

VALENCE
INDUSTRIES

Valence Industries

Australia's Only Graphite Producer

Asia Pacific | Europe | North America

ASX : VXL & VXLO

January-February 2015

Manufacturing Our Carbon Future™

www.valenceindustries.com

Valence (*noun*): the combining power of an element, especially as measured by the number of hydrogen atoms it can displace or combine with: carbon always has a valence of 4.

© Valence Industries Limited

Corporate Overview

Capital & Shares

Ordinary Shares	186.7m
Options	68.4m
Market cap (@45 cents)	\$84m
Cash (End Q3 2014)	~\$14.5m
Debt	Nil

Major Shareholders

Strategic Energy Resources Ltd (Restricted)	11.67%
HSBC Custody Nominees (Australia) Ltd	5.08%
Avatar Energy P/L	4.11%
EERC Australasia P/L (restricted)	3.55%
BNP Paribas Nominees P/L	2.15%
Top 20 shareholders hold 43.90%	



Corporate Overview



ASX chart of daily prices over 1 year for VXL compared to Mining & Metals Index

Valence Industries Directors & Officers

Graham Spurling AM
Chairman

Christopher Darby
MD & CEO

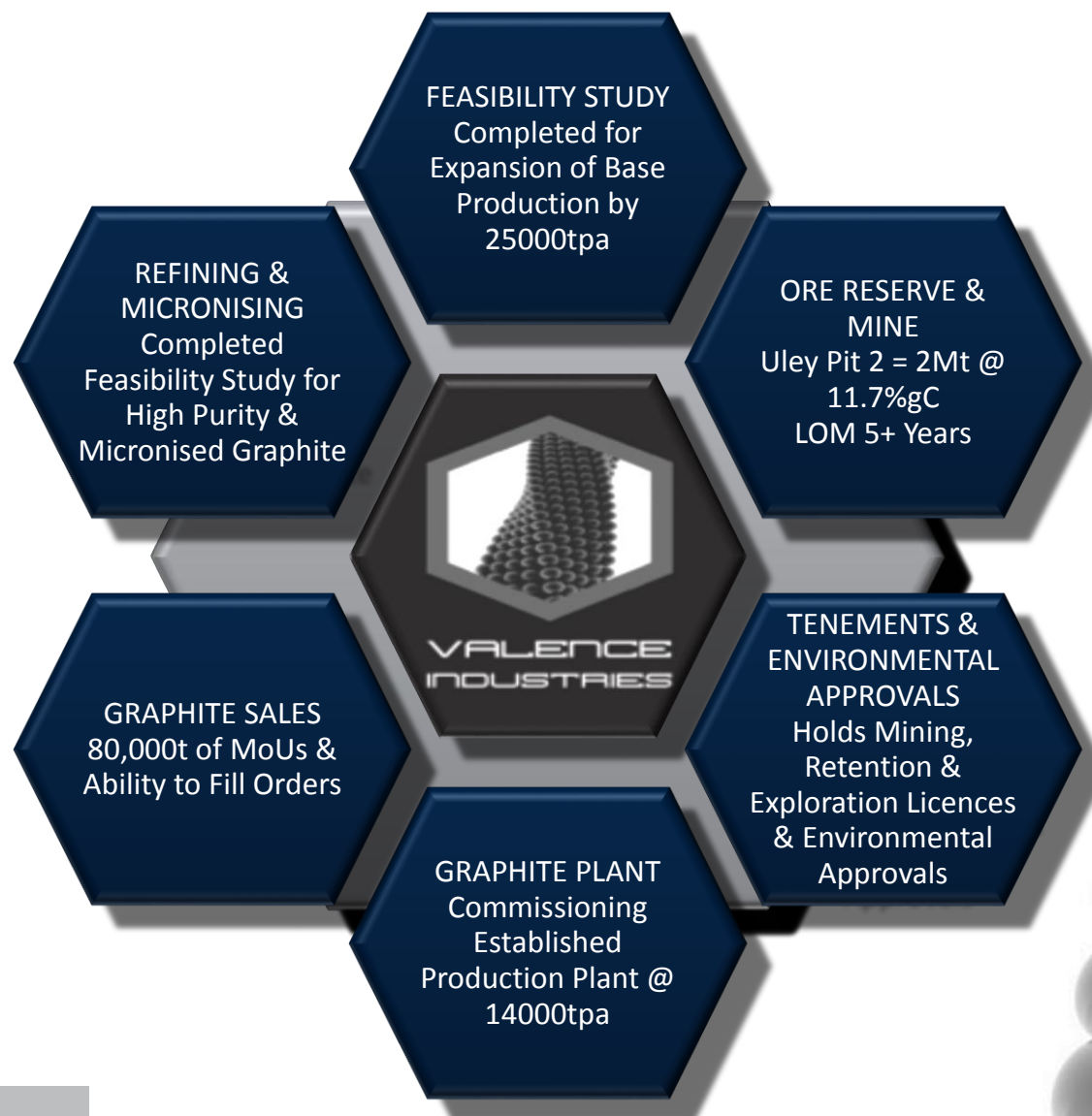
Glenister Lamont
Non-Exec. Director

Ian Schache
Non-Exec. Director

Ian Pattison
Non-Exec. Director

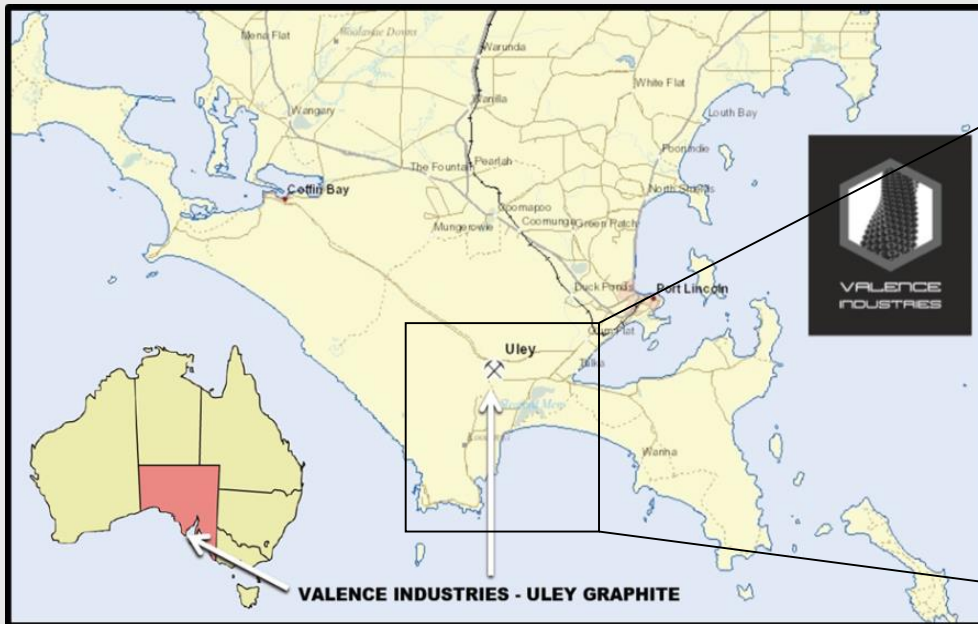


Operating Graphite Manufacturer

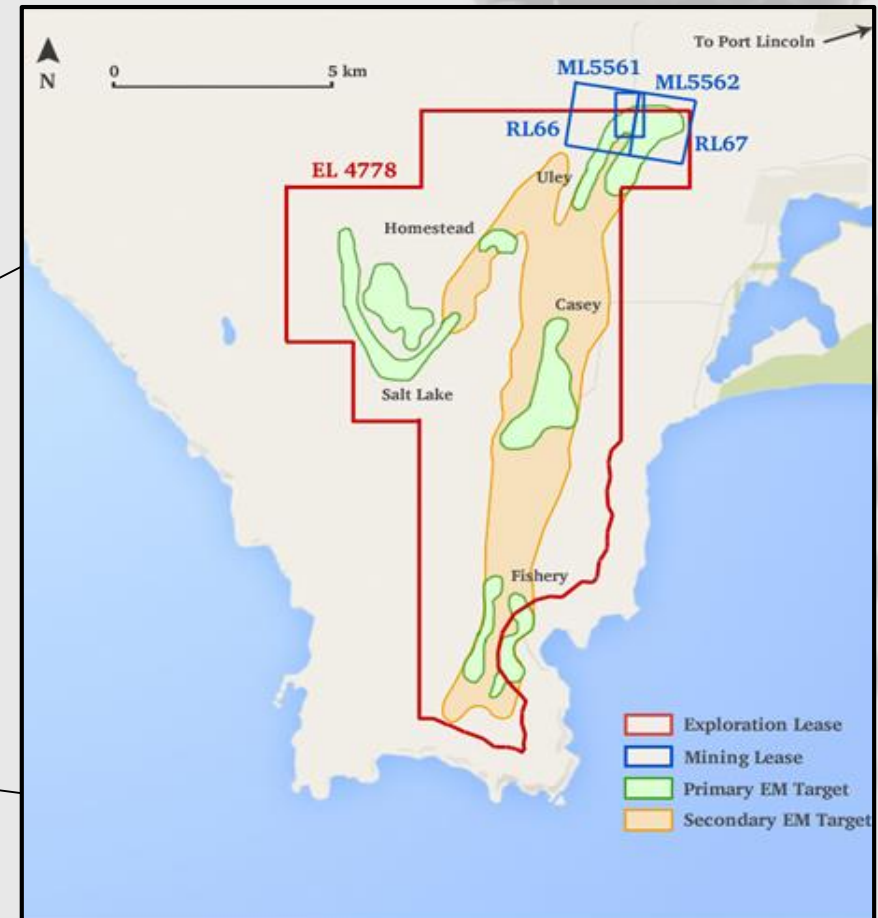


Exceptional Location

23km from Major Regional Centre
Road, Rail, Port, Electricity, Water & Light Industrial
Infrastructure



Freehold Land for Phase I & Phase II Operations & All
Mining Rights 100% Owned by Valence Industries





