



ASIA PACIFIC | EUROPE | NORTH AMERICA

3 JUNE 2015

ASX: VXL & VXLO

## Investor Presentation – June 2015

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Valence Industries Limited (the 'Company') (ASX: VXL & VXLO) advises that the Investor Presentation announced on 2 June 2015 included a reference to an Exploration Target on page 8 of the presentation. A cautionary statement in relation to the exploration target was included on page 2 of the presentation and is now also included on page 8 – immediately following the reference to the Exploration Target as follows:

"The Company cautions that the Exploration Target is conceptual in nature. The Exploration Target estimation is an expression of the potential for geological extensions to the Uley Pit 2 prospect based on prior work by third parties and interpretation of that data by Valence Industries. There has been insufficient exploration to estimate a Mineral Resource on the extension and it is uncertain if further exploration will result in the determination of a Mineral Resource on the extension. The Company notes that the work in relation to the Exploration Target has relied upon historic data from open file and archived reports and the information relied upon cannot be duplicated or otherwise verified by the Company. The estimate made here is an Exploration Target under JORC 2012 Clause 17."

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**VALENCE  
INDUSTRIES**

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# **Manufacturing Our Carbon Future™**

**ESTABLISHED PRODUCTION FACILITIES  
PRODUCTION EXPANSION &  
ADVANCED MANUFACTURING STRATEGY**

Proactive Investor Presentation

June 2015

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This presentation includes certain statements that may be deemed forward-looking statements. All statements in these presentation materials (other than statements of historical facts) which address future production, reserve potential, exploration activities & events or developments that the Company expects, are forward-looking statements. Such forward-looking statements include, without limitation: (i) estimates of future graphite prices, supply, demand &/or production; (ii) estimates of future cash costs; (iii) estimates of future capital expenditures; (iv) estimates regarding timing of future development, construction, production or closure activities; (v) statements regarding future exploration results; (vi) statements regarding cost structure, project economics, or competitive position, &; (vii) statements comparing the Company's properties to other mines, projects or metals. Although the Company believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance & actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation & exploration successes, continued availability of capital & financing, & general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, that the Company expressly disclaims any responsibility for revising or expanding the forward-looking statements to reflect actual results or developments, & that actual results or developments may differ materially from those projected, in the forward- looking statements.

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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) , "50% Increase in Uley Graphite Resource" (5/5/2015), "VXL Uley Graphite NPV Up 38% to \$90M" (2/6/15).

The Company cautions that the Exploration Target of 9 Mt to 12 Mt at 9% to 12% gC referenced in this presentation is conceptual in nature. The Exploration Target estimation is an expression of the potential for geological extensions to the Uley Pit 2 prospect based on prior work by third parties and interpretation of that data by Valence Industries. There has been insufficient exploration to estimate a Mineral Resource on the extension and it is uncertain if further exploration will result in the determination of a Mineral Resource on the extension. The Company notes that the work in relation to the Exploration Target has relied upon historic data from open file and archived reports and the information relied upon cannot be duplicated or otherwise verified by the Company. The estimate made here is an Exploration Target under JORC 2012 Clause 17.

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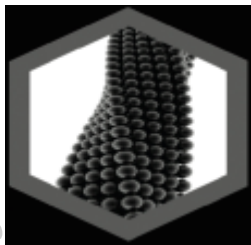
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# Key Announcement Today

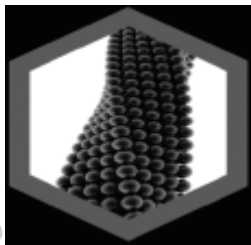
## Key announcement released today – Uley Graphite™ Project NPV up 38% to \$90M

- Feasibility Study economics updated for interim increase in Ore Reserve
- Key results include:
  - ✧ Graphite Project NPV<sub>10</sub> increased by 38% to \$90M
  - ✧ IRR increased to 47%
  - ✧ Mine life increased 60% to 8+ years
- Uley Graphite™ project NPV equates to 2x current market capitalisation of the Company
- Revised Feasibility Study economics highlights compelling commercial viability of the Project
- The increase in estimated project returns does not attribute value to the Company's strategy to increase production of higher value, advanced manufactured graphite product from 5% of output, as assumed in the January 2015 Feasibility Study, to 40% of total output.



