Investor Presentation

VALENCE INDUSTRIES

OCTOBER 2015

ASIA PACIFIC I EUROPE I NORTH AMERICA

WWW.VALENCEINDUSTRIES.COM

ASX : VXL & VXLO

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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), "Major Increase to Graphite Ore Reserve and Mine Life" (14/5/15).
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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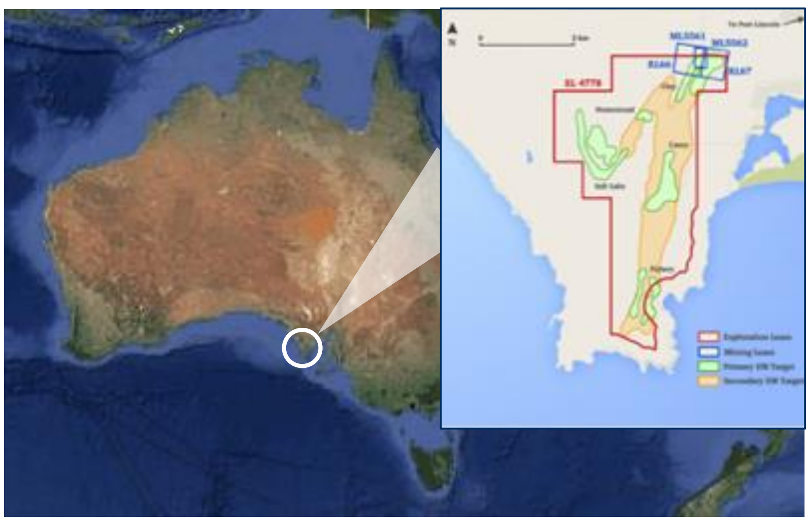
Corporate Summary

Producing quality flake graphite at the Uley Graphite mine near Port Lincoln, South Australia

Valence aims to be a leading global graphite producer.

Production Fundamentals:

- High grade, large flake graphite resource with low impurities
- Low cost reserve, targeting lowest quartile production costs
- Proven metallurgical performance (Up to +95.5% Conc grade)
- Proven customer demand for Uley graphite
- Potential to generate significant cash operating margins.



Capital Structure	
ASX code	VXL
Ordinary shares	199m
Quoted Options (@25c / 31.7.16)	76.9m
Options (@$1.10 / 31.7.17)	5.5m
Market Cap (@ 17c)	~$34m
Cash (@ 30.6.15)	~$1.6m

Major Shareholders	
Strategic Energy Resources Ltd	10.95%
Avatar Energy Pty Ltd	3.54%
EERC Australasia Pty Ltd	3.33%
BNP Paribas Noms Pty Ltd	2.00%

New Management Team*

Managing Direct – Robert Mencel

- +25yrs Experienced Mining and Engineering Executive. Previous roles include MD & COO (Ironclad Mining), GM (Mount Gibson Iron, Normandy), Business Manager/Project Director (Tenix)

Chief Marketing Officer - Chris Whiteley

- +25yrs of international sales and business development experience in carbon black, carbon composites and all types of graphite products. Previous roles include International Sales Manager POCO Graphite Inc; Director of Global Sales & Marketing – Toyo Tanso PA Graphite, Vice President Sales & Marketing Ontario Graphite Ltd

Chief Strategy Officer – Chris Darby

- +23yrs Legal and Business Development Experience. Founder of Valence Industries, ongoing focus on corporate strategy and graphene research partnerships

