Valence Industries Advanced Manufacturing and Finance

07.05.2015 | ABN Newswire

Perth, Australia (ABN Newswire) - Valence Industries Ltd. (ASX:VXL) ('Valence Industries') announced on 1 May 2015 that it has secured US$75m (A$94m) in debt finance facilities for its expansion programs.

The syndicated debt finance facilities are to be provided under a binding Heads of Agreement with Chimaera Capital Management, Singapore ('Chimaera'). The terms of the debt facility provide for early drawdown of up to US$20m under an initial facility which will be repaid when the full facility is drawn.

The debt facilities envisage a series of drawdowns which, in combination with the funds from the placement and rights issue, allow the Company to undertake capital expenditure for its expansion plans, meet working capital obligations and service associated interest and financing costs. Details of the debt facilities are set out in section 5 in link below.

The Company's working capital will be supplemented by the equity raising announced today comprising a placement to institutional and sophisticated investors to raise A$2.1m ('Placement') and a renounceable pro rata entitlement issue to raise up to A$9.4m ('Rights Issue'). The placement and rights issue shares will be issued at A$0.29 per share, and investors in the placement and the rights issue will receive free attaching options on a 1 for 2 basis in the same class as the ASX listed VXLO options (exercisable at $0.25 on or before 31 July 2016). Further details of the capital raising are set out in section 4 below. Patersons Securities Limited is Lead Manager to the Placement and Rights Issue.

Valence Industries CEO and Managing Director, Christopher Darby, said "The finance facilities will support the company's plans to become a significant graphite manufacturer and will allow the company to accelerate its plans to commence production of higher value high purity graphite products. We will continue to develop and leverage our advanced manufacturing capability to deliver shareholder value by reliable supply of high quality graphite products to our sophisticated global customer base."

Production and Expansion Program

Valence Industries announced in January 2015 the expansion program confirmed in its Feasibility Study, consisting of the following key elements:

2.1 Resource Upgrade: finalisation of the 2015 drilling and metallurgy programs with corresponding resource upgrades for Uley Pit 2 and the extensions to Uley Pit 2;

2.2 New Open Pit: new mining from Uley Pit 2 at the Uley GraphiteTM site including increasing tailings and water reclamation facilities;

2.3 Processing Operations: completion of commissioning of the existing 14,000 tpa graphite plant at the Uley GraphiteTM site and then expansion in capacity to 39,000 tpa initially and then to 64,000 tpa;

2.4 Materials Handling: development of a sophisticated materials handling and blending facility in Adelaide to meet market demand for higher specification traditional graphite products; and

2.5 Advanced Manufacturing: development of advanced manufacturing facilities in Adelaide for reprocessing, refining and resizing graphite into higher-margin graphite products.

A planned review by Valence Industries following the first three months of operations at the Uley GraphiteTM site identified several areas for immediate processing improvements. These include construction of expanded tailings management facilities to service both the current and proposed plants, scalable process water return systems and minor plant works. These works are scheduled for completion by mid June 2015 at a capital cost of $2.2 million. Production quality from the existing plant continues to meet or exceed expectations with high volumes of large flake graphite (+80 mesh and above) and a low proportion of smaller flake sizes and fines. Completion of the commissioning of the existing 14,000 tpa plant remains scheduled for full capacity operations in Q3 CY 2015.

Resource improvement continues with the announcement of a 50% resource upgrade on 5 May 2015. The transition of that mineral resource to an Ore Reserve is due in May 2015. Analysis of the remaining 52% of recent drill results and further drilling on extensions to Uley Pit 2 are ongoing. The drilling, metallurgy and associated resource upgrades are underway and are expected to be completed and announced progressively by September 2015 at a capital cost of $1.6 million.

New mining from Uley Pit 2 is set to commence Q4 CY 2015 to provide higher-grade ore on completion of processing of existing run of mine stockpiles.

The capital cost budget of A$50M for the expansion program as set out in the December 2014 Feasibility Study remains valid and the new finance facilities will increase this to match the increased volumes from the Advanced Manufacturing plant discussed in more detail in Section 3 below. The finance facilities outlined above will also provide for working capital and debt servicing costs during the construction and ramp up phase of the expansion program.

