



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

26 May 2015

Renounceable Rights Issue - Despatch of Prospectus and Supplementary Prospectus to Eligible Shareholders

Valence Industries Ltd (ASX: VXL & VXLO) ("Valence" or "the Company") confirms that the Prospectus dated 7 May 2015 and the Supplementary Prospectus dated 22 May 2015 (to be read in conjunction with the Prospectus) for a pro-rata renounceable rights issue ("Rights Issue Offer") and other offers, together with the revised Entitlement & Acceptance Form and Shortfall Acceptance Form, was despatched to eligible shareholders today.

As per the announcement made on 21 May 2015, the timetable for the Rights Issue Offer has changed and the Rights Issue Offer now opens on 26 May 2015 and closes at 5:00pm AEST on 25 June 2015 (subject to any further extension).

If you have any queries concerning the Rights Issue Offer, please contact your financial adviser or the Company's share registry, Link Market Services, on +61 1800 009 918 (toll free within Australia) between 8.30am and 5.00pm (AEST) Monday to Friday.

Shareholders are able to subscribe for the rights issue on the Company's website at <http://www.valenceindustries.com/> and apply for an online application form if required.

For further information, please contact:

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CFO & Company Secretary
Valence Industries
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+61 8 8418 8564



VALENCE INDUSTRIES LIMITED

ACN 008 101 979

7 May 2015

PROSPECTUS

For the offers of

1. Pro-rata renounceable one (1) for six (6) rights issue of up to approximately 32.3 million New Shares at an issue price of A\$0.29 per New Share, with one (1) free attaching Listed Option for every two (2) New Shares subscribed, to raise up to approximately A\$9.4 million (**Rights Issue Offer**) and the offer of any Shortfall in respect of the Rights Issue Offer; and
2. Approximately 3.6 million Listed Options to the Placement Participants, on the basis of one (1) free attaching Listed Option granted for every two (2) New Shares subscribed for by each Placement Participant under the Placement (**Placement Offer**).

LEAD MANAGER - PATERSONS SECURITIES LIMITED

CLOSING DATE: 5.00pm AEST time on 12 June 2015

IMPORTANT NOTICE

This is an important document. If you do not understand it, or are in doubt as to how to act, you should consult your financial or other professional adviser. The securities offered pursuant to this Prospectus should be considered a speculative investment and potential investors should refer to section 6 for details concerning the risk factors.

CORPORATE DIRECTORY

Directors	Mr Graham G Spurling (Chairman) Mr Christopher S Darby (Managing Director & Chief Executive Officer) Mr Glenister Lamont (Non Executive Director) Mr Ian S Schache (Non Executive Director) Mr Ian D Pattison (Non Executive Director)
Company Secretary	Mr Jaroslaw (Jarek) K Kopias
Registered Office	Level 1, 67 Greenhill Road Wayville SA 5034
Principal Place of Business	Ground Floor 60 Hindmarsh Square Adelaide SA 5000 Telephone: +61 8 8418 8564
Lead Manager for Placement and Nominee	Patersons Securities Limited Level 15, 333 Collins Street Melbourne, Victoria 3000
Share Registry*	Link Market Services GPO Box 3560 Sydney NSW 2001
Auditors*	Grant Thornton Level 1, 67 Greenhill Road Wayville SA 5034
Lawyers	Watsons Lawyers Ground Floor 60 Hindmarsh Square Adelaide SA 5000
Website	http://www.valenceindustries.com/

*These parties are included for information purposes and have not been involved in the preparation of this Prospectus.

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HIGHLIGHTS OF INVESTMENT OPPORTUNITY

- (1) Funds raised from the Rights Issue Offer of up to approximately \$9.4 million and the Placement of \$2.1 million will be used for:
 - construction of scalable tailings facilities and process water return systems;
 - completion of existing plant commissioning;
 - completion of the 2015 drilling, assaying and metallurgical program;
 - preliminary engineering and design for production expansion;
 - costs of the Placement, Rights Issue Offer and First Debt Facility; and
 - working capital requirements.
- (2) The Rights Issue Offer allows you to increase your investment in the Company before it undertakes its proposed Expansion Plan, which consists of three (3) key elements:
 - (a) commencement of new mining operations from the designated Uley Pit 2 located adjacent to its current processing facilities;
 - (b) expansion of its graphite processing capacity at the Company's Uley Graphite™ site in two equal stages by 25,000 tonnes p.a.(or 50,000 p.a. in aggregate)
 - (c) development of an advanced product handling facility for the manufacture of multiple flake graphite product lines; and to produce advanced and higher value added flake graphite product lines.
- (3) The Rights Issue Offer allows Shareholders to subscribe for securities at the same price as the Placement, and offers each Shareholder:
 - (a) the right to subscribe for one (1) New Share for every six (6) Shares held at the Record Date at 29 cents per New Share, which is a discount of 19.7% to the volume weighted average price of Shares on the 5 days that the Company's Shares traded prior to 1 May 2015 (being the day the Company entered a trading halt pending announcement of the Rights Issue Offer and Placement); and
 - (b) one (1) free attaching Listed Option, in the same class as the existing Listed Options, for every two (2) Shares subscribed for under the Rights Issue Offer, exercisable at 25 cents per share (subject to the adjustment under Listing Rule 6.22.2 as a result of the Rights Issue Offer) and expiring on 31 July 2016.
- (4) Shortfall under the Rights Issue Offer may be taken up by Shareholders or other investors, other than the Directors (subject to the terms of this Prospectus).
- (5) The Rights Issue Offer will raise up to approximately \$9.4 million (before costs).
- (6) The Placement Offer is for approximately 3.6 million Listed Options to the Placement Participants, on the basis of one (1) free attaching Option granted for every two (2) Shares subscribed for by each Placement Participant under the Placement, exercisable at 25 cents per Share (subject to the adjustment under Listing Rule 6.22.2 as a result of the Rights Issue Offer), expiring on 31 July 2016.