* From 1 December 2015

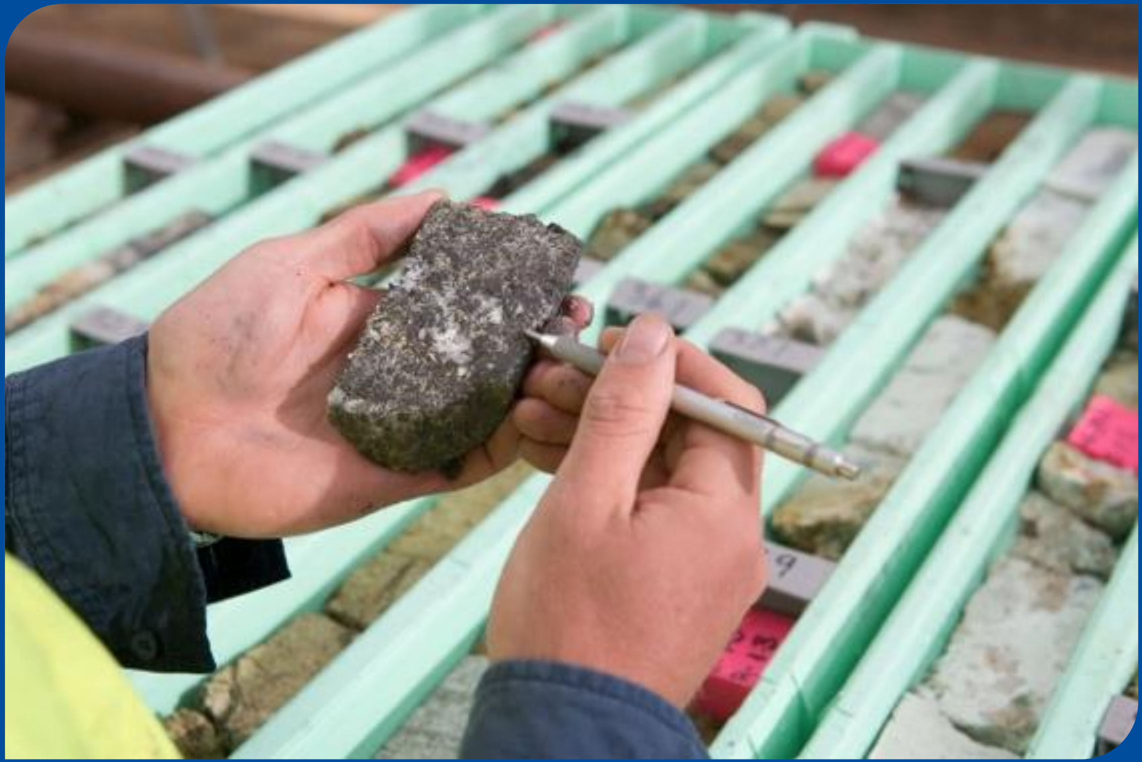
Corporate Strategy

"To be a lowest quartile cost,
highly profitable, quality graphite producer"