Valence Industries Now

Established Facilities & Production

Existing Traditional Graphite Plant

Existing Plant capacity of 14000tpa

Pre-processed fines stockpile processing on-track & started December 2014

ROM Stockpile pre-processing on-track & commenced December 2014

Full ROM Stockpile production on track & set to commence early 2015

Current Sales Contracts & Programs

Sales Commenced in Mid-2014 & Further Sales & Exports on Track

Long Term Commitments with 80000 of MoUs 2015 to 2019

Multiple sales contracts signed or in final negotiation for full plant capacity

Exports to Established Customers Commence in Early 2015 As Scheduled

Average Prices Per Tonne: Traditional A\$1669t & Consistent with Forecast

Ore Reserves & Extensive Tenements

Only Operating Australian Graphite Mine

Largest Australian Graphite Ore Reserve 5+ Years LOM

Significant Resource Growth Potential

High Grade Material with Unique Flake Quality

Additional Mineral Resource & Ore Reserve Targeted for Q2 2015

Current Production

Screen & Resize Existing Stockpiles



New ROM Stockpiles for Grading



Primary Grinding & Slurry Circuit

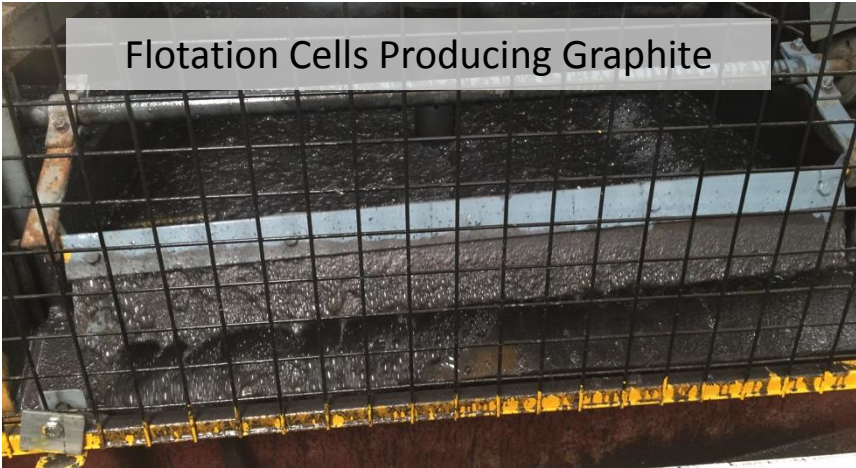


Secondary Process Building & Workshops

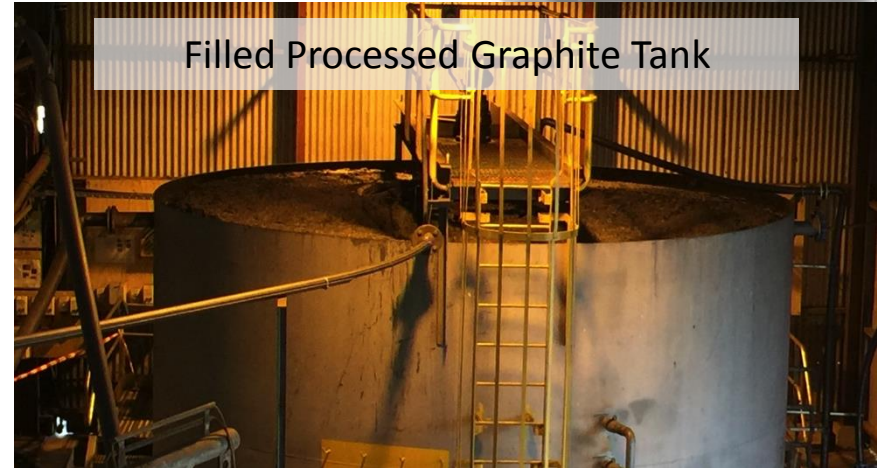




Current Production



Flotation Cells Producing Graphite



Filled Processed Graphite Tank



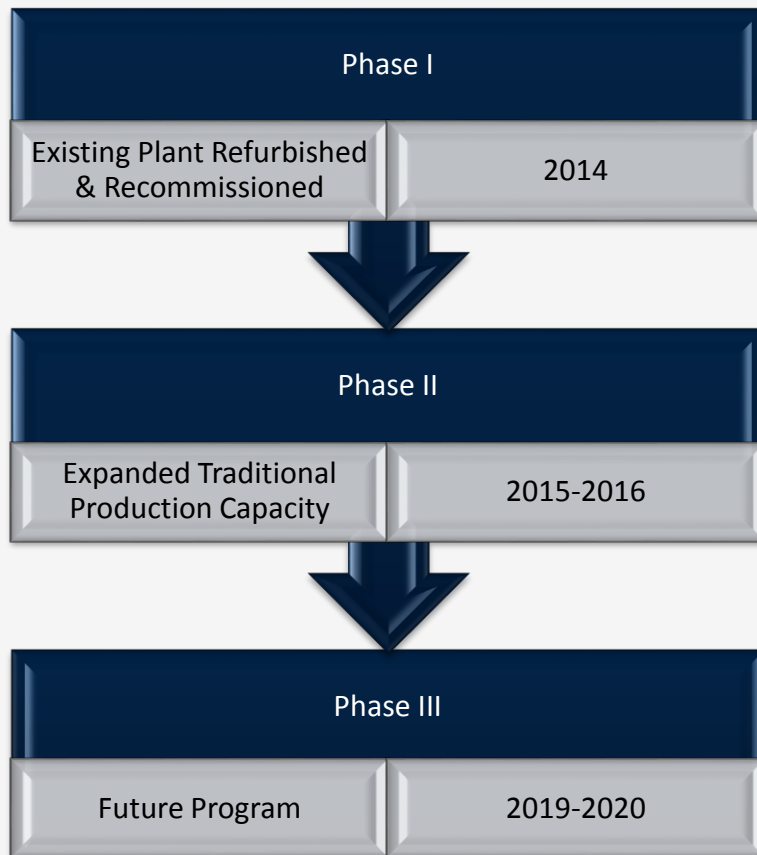
Bagging of Production in Phase I Plant



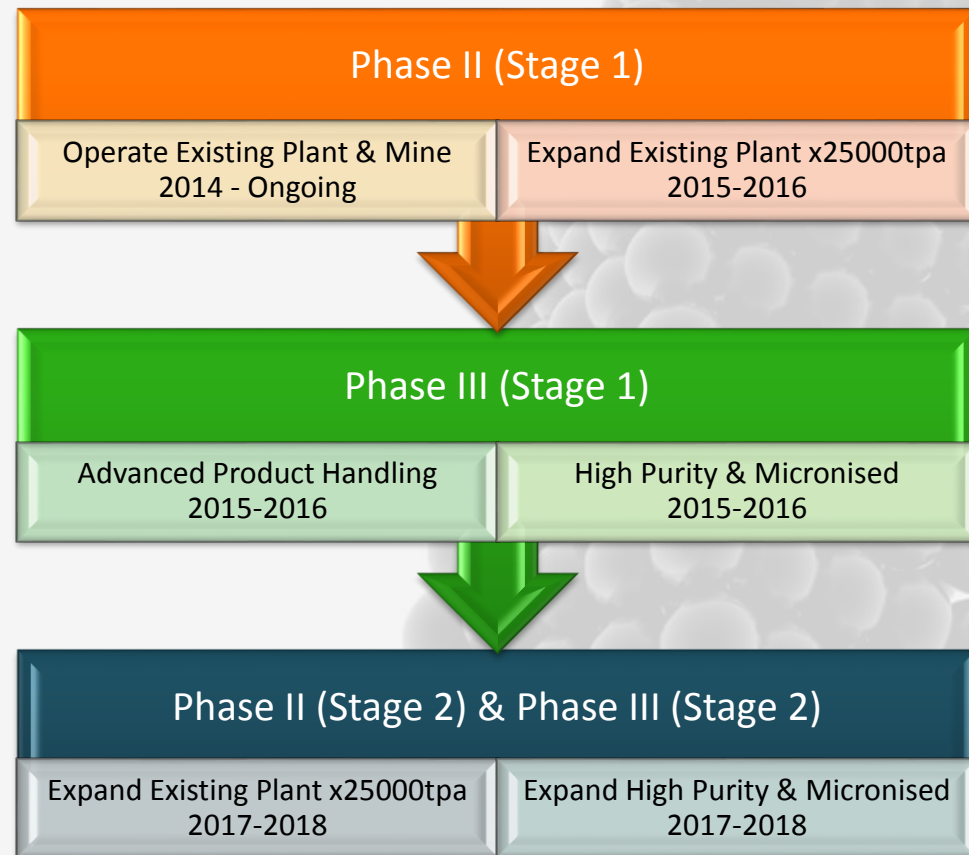
Bagging of Production in Phase I Plant

Transformation & Growth

Original Growth Plan Traditional Graphite Production



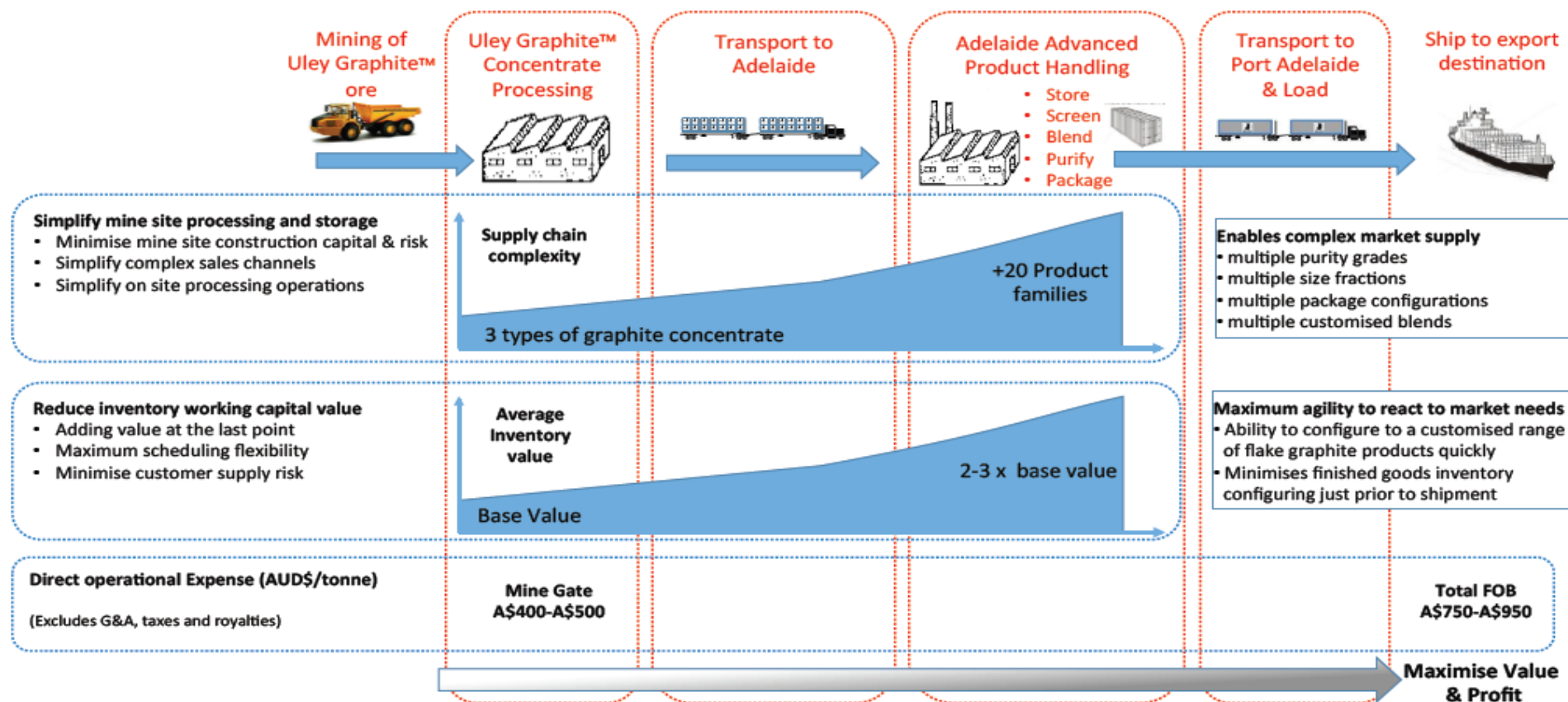
Feasibility Study Growth Plan Traditional & Advanced Graphite Production