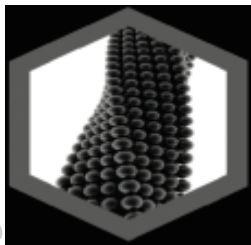
# Valence Industries - Strategy Update

- Graphite production and exports have commenced from the existing plant
  - Production to increase to 14,000 tpa rated capacity Q3 CY 2015
  - Export volumes and revenues increase progressively during 2015 and into 2016
- Funding now in place for operations and expansion strategy
  - Staggered debt facilities for US\$20M & US\$75m
  - New equity up to A\$11.4m
- Expansion program includes
  - New high grade open pit mine with
  - Increasing graphite processing capacity to 64,000 tonnes p.a.
  - New Materials Handling & Advanced Manufacturing plant
- Revised strategy applies additional capex to increase production of higher margin product
  - Advanced Manufacturing product to increase from 5% to 40% of total production
  - Shift in core strategy on production mix modelled to increased EBIT by 85%
- 60% increase in mine life announced based on only 35% of current drill program
  - Further Resource & Ore Reserves upgrades to be announced progressively to Sept 2015



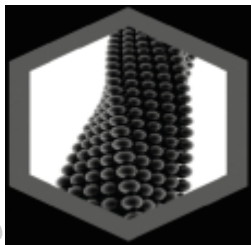
# Current Production

- Production and commissioning export commenced from the existing graphite plant
  - Commissioning is ongoing, with production scheduled to reach full 14,000 tpa capacity in Q3 CY 2015
- Process improvements scheduled for completion by mid June 2015 include
  - scalable tailings facilities to service current and proposed plants, and
  - scalable process water return systems to service current and proposed plants
- Production quality from the existing plant is exceeding expectations
  - High proportion of coarse flake graphite (71% +100 and above)
  - Low proportion of smaller flake sizes and fines
- Customer demand continues to be strong
  - Multiple customer sales contracts
  - Multi-year MoUs signed for up to 37,000 tpa
  - Additional sales contracts are under negotiation
- Australian Graphene Research Centre program commercialisation is in progress



# Funding Secured for Expansion Program

- Binding Heads of Agreement signed for US\$75 million (A\$94 million) in debt funding for the Company's operations and full expansion program
- The debt facility is structured in two parts to match capital investment program
  - Interim debt facility of \$US20m (AU\$25m) drawdown before August 2015
  - Full debt facility of \$US75m (AU\$94m) which will also repay the Interim debt facility
  - Interim debt facility is higher cost, but it allows deferral of the Full facility until additional production conditions can be met, thereby lowering the overall average debt cost
  - Interim debt facility is not linked to or dependent upon the outcome of the current rights issue
- Equity raising to supplement the debt facilities, to fund interim capital requirements and for working capital, comprising
  - A placement to institutional and sophisticated investors to raise A\$2.1m at \$0.29 per share
  - 1 for 6 renounceable Rights Issue at \$0.29 per share to raise up to A\$9.4m
  - Placement and Rights Issue investors will receive 1 for 2 attaching options in the same class as the ASX listed VXLO options

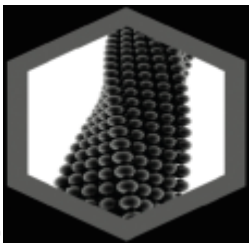


# Production Expansion Program

The funding facilities support the Company's expansion program:

- **Further Resource Upgrade** (to Sept 2015)  
Finalisation of the 2015 drilling and metallurgy program underway with corresponding resource upgrades for Uley Pit 2
- **New High Grade Open Pit** (mining to commence Q4 CY 2015)  
New mining from Uley Pit 2 with associated tailings and water reclamation facilities
- **Expand Graphite Production Capacity** (2016)  
Expand capacity in two stages, to 39,000 tpa initially, then to 64,000 tpa
- **Materials Handling & Advanced Manufacturing Facility** (2016)  
Development of a sophisticated Materials Handling and blending facility in Adelaide to meet demand for higher specification traditional graphite products & combined Advanced Manufacturing plant for reprocessing, refining and resizing graphite into higher-margin specialised and highly purified graphite products