Increased Volumes in Higher Margin Graphite Products

Based on market analysis of future graphite demand, and extensive feedback from the Company's customer engagement program, Valence Industries has refined its production and sales strategy to target significantly higher production of higher value refined and reprocessed graphite products.

The production split between standard and refined graphite products has been changed from the 95/5 split contemplated in the December 2014 Feasibility Study to a 60/40 split. The advanced manufacturing process is designed to deliver higher value products via additional processing and treatment, including purification and micronisation, at the planned Adelaide facilities.

The projected revenues associated with the 95/5 production split assumed in the Feasibility Study are summarised in Table 1 (in link below).

The strategic shift towards higher value advanced manufacturing of graphite products will increase the average margin per tonne and the rate of project payback with low technological risk. This shift is consistent with the strategy contemplated in the Feasibility Study and is now being brought forward to deliver higher volumes of advanced graphite production from as early as 2016.

The decision to shift production towards increasing volumes from the advanced manufacturing facilities is driven by a range of positive indicators, including:

- Demand: clear and broad customer demand for advanced graphite products with strong expressed preference to source those products from Valence Industries as a high quality and stable source of supply;

- Earnings Impact: the higher margin per tonne available on graphite products from the Advanced Manufacturing Facilities, consistent with Valence Industries' focus on value adding to each tonne of graphite it produces;

- Growth Market: the applications for graphite products from the Advanced Manufacturing Facilities are expanding rapidly and represent an exciting growth market for the Company;

- Diversification: the revised product split will facilitate further customer, industry and geographical diversification across a wider range of product lines, while maintaining a core level of production of high grade large flake (+80 mesh and above) in the standard graphite product categories.

The key elements of this strategic shift in production split towards increased volumes from the Advanced Manufacturing Facilities are summarised in Table 3 (in link below).

The expansion program is scheduled to deliver a total combined output capacity of 39,000 tpa commencing in 2016 with output tonnages from the Advanced Manufacturing Facilities increasing progressively to reach the 40% of total volumes over three years to 2019.

The decision regarding resource allocation between further increasing total graphite output volumes to 64,000tpa (currently scheduled for 2017-2018) relative to a further increase in output from the Advanced Manufacturing Facilities will be kept under review, based on market developments and customer preferences. The staged ramp up in production volumes is designed to maximise the company's return on equity.

Final engineering and designs for the new mining program and for the capacity increase to 39,000 tonnes at the Uley GraphiteTM site are expected to be completed by September 2015 for construction commencing in late 2015. The design and approvals for the new Materials Handling Facilities and Advanced Manufacturing Facilities are scheduled for completion in December 2015 for construction in 2016.

1) Further resource upgrade for Uley Pit 2 and Uley Pit 2 extension finalised Q3 2015

2) Uley Pit 2 mining program commences Q4 2015

3) Increased Processing Capacity to 39,000 tpa 2016

4) New Materials Handling facilities operational 2016

5) New Advanced Manufacturing production 2016 - 2019

Final engineering and design for the new mining program and for the capacity increase to 39,000 tonnes at the Uley GraphiteTM site are expected to be completed for construction commencing in 2015 and for the new Materials Handling Facilities and Advanced Manufacturing Facilities for construction commencing in 2016.

The company's focus on high value advanced manufacturing also continues through Valence Industries' work with the Australian Graphene Research Centre, in conjunction with the University of Adelaide, with the aim of accelerating commercialisation of graphene - which is a potential revenue source in 2015.

Placement and Rights Issue

The Company has received firm commitments from institutional, professional and sophisticated investors for a Placement of 7,117,665 fully paid ordinary shares at an issue price of $0.29 per share to raise $2.1 million (Placement).

The issue price reflects a 19.7% discount to the Company's 5 day volume weighted average price immediately prior to announcement of the offer.

The Placement will be made to institutional, sophisticated and professional investors under the Company's 15% placement capacity under Listing Rule 7.1 and consequently shareholder approval is not required for the Placement.

Valence Industries is also undertaking a renounceable Rights Issue of one (1) new share for every six (6) shares held at an issue price of 29 cents per share. Valence Industries intends to seek underwriting support for the Rights Issue.

Subscribers to the Placement and the Rights Issue will also receive one (1) free attaching listed option for every two (2) shares subscribed, exercisable at 25 cents on or before 31 July 2016 (subject to the adjustment formula in Listing Rule 6.22):

The shares will rank equally with the Company's existing ordinary shares and the attaching listed options will rank equally with the Company's existing class of listed options.