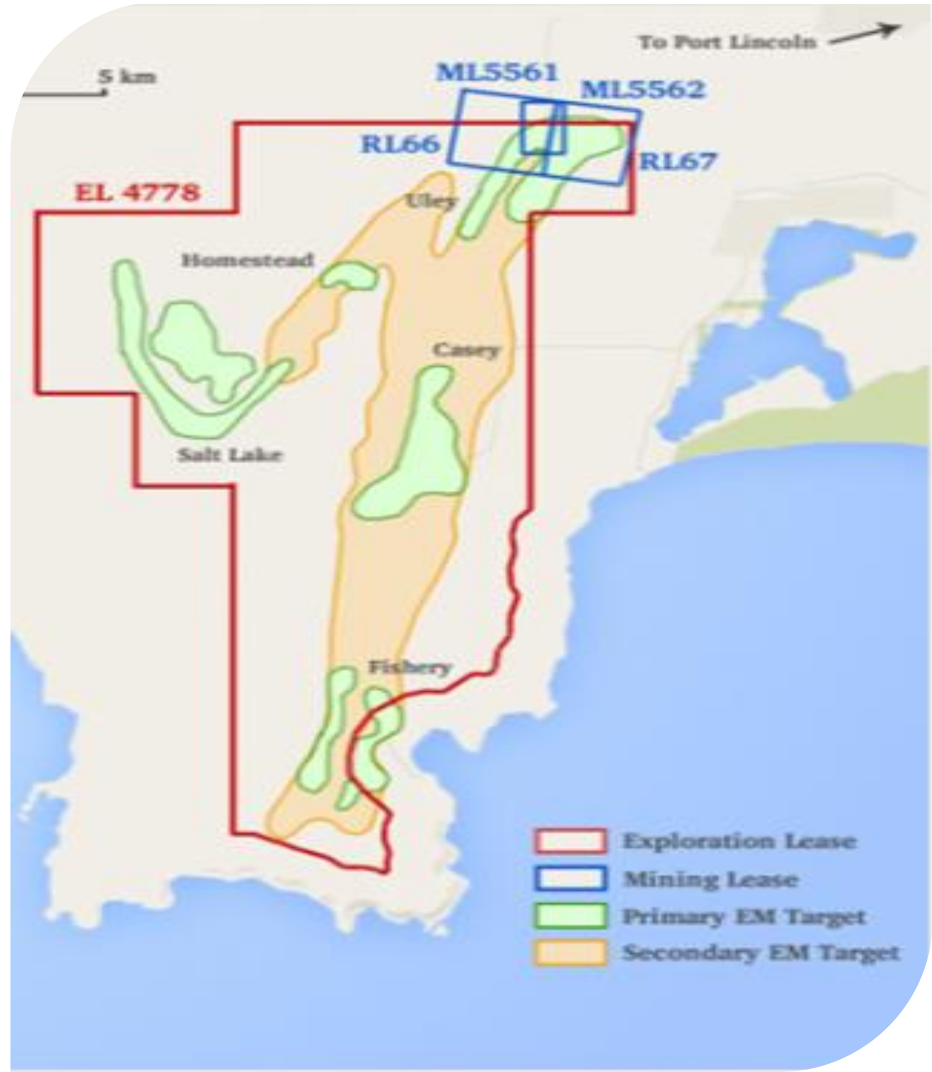
Valence will achieve this by

- Reserve development - Establishing additional long life, low cost reserves at Uley.
- Maximising cash flow – Improving early cash flow (highest grade first), minimising capital and debt requirements.
- Improved efficiency – De-bottlenecking of process plant, increased instrumentation and automation, improved reliability and optimised manning levels.
- Exceed customer's expectations - Supplying a consistent, high quality product, to specific customer specs, on time and at a price customers value.
- Maintain and maximise shareholder value through disciplined allocation of Capital.

Resource & Reserves



Mining Licences & Tenements



- All tenements 100% owned by Valence
  - Mining Leases ML5561 & ML 5562
  - Retention Leases RL 61 & RL 62
  - Exploration Licence EL4778
- Located in proven large flake graphite province

Mineral Resource & Ore Reserve

- 2015 drill campaign delivering substantial upgrades
- JORC 2012 Ore Reserve increased by 35% in contained graphite
- Mine Life increased by 60% to 15+ years
- Further upgrade to Mineral Resource and Ore Reserve expected Q2 2016

ORE RESERVE – ULEY PIT 2 (JORC 2012)

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

JORC 2012 MINERAL RESOURCE (as at 14/5/2015)

Classification	Tonnage	Average Grade %C
Measured	360,000	17.51
Indicated	2,750,000	11.39
Inferred (Uley Pit 2)	1,440,000	10.61
Total	4,540,000	11.63
Indicated Stockpiles (as at 6/8/2014)	174,000	6.23
JORC 2012 EXPLORATION TARGET		
Immediate Exploration Target	9 Mt to 12 Mt	9%gC to 12%gC

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.

Current Operation

Current Operation

- Original 1990's Uley Graphite™ plant refurbished & recommissioned - Sept 2015
- At steady state nameplate operation (21tph) installed secondary grinding, screening and bagging capacity found to be undersized.
- Remediation plan developed to remove bottlenecks and increase capacity
- Plant throughput rate reduced in the short term to maintain customer product specifications 92% - 96% Loss on Ignition (LOI) graphite, reflecting limited grinding capacity.
- Current plant operating with reduced manning levels. Production rate 2-3 tonnes per day, planned minor plant modifications will increase this in the short term to 5-7 tonnes per day.

Immediate Operational Focus

- Reduce site operating costs and cash outflows.
- Operate Plant (at reduced throughput) to meet product requirement for sales and marketing and build stocks for initial commercial sales.
- Implement new onsite organisational structure and manning levels to increase skill base and reduce operating costs.
- Initial review of resource/reserves completed - suggests significant potential to generate lower cost, near surface reserves.
- Planning for plant modification/expansion program. Program aim:
    - Targeted graphite output 21,000 tpa, ramping up from April to August 2016
    - Reduced operating cost - Increased instrumentation and automation
    - Improved plant availability

Plant Modification /Expansion

- Independent & internal engineering assessments completed (Orway Mineral Consultants)
- Requirements to address bottleneck issues have been identified and specified
- De-bottlenecking and upgrading existing plant can achieve a 50% increase in capacity on a less capital intensive basis than previous plans
- Increase in capacity to 21,000 tpa gives flexibility to meet customer demand and improves economies of scale
- Support received from syndicated financiers for revised expansion programs

