



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

Tuesday, 21 October 2014

S.A. PREMIER TO OPEN PHASE I 14000t GRAPHITE PLANT

- SA Premier, Jay Weatherill will open Valence Industries regional graphite mining and manufacturing facilities on 25 November 2014
- Valence Industries has pre-commissioned the Phase I Secondary Process Circuits with operating crews for Phase I plant recruited and specialist graphite process training underway
- Processing of fines stockpiles is ready to commence subject only to final regulatory approvals
- SPP extended to shareholders by 7 business days to 31 October 2014

New Jobs & New Growth with opening by Premier Jay Weatherill

Valence Industries is pleased to advise that the South Australian Premier, the Hon. Jay Weatherill MP, will be opening the company's Phase I regional graphite mining and manufacturing facilities on 25 November 2014.

The formal opening of Valence Industries operations is significant for the State and for the Eyre Peninsula. With more than 30 local personnel recruited and more than 20 local contractors and suppliers engaged the Valence Industries operations represent new employment and business growth for South Australia and for Port Lincoln as a major regional centre.

Valence Industries remains a global leader among the new entrants to the graphite space. The Company prides itself on being focused on value adding to our natural resources for export to global markets. The opportunity to build on a long history of graphite production is now being realised and is set to grow significantly with the opening of the Phase I facilities just the first step in that process.

Phase I – Established Facilities

During 2014 Valence Industries has focused on recommencing graphite production by bringing its existing 14,000 t.p.a. Uley Graphite™ manufacturing and processing plant off care and maintenance.

Phase I – Process Teams Recruited

The Company is pleased to announce a very successful local recruitment campaign. Valence Industries has attracted significant numbers of highly qualified local applicants and the first shifts are ready to commence work at site. The vast majority of the site operations personnel have come from Port Lincoln and will make the short 15 minute drive to work each day.

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With no need for a FIFO workforce Valence Industries is pleased to be supporting the local community by drawing on the strength and depth of talent in the Port Lincoln region. The first shifts are currently undertaking specialist graphite training programs. Further shifts have been recruited to support the ramp up of production and will be employed once the relevant governmental approvals to recommence operations are received. Until then the Company continues to incur the cost of personnel, specialist commissioning experts and equipment payments before revenue can commence.

Production remains scheduled to commence in the second half of 2014 with a ramp-up in volumes over the following months to reach full production rates.

Phase I – Secondary Processing Circuit Ready

The Phase I facilities include two processing circuits. The Primary Processing Circuit is used to wash and grind raw run of mine material and produce a feed product for second stage processing. The Secondary Processing Circuit then screens, dries and allows for the packaging of the graphite to produce Valence Industries' multiple flake graphite product lines.

The Secondary Processing Circuit has now been installed, tested, pre-commissioned and is ready for full process production. Once commissioned it will be integrated with the Primary Processing Circuit to treat extensive Run of Mine (ROM) stockpiles and material from the planned Uley Pit 2.

Final regulatory works approval has taken longer than the expected timing indicated by government. Notably those delays in final approvals do not appear to arise from any matters of substance. Valence Industries holds existing Mining Licences, associated approvals and owns the land on which the Company conducts its business. As soon as final regulatory approval is received ramp up to full-scale Phase I production can commence.

Options to reduce the relatively high operating costs in the Phase I plant will also be examined once regulatory approvals are in place including realising the projected value from Phase II programs.

Phase I – Primary Processing Circuit Nears Completion

Work on refurbishment of the Primary Processing Circuit is reaching its final stages. It will be ready to start processing the ROM stockpiles in coming weeks.

Ahead of recommissioning the Phase I Primary Processing Circuit, once relevant approvals are obtained, Valence Industries intends to pre-screen and sort the existing ROM material. That program is designed to ensure a homogeneous feed material for the Phase I Primary Processing Circuit and is integral to the revised processing program.

In addition to processing stockpiles, Valence Industries may have the flexibility to process high-grade feedstock from Uley Pit 2 through the Phase I facilities with corresponding efficiencies. Based on recent drilling results, the feedstock from Uley Pit 2 is anticipated to be at significantly higher grades than existing stockpiles. The Company expects to release an updated JORC 2012 Mineral Resource and Ore Reserve in coming weeks.

The Phase I plant also provides an important training tool for the production teams while the more automated Phase II plant is developed. In addition it provides commercial quantities of processed Uley Graphite™ for pre-qualification by customers including in advance of larger scale production from the proposed Phase II plant. The Company anticipates releasing the feasibility study for the Phase II expansion this year.