# Ongoing Resource Upgrade

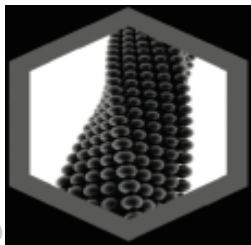
- **50% increase** in graphite resource announced 5 May 2015
- Upgrade based on only 35% of current drilling program
- Very high graphite grade maintained at 11.63% graphitic carbon
- Ore Reserve increase in May 2015
- Mineral Resource & Ore Reserves from remaining 65% of drilling program due to be announced progressively to Sept 2015
- The immediate (JORC 2012) Exploration Target (ET) is 9 Mt to 12 Mt at 9% to 12% gC
- The ET estimate under clause 17 of JORC 2012 is conceptual in nature and is an expression of the potential for geological extensions to the Uley Pit 2 prospect based on prior work by third parties and interpretation of that data by Valence. There has been insufficient exploration to estimate a Mineral Resource on the extension and it is uncertain if further exploration will result in the determination of a Mineral Resource on the extension. The Company notes that the work in relation to the ET has relied upon historic data from open file and archived reports and the information relied upon cannot be duplicated or otherwise verified by the Company.

## Uley Pit 2 in-situ JORC 2012 Mineral Resource

Resource Classification	Tonnage (Mt)	Graphitic Carbon (%)	Contained Graphite ('000 tonnes)
Measured	0.36	17.51	60
Indicated	2.75	11.39	310
Inferred	1.44	10.61	150
<b>Total</b>	<b>4.54</b>	<b>11.63</b>	<b>520</b>



Uley Pit 2: 25m+ @ 25%+gC



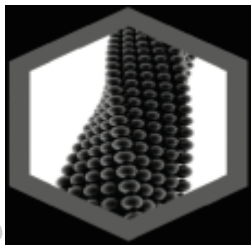
# New Open Pit – Uley Pit 2

- Mining of new open pit, Uley Pit 2 to commence in Q4 CY 2015
- Very high grade Ore Reserve at average 12.1% gC
- Free dig quarry operations with very short haulage 180m to stockpiles
- 8+ years mine life
- Uley Pit 2 contains JORC 2012 Ore Reserve of 2.9 Mt
- Uley Pit 2 JORC 2012 Exploration Target 9 Mt to 12 Mt at 9%-12% gC
- Southern Extension planned for 2017-2018 onwards



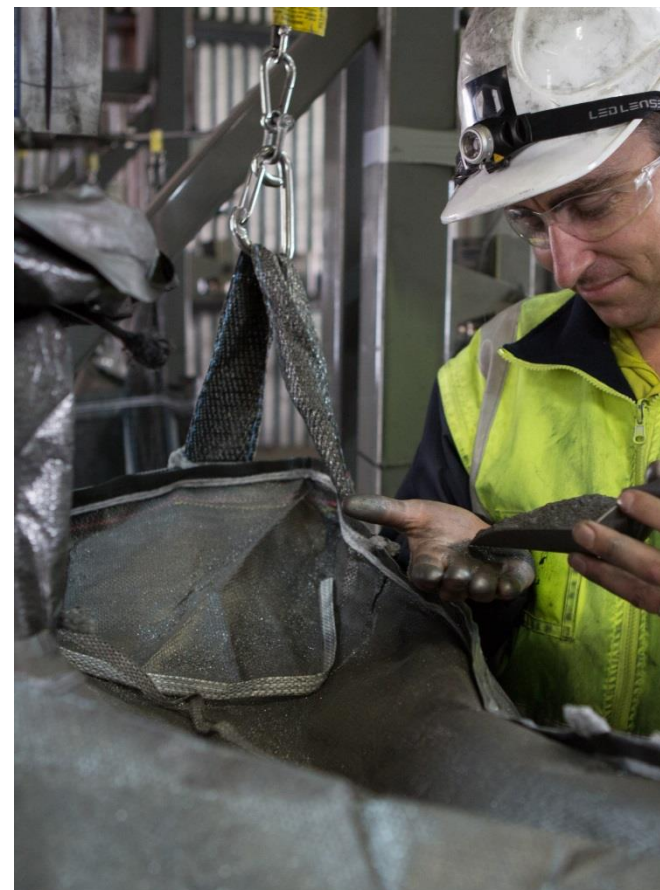
**New Open Pit – Uley Pit 2**

(Looking South – April 2015)