Expansion: Operational Strategy

VALENCE INDUSTRIES
FEASIBILITY STUDY - PHASE II PRODUCTION EXPANSION & PHASE III ADVANCED PRODUCT HANDLING

DECEMBER 2014 - OPERATIONAL STRATEGY



(c) Valence Industries Ltd

Foundations for Advanced Manufacturing

The first western company to manufacture high quality
Traditional Flake Graphite & Advanced Specialist Graphite products

High Grades & Arterial Flake™
= High Quality Flake Graphite

Unique & globally significant area of
graphite mineralisation

Combination of
high grades (11.7%gC) & easy liberation
& absence of natural contaminants
delivers large % of Jumbo Flake and
Super-Jumbo Flake (4mm+ Flake Sizes)

Unique Arterial Flake™ (up to 60%gC)
processing opportunities that
decrease physical intervention &
increase flake size retention

Advanced Product Handling
= Value Added Opportunity

High Quality Traditional flake graphite
concentrate from Uley Graphite™ deliver
unique precursor material for
value-added processing

Advanced Manufacturing principles allow
Manufacture of specialist high-value product
lines for Traditional Markets

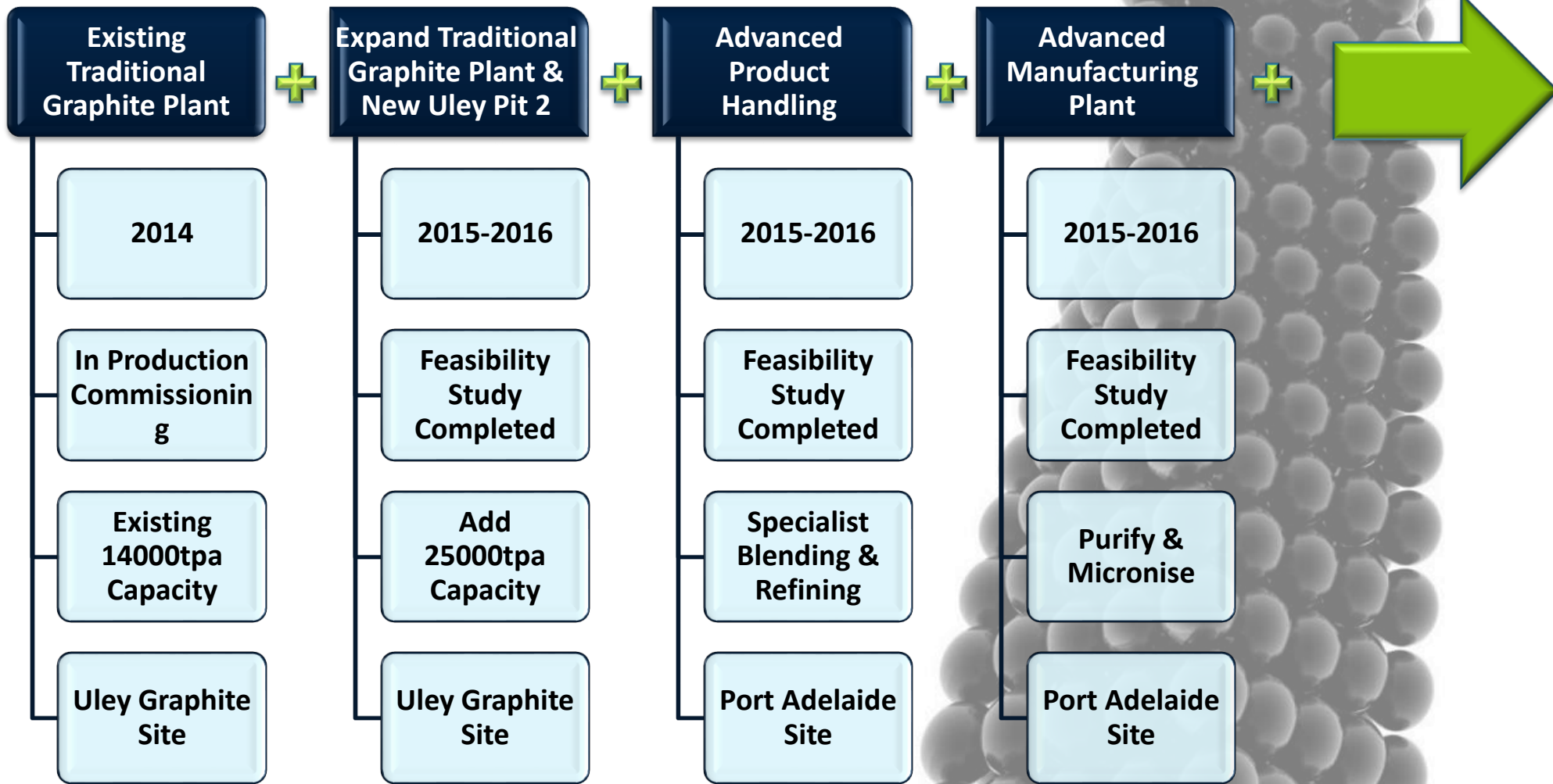
Further refining & reprocessing
produce high-purity & micronised for
High-Margin Production



