



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

24 December 2014

Approval Received for Graphite Production

- Regulatory approval received from South Australian Government
- Graphite production to commence at Uley Graphite™ facilities
- Initial flake graphite deliveries scheduled for January 2015

Valence Industries Limited is pleased to announce that it has received regulatory approvals for its wholly owned Uley Graphite™ mining and manufacturing facilities in South Australia.

The South Australian Department of State Development (DSD) on 23 December 2014 approved the company's Program for Environment Protection and Rehabilitation (PEPR), the primary approval for mining operations to recommence at the Uley Graphite™ facilities. As a condition of this approval the company is lodging a rehabilitation bond of \$1.708M for past and future work on the existing Mining Leases. Valence Industries has also worked closely with South Australia's Environment Protection Authority (EPA) and Department for Environment, Water and Natural Resources (DEWNR) in the resolution of approvals, which includes the Works Approval under the Environment Protection Act, also received on 23 December 2014.

The approvals allow Valence Industries to commence commercial scale graphite production from the existing stockpiles through the Phase I Plant.

The approvals also allow Valence Industries to construct and operate its Phase II plant expansion and commence mining from Uley Pit 2. In Phase II ore from Uley Pit 2 will be sourced from the starter pit outlined in the company's Ore Reserve Statement to a depth of 16m. This is in line with the mine plan over the first 18 months of mine life.

Groundwater has been a particular focus, with South Australian Government scientists determining that no groundwater will be used in the approved mining operations, and requiring Valence Industries to undertake detailed monitoring to demonstrate the ongoing integrity of local water resources.

Subject to satisfying government conditions relating to groundwater, Valence Industries intends to mine the Uley Pit 2 to a depth of 60 metres. To support these operations, and forming part of studies toward Valence Industries' future mine expansion plans, this monitoring will be conducted in close consultation with DSD, the EPA and DEWNR. Costs associated with these activities have been incorporated within the capital costs for the upcoming Feasibility Study.

Full commissioning of the secondary circuit will now commence, followed by production from the treatment and packaging of existing graphite fines stockpiles, before moving on to full commissioning the primary circuit and processing existing run-of-mine stockpiles (174,000 tonnes at 6.23% graphitic carbon). The testing, commissioning and ramp-up in production rates are



programmed to occur over at least three months, designed to match demand from customers. As the only operating graphite mine in Australia, and with approvals in place, Valence Industries is scheduled to commence new deliveries of flake graphite in January 2015 to its existing customers in the Asia Pacific, Europe and North America. Valence Industries is also on track to receive further secondary State and Local government licences as required during the plant ramp up phase.

With these approvals in place Valence Industries is also in a strong position to build on its commitment to the Eyre Peninsula region and to South Australia. The company currently employs more than 35 people in South Australia with the majority working and living on the Eyre Peninsula. That commitment by Valence Industries to local skills and to adding value to the Eyre Peninsula community includes extensive engagement with regional contractors, suppliers and service providers and this will continue in the proposed Phase II expansion.

The feasibility study for the proposed Phase II expansion is scheduled to be released shortly. The feasibility study will accommodate the high grade Arterial Flake™ graphite and the program for advanced value adding to Valence Industries graphite. Subject to funding and Board approval of the feasibility study, Phase II development activities will commence in 2015 and will improve Valence Industries' capacity to deliver consistent and higher quality flake graphite to its customers.

For further information, please contact:

Jaroslav (Jarek) Kopias
CFO & Company Secretary
info@valenceindustries.com
+61 8 8418 8564

Competent persons

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" (19/10/14) and "Maiden High Grade Graphite Ore Reserve" (17/12/14).

Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Valence Industries Limited (Valence Industries) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Valence Industries, that could cause Valence Industries' actual results to differ materially from the results expressed or anticipated in these statements.

Valence Industries cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Valence Industries does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law.