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“The capacity to move to commissioning and ramp-up in operations of the only graphite processing facility in Australia is a significant step. This reaffirms Valence Industries leadership in this area and places South Australia at the forefront of new graphite manufacturing globally.” said Christopher Darby, MD & CEO, Valence Industries.

SPP for Shareholders Now Extended

The Share Purchase Plan (**SPP**) was originally scheduled to complete on 22 October 2014. Valence Industries is pleased to advise that it is extending the SPP to ***Friday, 31 October 2014***. The timetable for the remaining events under the SPP will now be as follows:

Key Event	Scheduled Date
Closing Date of SPP (7.00pm AEDT)	Friday, 31 October 2014
Issue of Shares under the SPP	Thursday, 6 November 2014
Dispatch of holding Statements	Tuesday, 11 November 2014

For further information, please contact:

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The information in this announcement that relates to the in situ Mineral Resources is based on, and fairly represents, 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.

Competent Persons Statement – In-Fill Drilling Campaign

The information in this announcement that relates to the Mineral Resources pertaining to the Company’s in-fill drilling campaign results is based on information compiled by Ms Karen Lloyd, who has been engaged as General Manager – Technical Delivery by Valence Industries. Ms Lloyd is a Member of the Australian Institute of Mining and Metallurgy. Ms Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Ms Lloyd consents to the inclusion in this release of the matters based on their information in the form and context as it appears.



VALENCE INDUSTRIES

Valence Industries – Manufacturing Our Carbon Future™

Valence Industries (ASX:VXL & VXLO) operates as an industrial manufacturer of high-grade flake graphite products for distribution and sale to global markets. The Company is the 100% owner of established mining, processing and manufacturing facilities and infrastructure to produce a wide range of graphite product lines for multiple applications and multiple industries.

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 produces and sells its graphite products from its Uley Graphite™ facilities 15 minutes from Port Lincoln in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America. 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.

In April 2014, 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. In August 2014 the Company also signed MoUs for the supply of 80,000 tonnes of graphite over a period of 2+ years.

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.

Phase I – Established 14,000t Graphite Plant

During 2014 Valence Industries focused on recommencing graphite production by bringing its existing Uley Graphite manufacturing and processing plant off care and maintenance. The existing Phase I Plant has a projected capacity to produce 14,000 tonnes of flake graphite concentrate per year. The Phase I plant was well maintained and, with the engineering and reconstruction program implemented by Valence Industries in 2014, the Primary Processing Circuit has been redesigned and replaced and the Secondary Processing Circuit has been fully refurbished and tested.

As part of the Phase I program the Company has conducted a successful local recruitment campaign. Significant numbers of highly qualified local applicants have been assessed and the first shifts are ready to commence work without the need for any FIFO workforce. The vast majority of the site operations personnel have come from Port Lincoln and will make the short 15 minute drive to work each day.

The Phase I program is designed to first process existing ROM stockpiled raw materials. The Company holds substantial stockpiles from the historical mining campaigns and has the ability to

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process that material for 9+ months. Importantly the ROM stockpiles are at a lower grade than the proposed new Phase II Uley Pit 2 and as Valence Industries opens that new pit and provides new higher-grade material to the Phase I plant it will become increasingly competitive ahead of production from the proposed Phase II plant.

The Phase I plant will be provide commercial quantities of processed Uley graphite for pre-qualification by customers in advance of larger scale production from the proposed Phase II plant, to be completed in 2015. The Company is waiting on the final regulatory works approval and will then ramp up its Phase I commissioning and production programs. Production remains scheduled to commence in the second half of 2014.

Phase II – Expanded Mining & 50,000t Graphite Plant

In conjunction with the Phase I program to restart operations at the Uley Graphite facilities Valence Industries is completing the feasibility study for the proposed Phase II expansion of production.

The feasibility study builds on the results and recommendations of the 2013 Scoping Study. This process has involved pursuit of relevant regulatory approvals, in-fill drilling across the existing JORC (2012) Mineral Resource, design and engineering of the new automated production facility and advanced assessment of the market and customer growth.

During 2014 Valence Industries completed the Phase II in fill drilling campaign for definition of Uley Pit 2. That program was very successful and identified significant high grade flake graphite material across the area of its existing JORC (2012) Mineral Resource with grades exceeding 47% graphitic carbon. The in-fill drilling campaign also led to a new discovery of a previously unknown zone of exceptionally high-grade flake graphite in *mineralised pegmatite* zone. The new graphite zone has grades in excess of 62% graphitic carbon and the flake graphite products from that zone are being described as Valence Industries *Arterial Flake*[™].