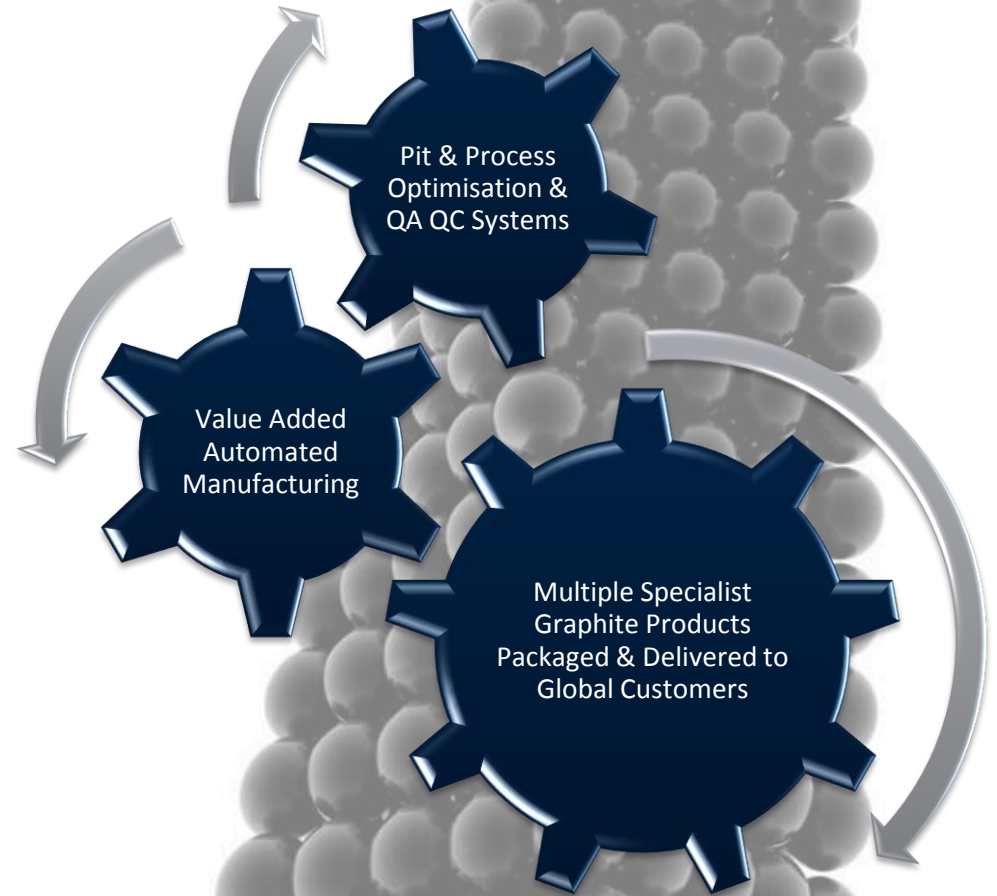
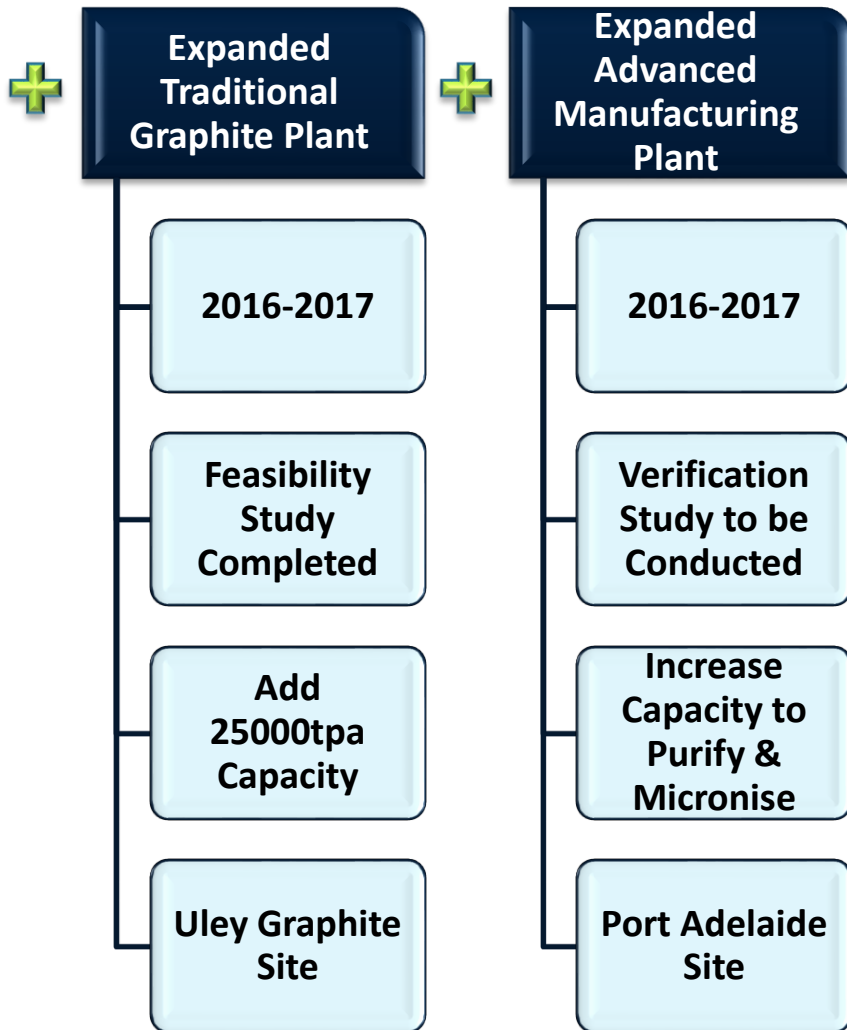
PHASE I & PHASE II AS PLANNED

NEW PHASE III FAST TRACKED

Expansion Program (2015-2016)



Expansion Program (2016-2017)



Focus on Margin

As Modelled in Feasibility Study	Avg COP (per tonne)	Avg Sales Price (per tonne)***	Avg Margin (per tonne)***
Traditional Base Flake Graphite Production	\$750-\$950 (FOB Adelaide)*	\$1670	\$720-\$920
Advanced Flake Graphite Production		\$4770	\$3820-\$4020

Strategy: A Strong Value-Added Manufacturing Blend to Deliver Increased & Sustained Margins

Traditional Flake Graphite Production (Uley Plant)



Advanced Specialist Blending & Refining (Pt Adelaide Facility)



Increasing & Disproportionate Contribution to Profit Margin @Phase III Full Production @ 2017>>

Capital Allocation & Funding

Plant	Capital**	
Expanded Traditional Plant & New Uley Pit 2	2015-2016	\$36.7M
Expanded Traditional Plant	2017-2018	
Advanced Product Handling	2015-2016	\$13.2M
Advanced Manufacturing Plant	2015-2016	

