



ASX ANNOUNCEMENT

ASX: VXL & VXLO

26 May 2015

## VXL Very Coarse Flake Graphite Production

- Analysis conducted of actual graphite production from Uley Graphite™ plant during recent commissioning period
- Results showed a higher than expected quality in graphite product mix, including significantly greater proportions of high value, large flake graphite
- Product mix includes more than 71% in larger flake size (+150 microns) and within this, 9% of extra-large coarse flake graphite (+35 Mesh, 0.5mm)
- Flake size profile significantly exceeds results of historical production for the Uley Graphite™ Project in Australia
- Results demonstrate Valence Industries' ability to produce high quality flake graphite in volumes and sizes that will demand premium pricing in the global graphite market

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Valence Industries Limited (the 'Company') (ASX: VXL & VXLO) is pleased to announce the metallurgical analysis from its Uley Graphite™ plant during the first stage of the commissioning.

### Highlights of Metallurgical Analysis

The graphite product mix includes significantly larger proportions of large flake graphite than expected. Larger flake graphite generally commands a higher price in the graphite market.

- Product mix includes more than 71%\* in larger flake sizes with size distribution as follows:
  - 9% reported as extra-large coarse flake graphite (+500µm or +35-24 mesh) (*Super-Jumbo flake*)
  - 24% reported as large-coarse flake graphite (+300µm or +50-35 mesh) (*Jumbo flake*)
  - 28% reported as coarse flake (+180µm or +80-50 mesh) (*Very large flake*)
  - 10% reported as medium flake (+150µm or +100-80 mesh)
- Purity levels ranging between 90% and 95% based on the production processing runs to meet different customer needs.

"The results from production processing at our existing plant demonstrate the unique quality and value of the flake graphite from our Uley Graphite project.

We can produce very coarse flake in volumes and sizes that will demand premium pricing in the graphite market. Multiple customer contracts and multi-year MoUs signed for up to 37,000 tpa attest to the demand for our quality products." said Christopher Darby, Valence Industries CEO & MD

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\* Product mix is expressed in American ASTM E 11-87 Mesh Sizes



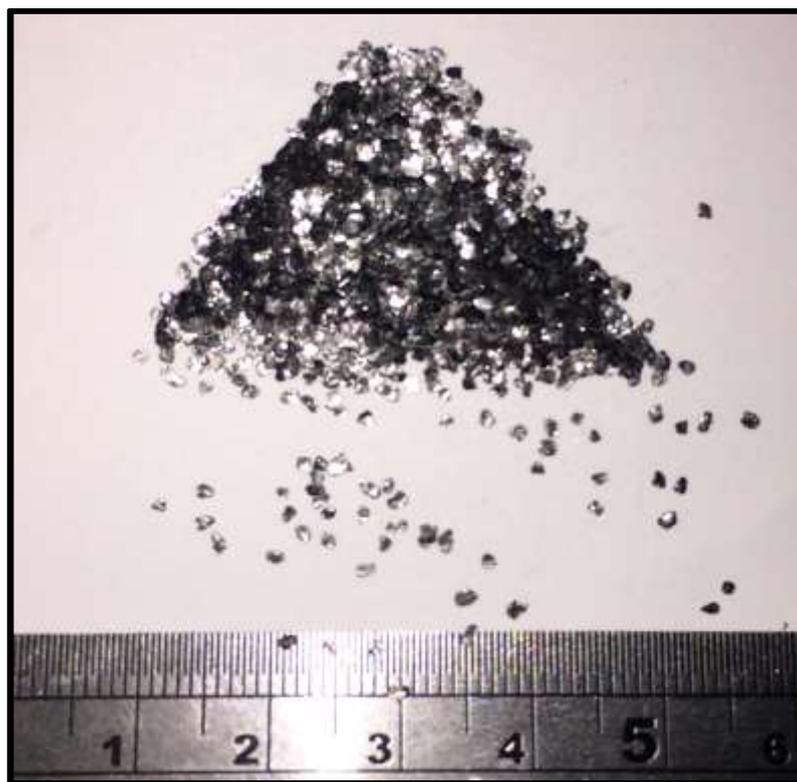
**Production Metallurgy Test Work**

Samples from production processing of the first ~1,500 tonnes of existing run of mine stockpiles have been analysed to inform changes to process optimisation in the commissioning program. The samples were collected in the final thickener at the end of the full production process prior to final drying, screening and bagging.

The following table shows the flake size distribution achieved from commissioning production using the existing run of mine stockpiles as feedstock:

<b>Valence Industries 2015 Flake Graphite Production Split</b>			
<b>Uley Graphite Flake Sizes</b>		<b>% of Total</b>	<b>Flake Graphite Industry Description<sup>†</sup></b>
<b>µm (microns)</b>	<b>Mesh<sup>‡</sup></b>		
+500µm	+35-24	9%	Extra-large coarse flake <sup>§</sup>
+300µm	+50-35	24%	Large coarse flake
+180µm	+80-50	28%	Coarse flake
+150µm	+100-80	10%	Medium flake
+106µm & <	-100+150	29%	Medium and fine flake

An example of Valence Industries’ extra large coarse flake is shown in Figure 1 below:



*Figure 1 – Extra-large Coarse Flake +35 Mesh  
Sample from 2015 Uley Graphite Operating Production Commissioning\*\**

<sup>†</sup> This is the correct industry terminology for flake graphite and the range of terminology such as “jumbo flake” and “super jumbo flake” that has been used in recent years is meaningless in the industry and is irrelevant and confusing for customers.

<sup>‡</sup> Mesh size is expressed in American ASTM E 11-87 Mesh Sizes

<sup>§</sup> Extra large coarse flake is flake which is much bigger than the inaccurate term “jumbo flake” used in recent years by junior explorers in the graphite space.

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These results are from actual production outcomes not lab-scale tests. It is anticipated that as commissioning continues and graphite production increases in coming weeks these results should improve as part of a process of optimising production. Further improvements are anticipated once the Company starts processing new material from Uley Pit 2 including in the zones of Arterial Flake™ graphite.

Construction of process water ponds and tailings storage facilities are scheduled to be completed by mid-June 2015. This work will allow for effective and safe management of tailings from processing, and the return, recycling and reuse of significant proportions of the water used in the facility. Graphite production has been suspended temporarily during the construction of the process water and tailings facilities, which has provided an opportunity for further maintenance, plant assessment and optimisation.

The first export shipment in April 2015 tested the loading, packaging and transport logistics program through Singapore to the destination port and has arrived with the customer and been paid for. The results of that first shipment of commissioning-level material have verified the integrity of the packaging system and the product palletising stability through multiple ports and transhipments. Customer shipments will increase progressively in volumes and value as production re-commences and ramps up in coming weeks.

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#### **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.*

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