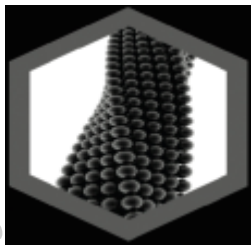
# Production Expanding to 64,000 tpa

- New production capacity to increase to 39,000 tpa commencing in 2016
- Traditional flake graphite production with multiple high-quality flake size & purity grades
- Automated systems will provide increased flexibility regarding processing options
- Further increase in capacity to to 64,000tpa scheduled for 2017–2018
- Capital cost of A\$50M for the expansion program as set out in the December 2014 Feasibility Study remains valid
- Additional capital from current facilities to be applied to increasing capacity of proposed higher margin Advanced Manufacturing plant



Bagging of Current Production

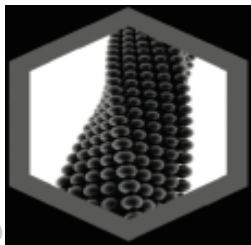




# Materials Handling Facility

- Construction of sophisticated Materials Handling facilities to commence in Adelaide in 2016
- Blending, sizing, packaging, warehousing and logistics of flake graphite products for export
- Designed to package graphite concentrate from:
  - the Uley Graphite™ processing facilities, and
  - the Advanced Manufacturing Facility (on completion)
- Value adding to standard graphite products through specialist blending, sizing and customised packaging
- Close proximity to port facilities to allow just-in-time deliveries
- Agile response to customer specifications for flake graphite products
- Ability to produce and manage up to 200 specialised graphite products





# Advanced Manufacturing Plant

- Construction of Advanced Manufacturing plant to commence in 2016 in Adelaide
- The plant will reprocess and refine flake graphite concentrate from the Uley Graphite™ plant to higher quality and purity, including by micronisation
- Product will be produced to customer specification, up to 99.95% purity at specified flake sizing
- Delivers significant value adding, increasing average product price from US\$1,335/t to US\$3,819/t\*
- Feasibility Study was based on 5% of graphite concentrate from Uley going through the Advanced Manufacturing plant
- Revised strategy increases proportion of Advanced Manufacturing from 5% to 40% of total production, leading to a substantial increase in expected revenues

\*Feasibility Study Dec 2014





# Feasibility Study Impact

Baseline production split  
(5% Advanced Manufacturing)  
from Feasibility Study  
(Dec 2014)

Table 1: FEASIBILITY STUDY BASELINE PRODUCTION SPLIT 95/5			
	39,000 tonnes per annum		
Advanced Manufacturing Processing	5%	~2,000 tpa	US\$3,819 p/t
Standard Processing	95%	~37,000 tpa	US\$1,335 p/t
Average Sales Price <sup>1</sup>		~39,000 tpa	AU\$1,824 p/t
Average Margin per Tonne		~39,000 tpa	AU\$1,047 p/t
Total Margin p.a. <sup>2</sup>	AU\$40.8M		

<sup>1</sup> USD : AUD 1:0.80

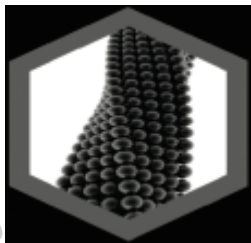
<sup>2</sup> 39,000 tpa x AU\$1,123 = AU\$43.8M & AU\$1,123 x 64,000 tpa = AU\$71.8M

Revised strategy increases to  
40% Advanced Manufactured  
in product mix delivering an  
85% increase in average  
margin<sup>2</sup>

Table 3: REVISED PRODUCTION STRATEGY CURRENT PRODUCTION SPLIT 60/40			
	39,000 tonnes per annum		
Advanced Manufacturing Processing	40%	15,600 tpa	US\$3,819 p/t
Standard Processing	60%	23,400 tpa	US\$1,335 p/t
Average Sales Price <sup>1</sup>	100%	~39,000 tpa	AU\$2,911 p/t
Average Margin per Tonne <sup>2</sup>	100%	~39,000 tpa	AU\$1,941 p/t

<sup>1</sup> USD : AUD 1:0.80

<sup>2</sup> Margin per tonne derived from Feasibility Study to be verified in detailed engineering and design program