Capital spread across 4 years & applied to match corresponding sales plan

Modest capital draw in context of revenue & EBIT target over period

Phased capital allocation gives flexibility as capacity increases

Term sheets & negotiations with range of funders established

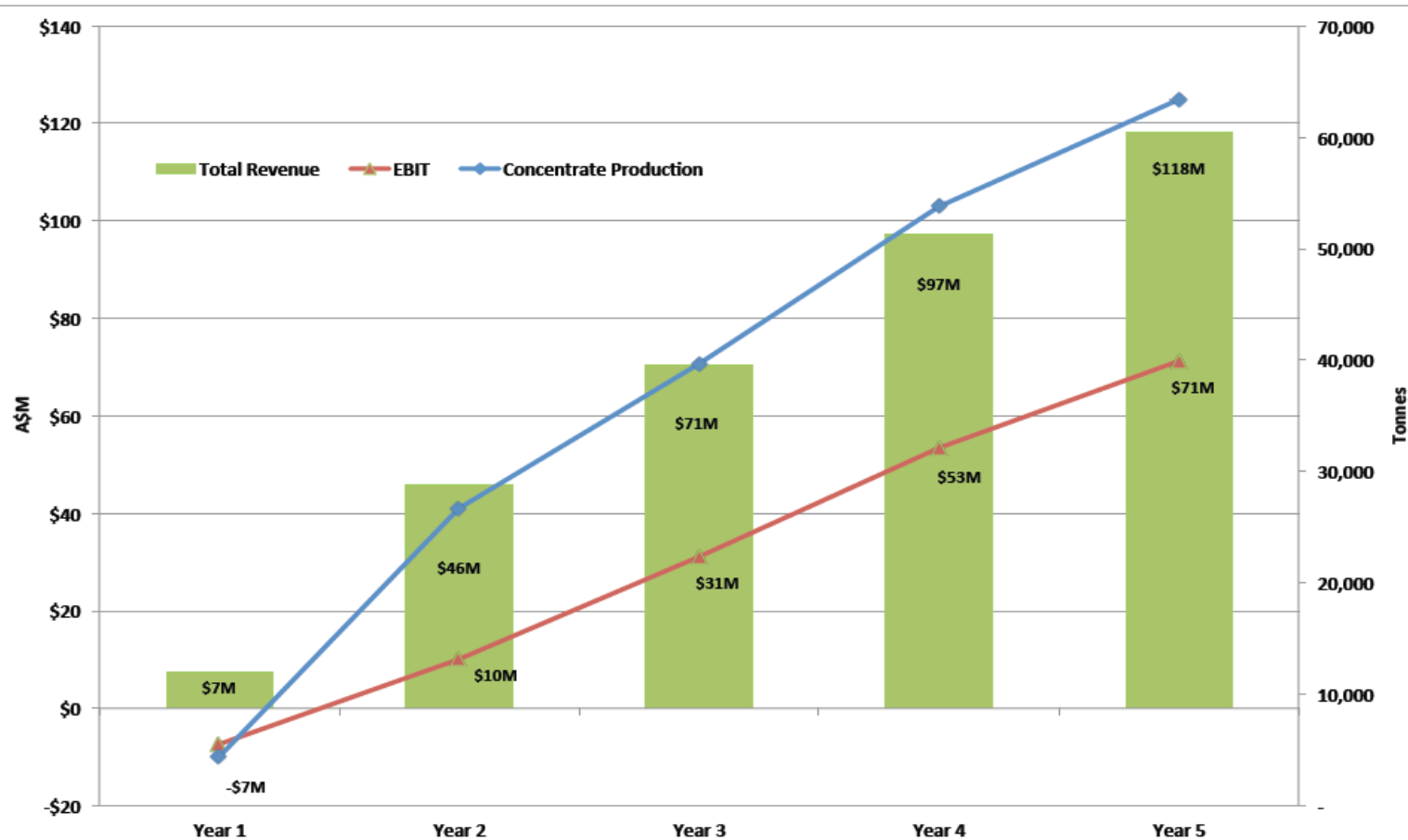
Assessment of Risk & Cost of Capital Sources Underway

Funding sources: capital reserves, revenue, debt & equity all available

**Data sourced from Feasibility Study, 31 December 2014 & Working Capital Not Included

Revenue & Dividend Forecast

VALENCE INDUSTRIES LTD (ASX : VXL & VXLO)
Production, Sales & EBIT Forecast - Feasibility Study (Dec 2014)



**Year 4
Revenue**
~\$97M

**Year 4
EBIT**
~\$53M

**Year 4
Dividend**
25% of EBIT
distribution

Note: Conservative estimate at <5% of volume contributed by advanced processing. Margin & revenue increases for each tonne of advanced processing.

Mining Tenements & Regulatory Approvals

VALENCE INDUSTRIES MINING TENEMENTS

Number	Status	Area
ML5561	Current	44 ha
ML5562	Current	22 ha
RL 66	Current	225 ha
RL 67	Current	187.5 ha
EL 4778	Current	75km ²

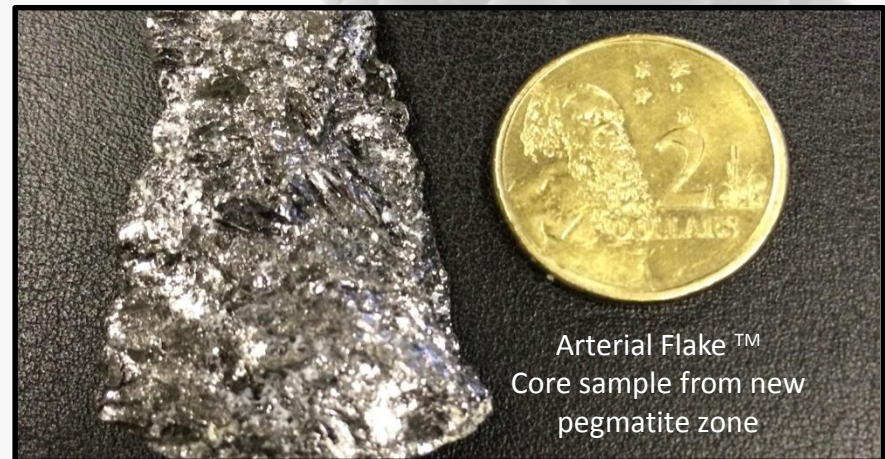
*(**Renewal and extension of tenements is anticipated to be granted in the normal course)*

PROGRAM FOR ENVIRONMENTAL PROTECTION & REHABILITATION (PEPR)

23 December 2014
Environmental Approval Granted

Authorises Phase I Operations &
Phase II Expansion Program at
Uley Graphite™ facilities

Authorises Uley Pit 2 Mining Program
From Surface to 16m &
Then Simple Process to go below 16m



Arterial Flake™
Core sample from new
pegmatite zone

No Shortage of High Quality Raw Material

ORE RESERVE – ULEY PIT 2 (JORC 2012)

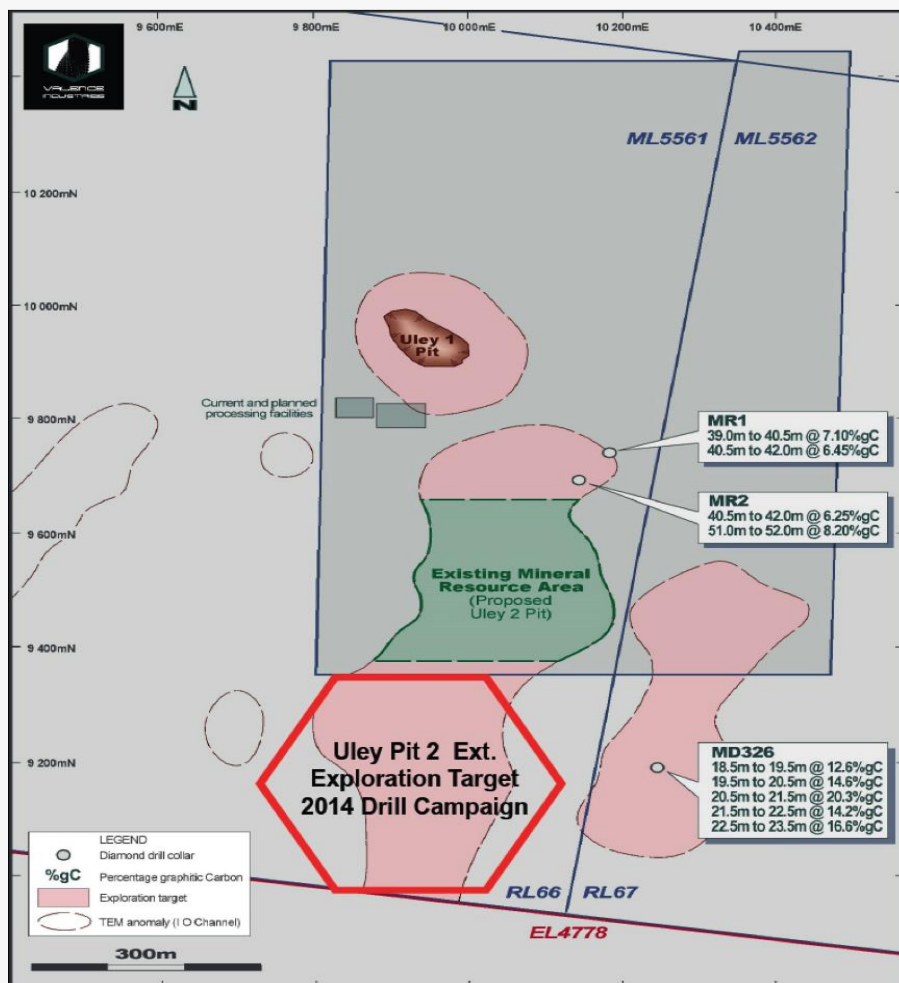
Classification	Tonnage	Average Grade %C
Proved	319,000	17.9
Probable	1,716,000	11.9
Total	2,035,000	12.9