The Phase II plant is expected to achieve improved production capacity, quality and operating costs when compared to the Phase I Plant and correspondingly generate sound returns for Valence Industries. The Phase II Plant is planned to have an initial capacity in Phase IIA to produce 50,000 tonnes p.a.

Phase III – High Purity Graphite Programs

Valence Industries has initiated early assessment of the potential to deliver higher-value flake graphite products to its customers. This initiative is known as the Phase III High Purity Program. The Phase III program involves not only the delivery of flake graphite with higher purity levels which demand higher prices in the global market but also involves a range of specialist applications and proprietary formulations of Valence Industries flake graphite that do not necessarily include further purification.

The program to fully assess those Phase III opportunities is being conducted by Valence Industries Commercialisation & Sales division and will continue during 2014. The timetable for formally completing that assessment and releasing the results of any studies will be announced as the Company advances its thinking and commitment to these initiatives.

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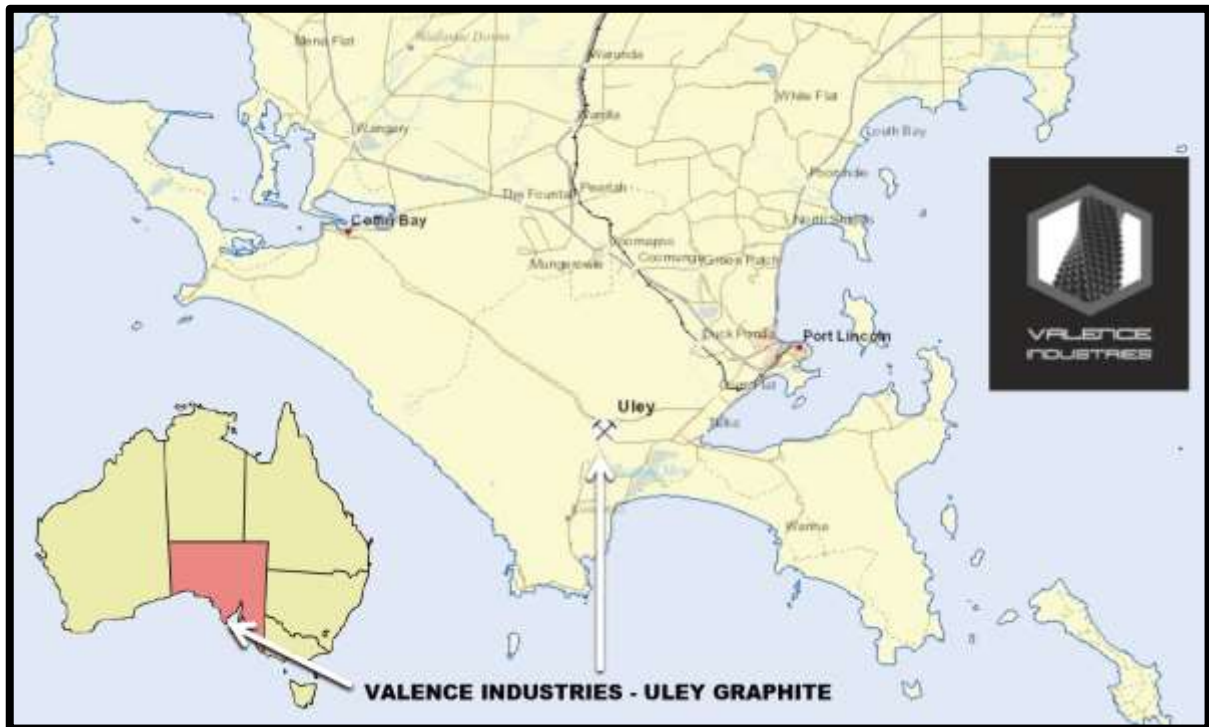


Phase IV – Advanced Graphene Program

Valence Industries signed a Joint Research, Development & Commercialisation Agreement with the University of Adelaide for the development and commercialisation of all new graphene research and for the development of a new Australian Graphene Research Centre to be based in South Australia. The Company has allocated \$800,000 over 3.5 years to this program.

This graphene research program is an initiative that has grown from pioneering work by Professor Dusan Losic and his team at the School of Engineering in the University of Adelaide. Professor Losic will continue to lead and help grow the research program as Valence Industries pursues the commercialisation of products from that research.

The graphene research driven and owned by Valence Industries will permit the development of new and significant applications for graphene products and sales. Those applications range from heavy industrial uses through to new technology and medical uses.



VALENCE INDUSTRIES

ULEY GRAPHITE™

MINING & MANUFACTURING SITE
SOUTH AUSTRALIA, AUSTRALIA