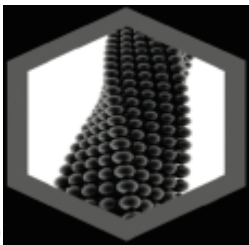


# Rights Issue

- A 1 for 6 renounceable entitlement offer of up to 32.3 million shares at \$0.29 per share to raise approximately \$9.4 million (Rights Issue)
- Investors receive 1 free option for every 2 shares subscribed under the Rights Issue in the same class as ASX listed VXLO options, exercisable at \$0.25 on or before 31 July 2016.
- The Rights Issue is not underwritten but Valence Industries may accept underwriting commitments and subscriptions for shortfall shares under the Rights Issue at its discretion
- Net proceeds from the Rights Issue and Placement will be applied towards completing the 2015 drilling program, new tailings facilities, completion of existing plant commissioning, design for production expansion, and for working capital
- The capital structure assuming full subscription to the Rights Issue is:

Description	Shares	Options *	Gross Amount Raised
Existing Securities	186,798,612	71,832,555	-
Placement	7,117,665	3,558,837	\$2,064,123
Rights Issue (1 for 6)	32,319,380	16,159,690	\$9,372,620
<b>Total</b>	<b>226,235,657</b>	<b>91,551,082</b>	<b>\$11,436,743</b>

\* The Company also has 5,550,000 Unlisted VXLAM options on issue.

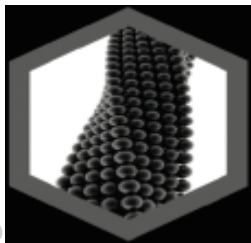


# Timetable for Rights Issue

EVENT	DATE
Announcement of Rights Issue & lodgment of prospectus	Thursday 7 May 2015
Ex date, Rights trading commences	Thursday 14 May 2015
Record date for determining Shareholder entitlements	7:00pm (AEST) Monday 18 May 2015
Prospectus dispatched to Shareholders	Tuesday 26 May 2015
Last day of Rights trading	Thursday 18 June 2015
Closing Date – The last day for receipt of acceptance forms	5:00pm (AEST) Thursday 25 June 2015
Allotment of New Shares and New Options	Thursday 2 July 2015
Expected commencement of trading in New Shares and Options	Friday 3 July 2015

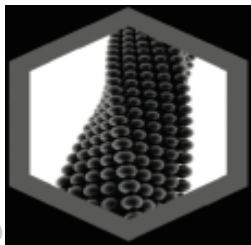
\* The timetable is subject to amendment in accordance with the ASX Listing Rules





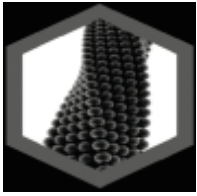
# Debt Facility – Summary terms

Interest Rate:	Based on market rates at the time of closing each facility. Initial facility not expected to exceed 20% p.a. (short term facility) Full facility not expected to exceed 12.5% p.a. (repays Initial facility)
Early repayment:	In amounts of at least US\$5m. Early repayment provisions apply
Fees:	Lead arranger fee 3.5%, 1% facility administration fee, 1.5% advisory fee.
Key Conditions Precedent:	Due diligence, execution of formal documentation, obtaining shareholder and regulatory approvals, consents or waivers, no deterioration in market conditions or the financial position of the Company, commissioning of existing plant and securing customer sales sufficient to repay each facility.
Market Flex:	Applies
Nature of Facility:	Senior loans to Valence Industries, principal amortising notes
Security:	First ranking charges over all assets and normal security arrangements consistent with financing of this nature
Warrants:	Issued to Syndicate members equal to 15% of the amounts drawn, calculated based on the 32.2 cent strike price, exercisable within 48 months from drawdown



# Investment Highlights

- Graphite production and exports have commenced from existing plant
  - Production rate to increase to 14,000 tpa by Q3 CY 2015
- Multi-year customer sales contracts and MoUs signed in excess of 37,000 tpa
- Funding now in place for full expansion strategy including
  - New high grade open pit mine
  - Increasing graphite processing capacity to 64,000 tonnes p.a.
  - New Materials Handling and Advanced Manufacturing facility
- Revised strategy to increase production of higher margin product
  - Advanced Manufactured product to increase from 5% to 40% of total production
  - Increases weighted average product revenue from US\$1,335/t to US\$3,819/t
- Further Resource & Ore Reserve upgrades to be announced progressively to Sept 2015
- Australian Graphene Research Centre program commercialisation plans in progress