MINERAL RESOURCE & EXPLORATION TARGETS (JORC 2012)

Classification	Tonnage	Average Grade %C
Measured	340,000	17.92
Indicated	1,850,000	11.84
Indicated (Stockpiles)	174,000	6.23
Inferred (Uley Pit 2)	850,000	8.89
Total	3,214,000	11.54
Exploration Target	9,000,000 to 12,000,000	9 to 12

Ore Reserve Growth Potential



****AREAS IN PINK = JORC 2012 EXPLORATION TARGET AREAS**

Exploration Targets (JORC 2012)

All Located
ML5561 & ML 5562 & RL66 & RL 67
Immediate Vicinity of Uley Pit 2

Current Drilling Program On Track on
Uley Pit 2 Extension with Strong Visual Intersections
& Results Due from Late March 2015 Onwards

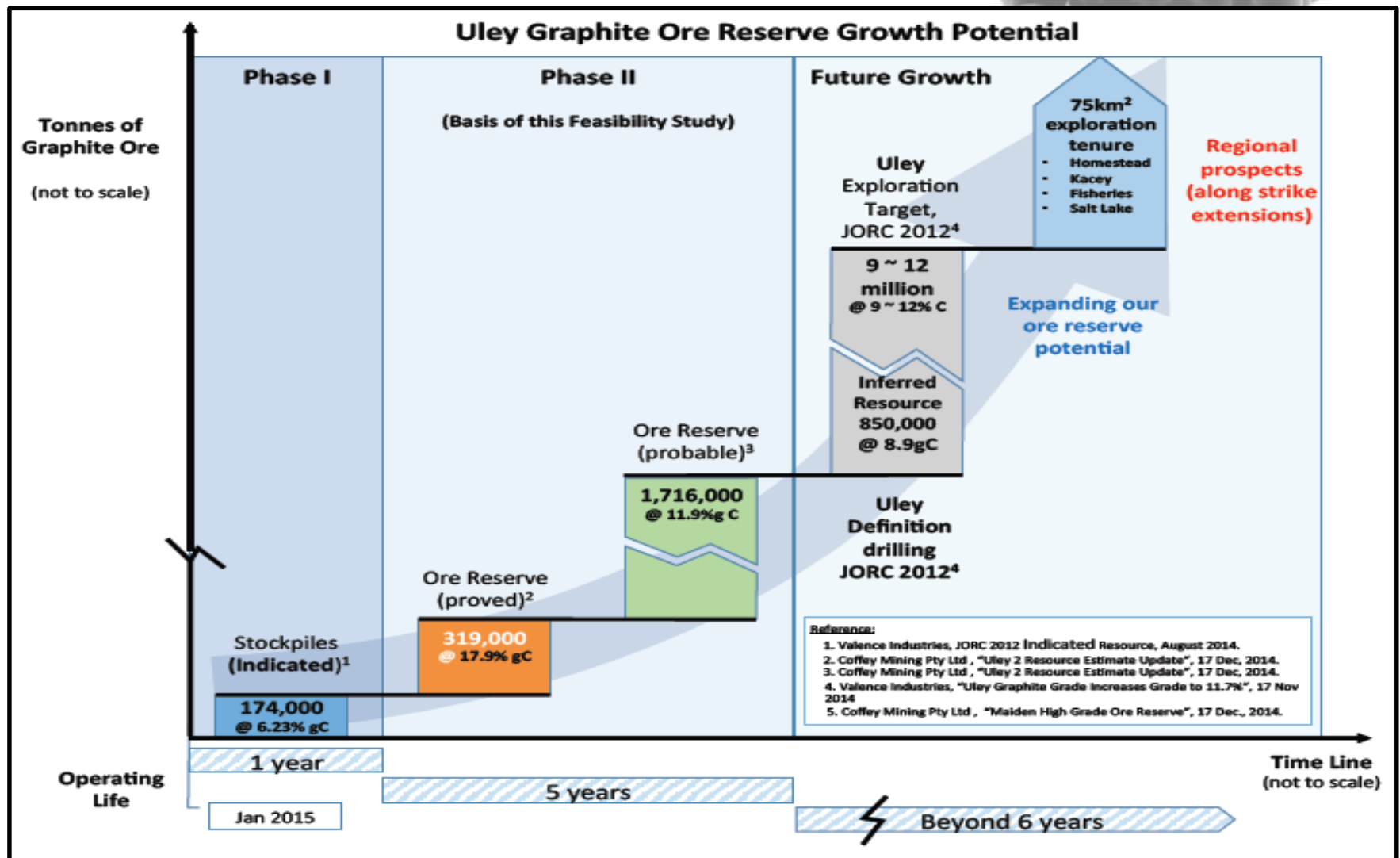


Exploration Licence

Location 75km²

South and West of Uley Pit 2
Significant Potential with Historical Prospect Areas