What are the improvements?	
ROM Feed	New pre-screening of ROM stockpile ore to raise feed % grade & output reducing fixed cost per tonne
Grinding	Additional regrinding to delaminate flakes & release gangue materials but no major reductions in flake size
Dry, Screen & Bag	Additions to drying, screening & bagging capacity to increase grade control & graphite product specificity

What are the key advantages of the program?	
More Production	50% increase
Earlier	Brings forward planned expansion from Dec 2016 to target of May 2016
At Lower Cost	Low capex @~A$7m subject to detailed engineering & design

Markets & Customers

Global Market Overview

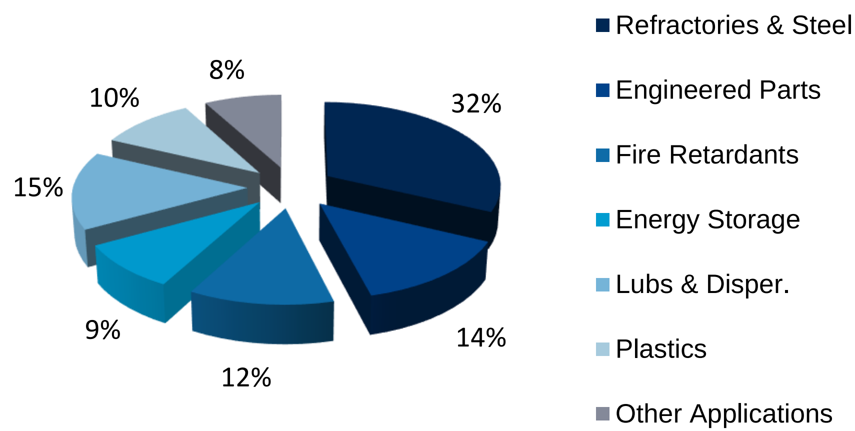
Demand

- Declining demand in steel directly affecting demand in refractories.
- Consistent, or increasing demand - for natural graphite in traditional applications including fire retardants, foils, & lubricants
- New (Energy Storage) demand growing

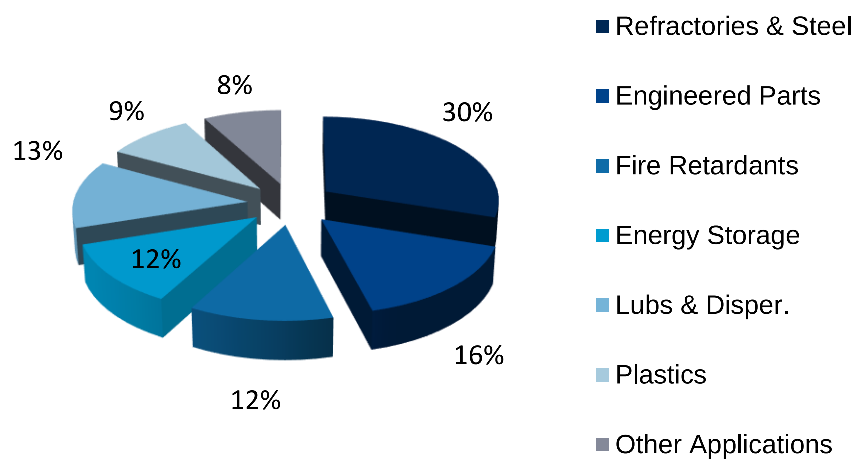
Supply

- Global Natural Graphite Production has declined ~ 12% from 2012 to 2015
- Production declines were mainly amorphous operations and also from flake mine consolidation

Global Natural Graphite Consumption 2014



Global Natural Graphite Consumption 2015



Customer & Sales Overview

- Strong customer interest for Uley Graphite™ across a range of industries & applications
- Contracted sales exceed current production capacity
- Contract sales to customers consistent with weighted average price of US$1,335 per tonne FOB Adelaide
- Sales agreements include:
  - US$50m over 3 years exceeding weighted average price
  - UK & Europe graphite agent forecasts sales up to 22,000 – 25,000 tonnes per annum
  - Multiple MoUs signed for delivery of up to 37,000 tonnes per annum over 2 – 3 years
  - Multiple trial orders being prepared for dispatch