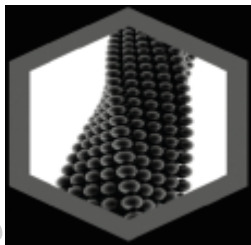
# Contact

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Valence Industries Limited

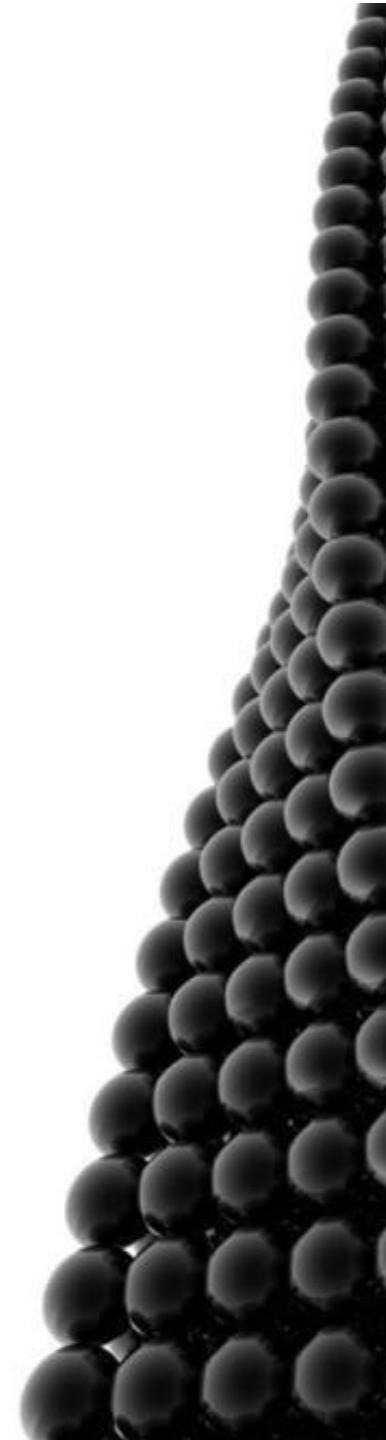
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## Appendix & Supplementary Information





# Corporate

## Capital Structure

(ASX: VXL & VXLO)

Ordinary shares	193.9m
Quoted Options (@ 25c 31.7.16)	75.4m
Options (@ \$1.10 exp. 31.7.17)	5.5m
Market Cap (@26c)	\$50.4m
Cash (@ 31/3/15)	\$3.0m
12 month sh. price range	87c – 23.5c

## Major Shareholders

Strategic Energy Resources Ltd	11.67%
HSBC Custody Nominees (Aust) Ltd	4.99%
Avatar Energy Pty Ltd	4.05%
EERC Australasia Pty Ltd	3.55%

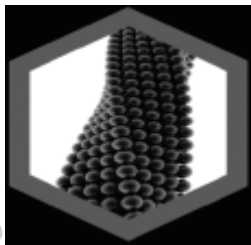
Top 20 shareholders own 42.4%

## Board

Graham Spurling AM	Chairman
Christopher S. Darby	Managing Director & CEO
Glenister Lamont	Non-executive Director
Ian Schache	Non-executive Director
Ian Pattison	Non-executive Director
Jarek Kopias	CFO & Company Secretary

## Senior Executives

Christopher S. Darby	Managing Director & CEO
Jarek Kopias	CFO & Company Secretary
Christopher S. Whiteley	Chief Marketing Officer
Chris Hall	Acting Chief Operating Officer
Greg Sando	Chief Information Officer



# Ore Reserve & Mineral Resource

- Ore Reserve (JORC 2012) upgrade released May 2015
- Further JORC 2012 Mineral Resource & Ore Reserve upgrade expected to follow through to Sept 2015
- A further Mineral Resource and Ore Reserve update is expected by September 2015 after further drilling

