



VALENCE  
INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

# General Meeting

Adelaide, 19 February 2015

## Advanced Manufacturing of Graphite

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ASX: VXL & VXLO

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# 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™)
  - Industrial manufacturing & construction (StratGRAFF™)
  - Battery & energy storage (PowerGRAFF™)
  - Electronics & consumer goods (GraffTEXT™)
  - Biomedical (*GraffMED™*)





# 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



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