
- Broad customer engagement with product qualification and further sales negotiations underway
- Resource expansion drilling program results expected end Q2 CY2015
- Financing for Phase II plant expansion expected to be concluded by April 2015

- * Construction of Phase II plant expansion to commence in Q2 CY2015
- * Advanced product handling & specialist blending facility in planning for 2016
- * High purity & micronisation production facilities in planning for 2016

- Australian Graphene Research Centre programs continuing

To view the presentation, please visit:

<http://media.abnnewswire.net/media/en/docs/ASX-VXL-843325.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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