## ORE RESERVE – ULEY PIT 2 (JORC 2012)

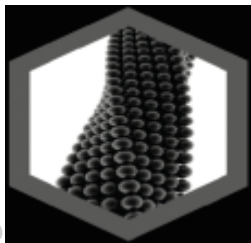
<i>Classification</i>	<i>Tonnage</i>	<i>Average Grade %C</i>
Proved	340,000	17.6
Probable	2,577,000	11.4
<b>Ore Reserve Total</b>	<b>2,917,000</b>	<b>12.1</b>

## JORC 2012 MINERAL RESOURCE

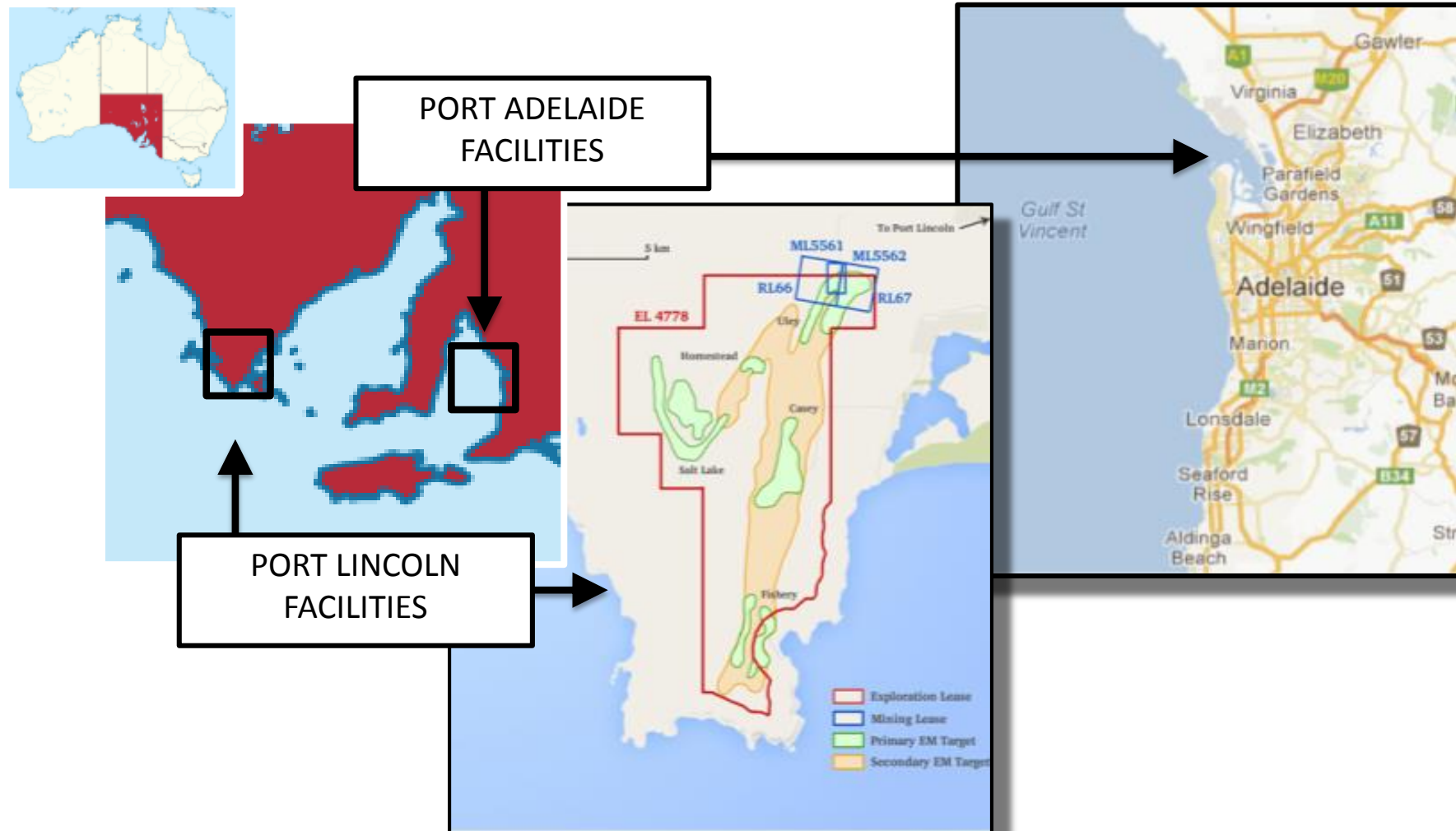
<i>Classification</i>	<i>Tonnage</i>	<i>Average Grade %C</i>
Measured	360,000	17.51
Indicated	2,750,000	11.39
Inferred (Uley Pit 2)	1,440,000	10.61
<b>Total</b>	<b>4,540,000</b>	<b>11.63</b>
Indicated (Stockpiles)	174,000	6.23