Valence Graphite & Graphene Products

Product & Sales Strategy

- Initial Markets
  - Refractories, crucibles, foils, drilling fluids, geothermal
  - Six months or less qualification timelines to first order shipments
  - Trial order qualifications from 1 tonne to 80 tonnes
  - Sales agreement quantities range from 200 tonnes to 1,500 tonnes
- Initial Sales strategy
  - Build Inventory of grades under **HEATPRO**™ & **StratGraff**™ Brands
    - Mesh sizes: +395, +595, +895, -895,+195, -195
  - Trial order shipments for refractories, crucibles, drilling fluids
  - New market qualifications as new standard grades / purities are added
    - Expand purity range to 90 – 97; new mesh sizes +150, -150, +200, -200
    - Friction, special refractories, expanded graphite precursors, lubricants – grease
  - Begin added value micronisation & high purity flake upgrading / OEM's
    - Brand names – **StratGraff**™, **PowerGraff**™, **GraffPlus**™
    - Micron sizes – 5, 10, 15, 25, 45
- Progressive Sales Strategy – 1st Qtr & 2nd Qtr 2016
  - Trials to alkaline and lead acid batteries, li-ion cathodes, lubricants, dispersions
  - Shipments against orders to expand significantly in 2nd Qtr 2016
  - New trial orders to geothermal, foils, and expanded graphite precursor
  - Target new sales agreements with quantities ranging from 250 tonnes to 1,000 tonnes
  - Shipment ramp-up in line with production and inventory build-up targets > 1,500 MT per month

Corporate Development

Corporate Finance & Syndicated Facilities

- Planned total syndicated debt facilities reduced from US$75m to US$40m
- Key technical due diligence completed for Initial Facility for up to US$20m
  - Includes resource modeling, plant engineering, assessment and verification of markets & customers
- Discussions ongoing for remaining due diligence required for completion
  - No major issues arising although process has taken longer than expected
  - Alternate funding options will be considered to ensure development plans are not delayed
- Interim secured bridge facility in place
  - Total of A$5m with $4.5m drawn down
  - Continues to support current operations

Increased Production & Downstream Value-Adding

Graphite Production Capacity

- Decision regarding potential project expansion beyond 21,000 tpa is expected late 2016
- Any further output must:
  - Maintain lowest quartile production cost
  - Meet expected available market share / match customer expectations
  - Create Shareholder Value (maintain return on capital)

Downstream Value Adding

- Potential exists to undertake downstream value adding
- Potential value adding options include Micronised and purified flake graphite products
- Any Implementation of down-stream value adding must:
  - Be at a lowest quartile production cost
  - Meet expected available market share / match customer expectations including requirements for customer qualifications
  - Create Shareholder Value (maintain return on capital)
- Decision expected in 2016

Development Timeline

Q3 CY 2015

- Production continuing at reduced throughput
- Building stock inventory in warehouse in readiness for first commercial sales

Q4 CY 2015

- Secure financing
- Engineering & design program for immediate expansion completed
- Implement minor plant upgrade program & build warehouse stocks

Q1CY 2016

- Implement plant upgrade programs,
- Production shipments to warehouse & initiate exports

Q2 / Q3 CY 2016

- Graphite production capacity increasing to 21,000 tpa
- New mining from Uley Pit 2 & update value-added decision
- Consider development of value-added processing capacity

2017

- Potentially implement further staged increases to graphite production capacity
- Potentially implement value-added processing capacity

Summary

Investment Summary

- Uley plant is producing graphite at 92% to 96% (LOI) graphite at reduced production rates
  - Customer demand remains strong with contracts in place for current production and plant expansion
  - Accumulating production in Adelaide in advance of customer shipments
- Production issues identified during commissioning with low cost rectification plans defined
- Focused strategy to improve operating efficiencies, expand high quality graphite production and maximise early cash flow
  - Aim to be in the lowest quartile for CIF/FOB Cost
- Immediate operational focus targeted towards:
  - Remediation of plant bottlenecks
  - Implementation of new onsite organisational structure
  - Finalise funding discussions
  - Increase production capacity to 21,000 tpa
- Experienced management and executive team with strong core competencies

Contact

Robert Mencel
CEO & Managing Director (elect)
Valence Industries Limited

info@valenceindustries.com I +61 8 8215 6400