Shareholders with an address in Australia or New Zealand on the Company's register on 18 May 2015 will be eligible to participate in the Rights Issue ('Eligible Shareholders').

Valence Industries' Directors reserve the right to place the remaining shortfall at their discretion within three months after the close of the offer. Valence Industries will endeavour to allocate shortfall first to shareholders and employees of the Company.

The funds raised from the Placement and Rights Issue will be applied towards:

- Completion of 2015 drilling, assay and metallurgy program

- Construction of scalable tailings facilities and process water return systems

- Completion of existing plant commissioning

- Preliminary engineering and design for production expansion

- Costs of the Placement, Rights Issue and First Debt Facility

- Working capital requirements

Eligible shareholders' entitlements pursuant to this Rights Issue are renounceable and accordingly, they may:

- take up their rights in full and apply for additional new shares.

- take up their rights in full or in part;

- purchase additional rights on ASX;

- sell all or part of their rights on ASX; or

- do nothing, in which case their rights will lapse.

Existing option holders will need to exercise their options and be a registered holder of shares at the close of business on 18 May 2015 ('Record Date') if they wish to participate in the Rights Issue.

Valence Industries has decided it is unreasonable to make the offer to shareholders who have a registered address in a country outside of Australia or New Zealand, having regard to the number of shareholders in such places, the number and value of the new shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions.

Full details of the Rights Issue will be set out in a Prospectus, which will be lodged by the Company with the Australian Securities and Investments Commission ("ASIC") and the Australian Securities Exchange ("ASX") today.

Debt Finance Facilities

The debt finance comprises two distinct packages able to be drawn down in tranches to match Valence Industries capital allocation program:

- First debt facility of $US20 Million (AU$25 Million) ('First Debt Facility');

- Second debt facility of $US75 Million (AU$94 Million) ('Second Debt Facility')) which will also repay the First Debt Facility.

The term of each of the debt facilities is currently set at 48 months, although consideration is being given by Valence Industries to extending that term to 60 months. The applicable interest rates for the Facilities will be subject to prevailing interest rates at the time of drawdown, although the Company expects that the total financing charges for the respective facilities are not expected to exceed:

- 20% p.a. on the First Debt Facility; and
- 12.5% p.a. on the Second Debt Facility.

Equity warrants will also be issued as part of the debt facilities. The issue of warrants may be subject to shareholder approval. A summary of important terms is set out in section 7 below.

The debt facilities are subject to conditions precedent that need to be satisfied or waived by the financiers.

At this time the conditions precedent have not been met or waived. The conditions include conditions related to due diligence, execution of the formal documentation, the obtaining of all necessary shareholder and regulatory approvals, consents or waivers, no deterioration in market conditions or the financial position of the Company, completion of commissioning of the existing plant and the Company securing customer sales sufficient to repay each facility. Valence Industries expects to satisfy those conditions precedent by August 2015 (or earlier) and December 2015 respectively.

Application of Funds raised

The funds from the debt facilities, the Placement and Rights Issue will be applied to accelerate the Company's production expansion program and the shift to higher volumes of advanced graphite manufacturing including as required:

- Completion of 2015 drilling, assay and metallurgy program

- Construction of scalable tailings facilities and process water return systems

- Existing plant upgrades and commissioning capital

- Engineering and design for production expansion

- Commence mining from Uley Pit 2

- Debt service charges (interest and fees)

- Construction and commissioning of expanded processing & manufacturing facilities

- Costs and fees of placement, rights issue and debt

- General working capital requirements

To view all schedules, please visit:
http://media.abnnewswire.net/media/en/docs/ASX-VXL-856551.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.

Contact:

Valence Industries
Corporate Headquarters Investor Relations
T: +61-8-8418-8564
E: info@valenceindustries.com
www.valenceindustries.com

Dieser Artikel stammt von Rohstoff-Welt.de
Die URL für diesen Artikel lautet:
https://www.rohstoff-welt.de/news/200052--Valence-Industries-Advanced-Manufacturing-and-Finance.html

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere AGB/Disclaimer!

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere AGB und Datenschutzrichtlinen.