Ore Reserve Growth Potential



Expansion Economics

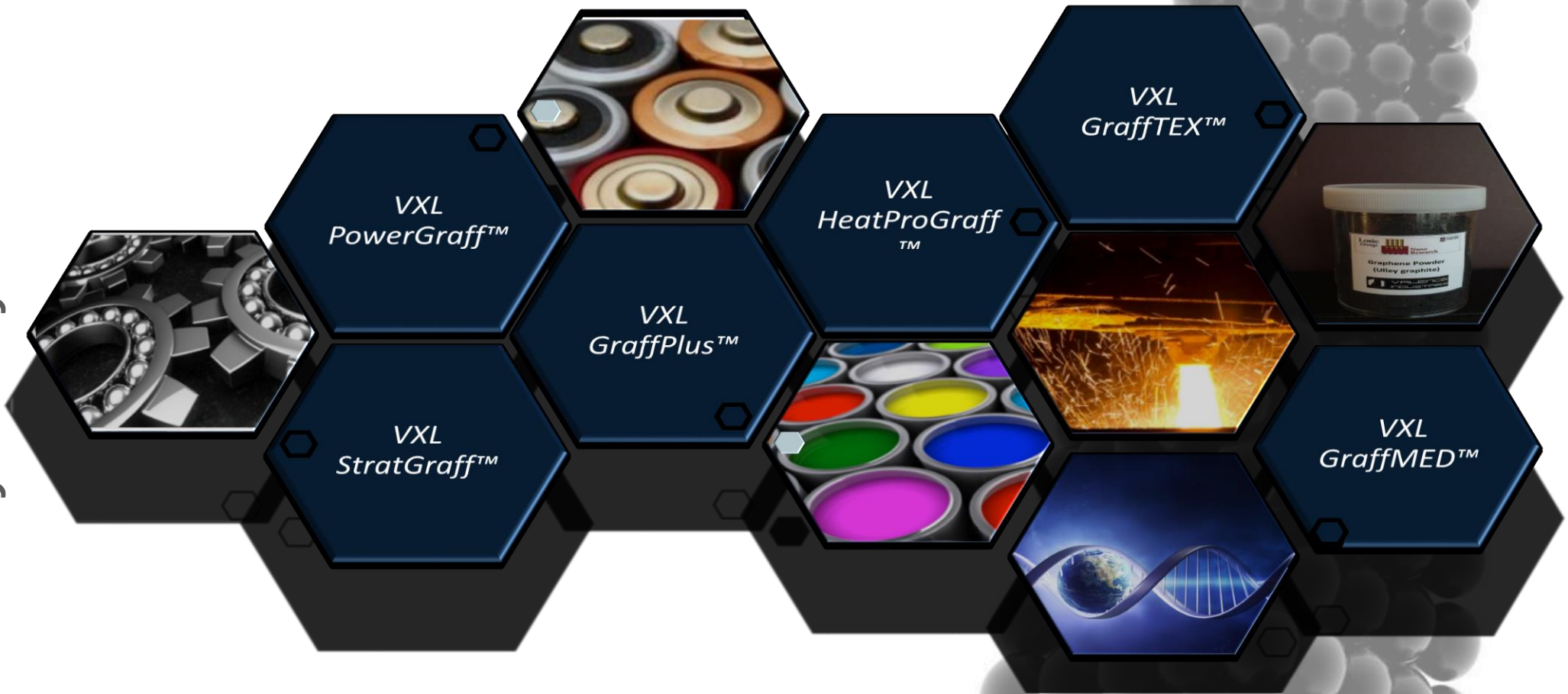
Description	Outcome
NPV 10 (after tax)	\$65m
IRR	46%
Total Ore Mined	2,035 kt
Average Head Grade	12.9%
Life of Mine	5 Years
Total Graphite Concentrate Sold	235kt
NOTE: This analysis is based on current formal Ore Reserve only as the key determinant of NPV. Every 1Mt of Ore Reserve adds A\$32M to NPV.	

Element	Assumption / Input
Model Start Date	Dec 2014
Modelling period	Monthly
Key Financial Output	Free Cash Flow to Equity
Real/Nominal Basis	Real
Exchange Rate USD/AUD	0.80
Discount rate	10% (after tax)
Tax Modelling	After tax
Graphite Resource Mined	2,035kt (Uley pit 2)
Note: After Tax Free Cash to Equity representative of cash flows likely to be received over CURRENT life of the expanded operations as determined by current formal Ore Reserve only	



VXL Graphite Products

Feasibility Study

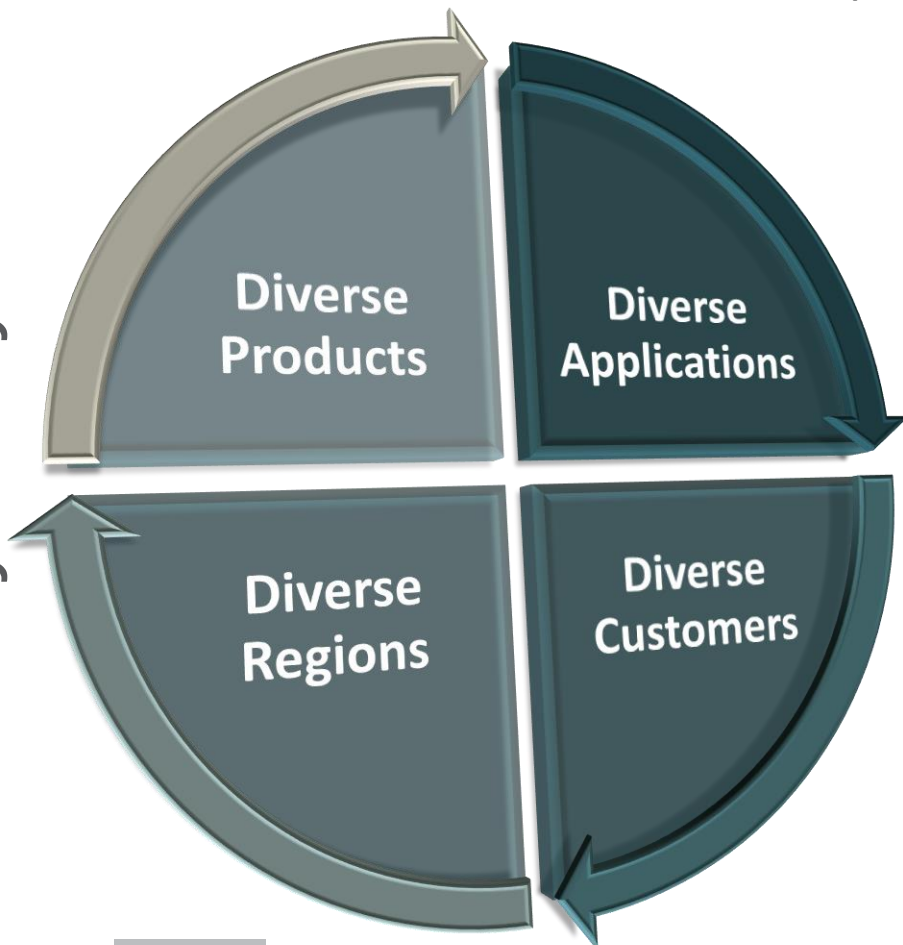


Market Engagement & Sales Strategy

MOU's signed with multiple customers & agents representing
80,000+ tonnes of annual graphite production over 2-3 years

As Production Qualifications from Operating Plant are Completed Convert to Sales Agreements

Feasibility Study



Diverse Products: Each MOU is for multiple products from across Valence Industries flake graphite product range. Demand is there for flake graphite of all sizes and purities.

Diverse Applications: MOUs are for supply to customers for use in a large number of applications ranging from foundries and refractories through to batteries and energy storage.

Diverse Regions: MOUs are for the supply of flake graphite production to customers in different regions of the world from Europe to the Asia Pacific.

Diverse Customers: The MOUs are for supply to end user customers and to agents allowing Valence to achieve a spread of sales and market penetration.



Global Graphite Leader

Feasibility Study

**FIRST & ONLY
Graphite
Ore Reserve
on ASX**

**FIRST & ONLY
Graphite
Feasibility Study
on ASX**

**FIRST & ONLY
Established
Graphite
Processing Plant
& Approved
Mine on ASX**

**FIRST & ONLY
Graphite Sales
Contracts +
Ability to Fill
Contracts on ASX**

**FIRST & ONLY
Combination of
Traditional
& High Purity
Flake Graphite
on ASX**

**FIRST & ONLY
Added Value
Focus for Flake
Graphite in Low
Risk & Politically
Stable Climate**



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Valence Industries confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed. The announcements previously released and referenced in the announcement are: "Valence Doubles Existing ROM Stockpiles" (6/8/14), "Discovery of High Grade Arterial Flake Graphite" (9/10/14), "Uley Graphite Grade Increases to 11.7%" (17/11/2014), "Maiden High Grade Graphite Ore Reserve" (17/12/14) and "VXL Feasibility Study Expansion and Adv Manufacturing" (2/1/2015).

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