



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

Thursday, 14 August 2014

MULTIPLE NEW PRODUCT SALE MOUs EXCEEDING 80,000 TONNES OF GRAPHITE

- Valence Industries signs multiple MOUs to supply in excess of 80,000 tonnes of graphite.
- Supply of graphite will be for regular annual quantities
- MOUs exceed annual capacity of Phase I graphite manufacturing facilities ahead of Phase II feasibility study for new open pit and process plant expansion
- Customer commitments reflect demand for Valence Industries flake graphite from a strong suite of diversified global customers

MOUs Signed for 80,000+ Tonnes

Valence Industries Limited (Valence) has signed multiple new Memoranda of Understanding (MOUs) for flake graphite sales in excess of 80,000 tonnes over 2 or more years.

The MOU volumes cover more than 29,000 tonnes annual production of graphite from Valence's flagship Uley Graphite facilities.

The MOUs with four customers provide Valence with committed contracts for delivery of significant quantities of flake graphite year on year and are for a defined "collar" price subject only to final product/grade qualifications.

The Company is pleased with the price levels obtained under the MOUs which are consistent with its expectations.

Diversification is Key for Success

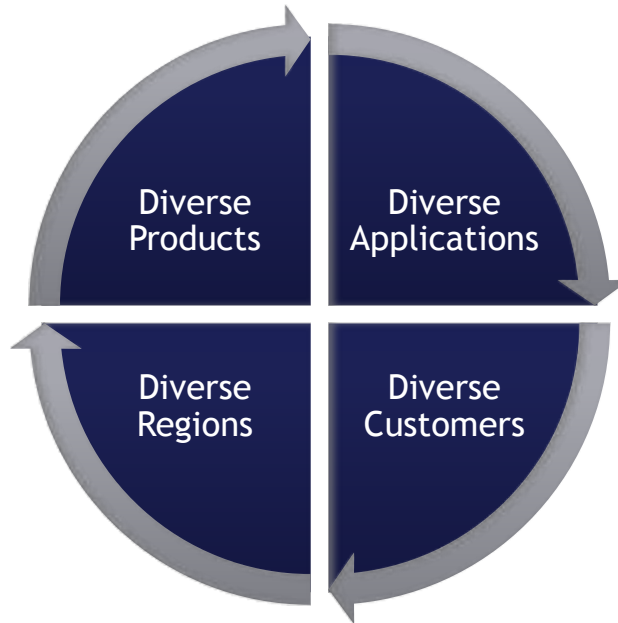
With these MOUs Valence has achieved diversification across regions and industries through to differing types of customers.

This is consistent with the market engagement and market segmentation strategies pursued by the Company over the last 12 months. The MOUs deliver important customer, industry and product diversification.

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Diversification under the MOUs is achieved by Valence as illustrated in Fig 1 below:



<p><u>Diverse Products</u></p> <p>Each MOU is for multiple products from our flake graphite product range. Strong demand for flake graphite of all sizes and purities.</p>	<p><u>Diverse Applications</u></p> <p>MOUs are for supply to a large number of industry applications ranging from foundries and refractories through to batteries and energy storage.</p>
<p><u>Diverse Regions</u></p> <p>MOUs are for the supply of flake graphite production to customers in different regions of the world from Europe to the Asia Pacific.</p>	<p><u>Diverse Customers</u></p> <p>The MOUs are for supply to a range of customers allowing Valence to achieve a spread of sales and market penetration.</p>

Sales Volumes & Phase II Expansion Program

The Phase I graphite manufacturing facilities owned by Valence have a designed capacity of 14,000 tonnes of graphite production per year.

Production from Phase I is planned to commence in the current quarter once regulatory approvals are completed.

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With MOUs now in place that significantly exceed the planned annual Phase I plant capacity Valence Industries has taken a further significant step forward in the feasibility assessment for its Phase II expansion of operations.

Phase II is to include a new open pit and an expanded plant capacity to add up to 50,000 to 60,000 tonnes of graphite to Valence Industries' annual production capacity.

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The information in this announcement that relates to the in situ Mineral Resources is based on, and fairly represent, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by a competent person in accordance with the JORC Code (2012 edition) and released to ASX by the Company on 18 November 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous release continue to apply and have not materially changed.

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VALENCE INDUSTRIES

About Valence Industries & Graphite Manufacturing

Valence Industries (ASX:VXL & VXLO) is the owner and operator of the only graphite mining and manufacturing facilities in Australia located at Uley in South Australia near the major regional centre of Port Lincoln. In April 2014 and just four months after listing on the ASX, Valence Industries achieved the first sales of graphite by an Australian company in more than 20 years.