## JORC 2012 EXPLORATION TARGET

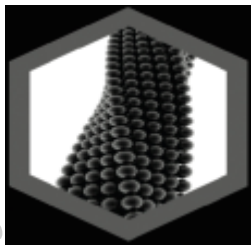
Immediate Exploration Target	9 Mt to 12 Mt	9%gC to 12%gC
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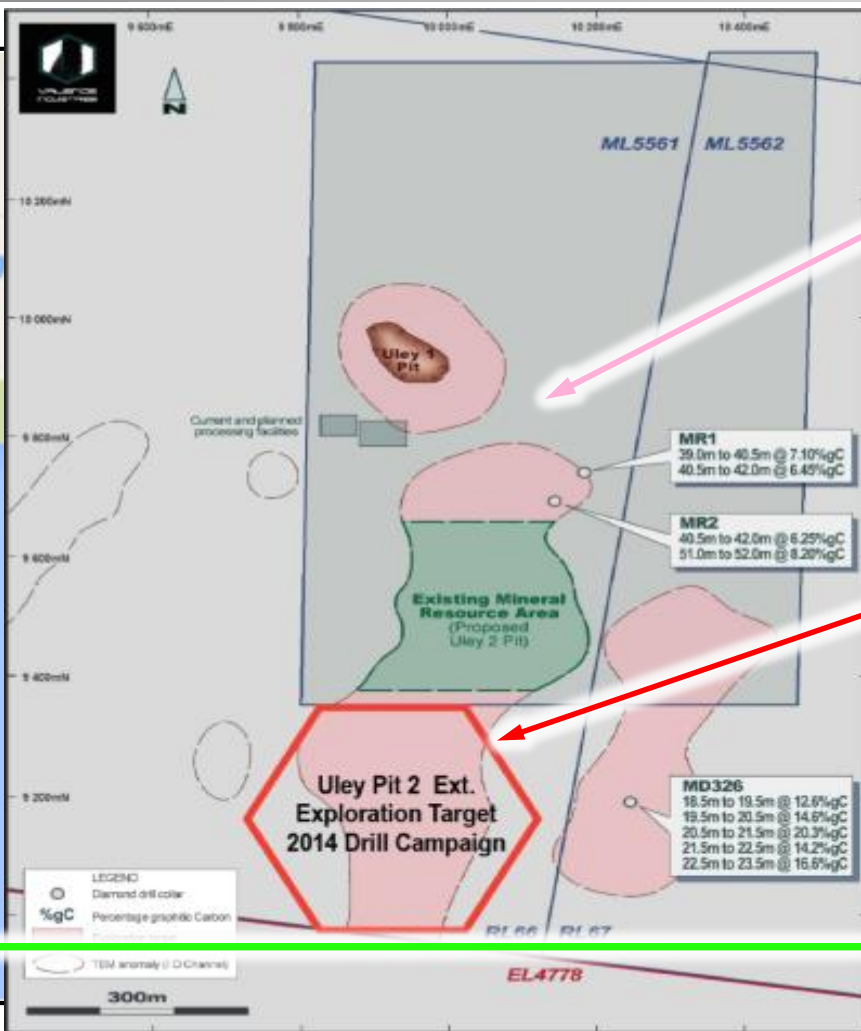
# Operating locations







# Land, tenements & resources



JORC 2012  
Exploration Target  
**9Mt-12Mt @ 9%gC-12%gC**  
(ALL PINK AREAS)

Extension drilling  
underway  
on  
**9900m @ 25M grid**  
&  
Results due  
Q2 CY 2015

Major expansion  
**75km<sup>2</sup> EL**  
South & West of  
Uley Pit 2.





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