The Company is bringing its existing plant and substantial infrastructure into production in Phase I with a focus on global markets across multiple graphite product ranges. Graphite production will commence in the third Quarter of 2014, with plans for expanded mining and graphite manufacturing in Phase II increasing through 2015.

Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Valence Industries' Uley Graphite project is recognised as a significant area of graphite mineralisation, and one of the largest coarse flake graphite deposits in the world. The deposit contains disseminated, high-grade flake graphite and the mineralisation is near surface, with the final manufactured graphite products recognised and purchased by many customers for its high quality.

The company holds two existing Mining Leases and two associated Retention Leases, along with an extensive Exploration Licence, for the conduct of its operations.

Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing A New Carbon Future & Advanced Graphene Program

The Company operates as an industrial manufacturer of 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.

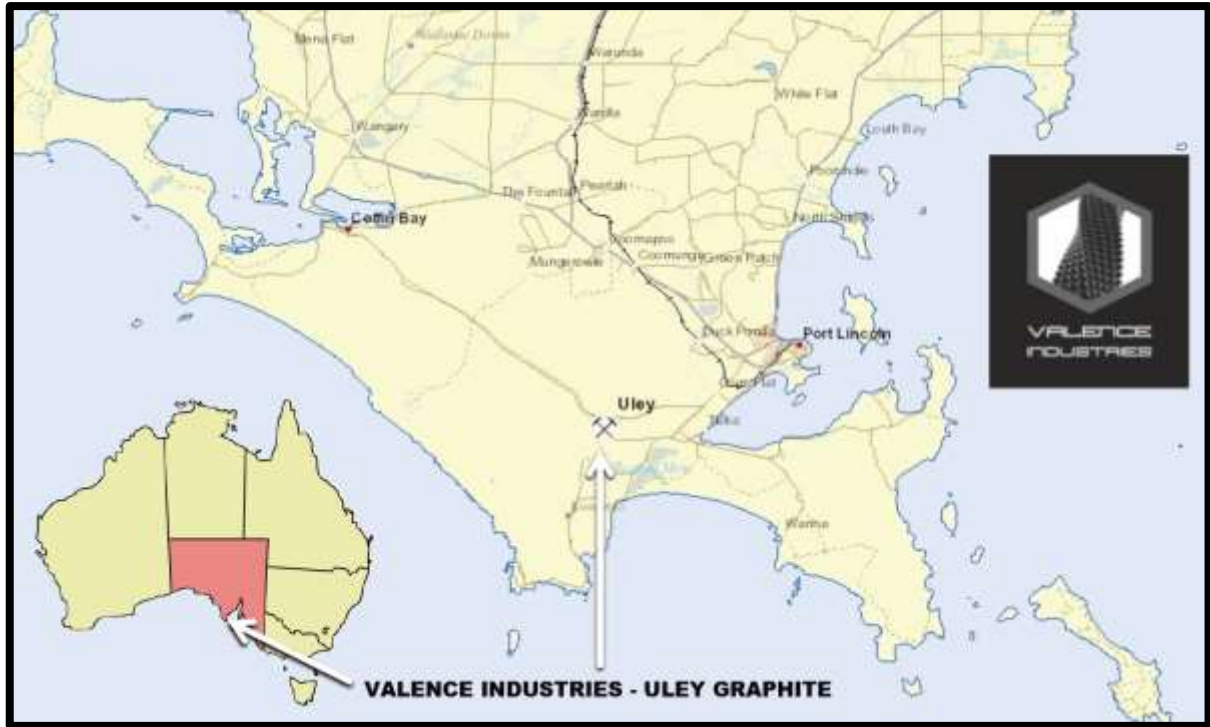
The Company produces and sells its graphite products from its Uley Graphite facilities in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America. As a vertically integrated manufacturer of specialist graphite product ranges Valence Industries' branded products are designed to meet current and future customer demand.

The Company is also pursuing research into advanced fields and applications for graphite. That program includes the relationship with the University of Adelaide for the establishment of a dedicated Graphene Research Centre in Adelaide. Graphene is one of the most significant steps forward in the world of advanced materials with the potential for transformative and disruptive technologies and the leading research in this area from the University of Adelaide on natural flake graphite has originated from work on the Company's Uley Graphite. The Graphene Research Centre program will see the development and commercialisation of processes and products for the application of graphene.

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**VALENCE INDUSTRIES
ULEY GRAPHITE MINING & MANUFACTURING SITE
SOUTH AUSTRALIA, AUSTRALIA**