KEY RISKS ASSOCIATED WITH THE OFFERS AND COMPANY

- (1) An investment in the Company's securities is speculative and there is no guarantee regarding the price at which the Company's securities will trade. Market factors and commodity prices may have an impact on forecast sales revenue and the price at which the Company's securities trade.
- (2) There is no guarantee that any funds will be raised under the Rights Issue Offer.
- (3) There is no guarantee that the Company will have sufficient funding to undertake the Expansion Plan, and this will depend on whether any funding is made available to the Company under the Debt Facilities.
- (4) The Company has signed a Heads of Agreement in respect of the provision of the Debt Facilities but there is no guarantee that the Debt Facilities will ultimately be made available to the Company. The conditions of the Debt Facilities must be satisfied or waived on or before 31 December 2015 before any funds will be available, which include conditions related to due diligence, execution of the formal documentation, the obtaining of all necessary shareholder and regulatory approvals, consents or waivers, no deterioration in market conditions or the financial position of the Company, commissioning of the Phase I Plant, and graphite sales contracts and sufficient reserves in the Uley Graphite™ Project to support the repayment of the Debt Facilities. If any of those conditions are not satisfied or waived, the Debt Facilities may not be available, in which case the Company will need to delay, revise or reduce the scope of its plans or secure approximately US\$75million in alternative funding, through either debt or equity (which could dilute existing Shareholders), in order to undertake the proposed Expansion Plan (including capital expenditure required as well as other working capital). There are no guarantees that such funding will be available, or available on terms acceptable to the Company. This could impact on the activities of the Company, including its ability to produce graphite.
- (5) If any of the Debt Facilities are drawn down by the Company, and the Company is unable to repay the amounts outstanding or the interest as and when it falls due, then the Company could be exposed to penalties or claims for breach of contract or a winding up and, if the amounts outstanding are secured by a security over the Company's assets, the lender could appoint a receiver over the Company's assets in order to recover the debt owing to it. Any security holder would rank behind the lender, employees and other creditors.
- (6) The operations of the Company (including the Expansion Plan) may be affected by a number of operational and technical difficulties encountered in mineral processing and manufacturing, including those leading to sub-standard graphite qualities, mining and processing technical difficulties and increased or unforeseen costs.
- (7) Whilst the Company is able to generate cash flow from processing of existing stockpiles and from production, no guarantee or assurance can be given that the Uley Graphite™ mining and processing operations or the operations which may result from the Expansion Plan will be able to generate appropriate cashflow to fully fund its ongoing operations. This would be dependent on many factors, including the building of further infrastructure and commissioning and operational performance, as well as the ability to secure and maintain sales for graphite produced. Whilst the Company is able to generate cash flow, the Company is still dependent on being able to obtain future equity or debt funding to support its operations, and support its proposed Expansion Plan.
- (8) Whilst Valence Industries has a defined JORC 2012 Ore Reserve, JORC 2012 Mineral Resource, JORC 2012 Exploration Target, existing run-of-mine stockpiles and processing facilities, current revenue or profits for Valence Industries are dependent on the performance of the existing plant, the availability of funds and ongoing customer sales contracts.

This is a brief description of the highlights of the investment opportunity and key risks associated with the Offers and the Company, and should be read in conjunction with the rest of this Prospectus.

IMPORTANT NOTICES

This Prospectus is dated 7 May 2015 and was lodged with ASIC on 7 May 2015. ASIC and ASX take no responsibility for the contents of this Prospectus.

This Prospectus is for an offer of continuously quoted securities and options to acquire continuously quoted securities, issued in accordance with section 713 of the Corporations Act. No New Securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In preparing this Prospectus, regard has been given to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

This Prospectus and accompanying Acceptance Form and/or Shortfall Application Form does not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Where the Prospectus has been dispatched to persons domiciled in a country other than Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Prospectus and accompanying Acceptance Form and/or Shortfall Application Forms are provided for information purposes only. Any recipient of this Prospectus domiciled in a country outside of Australia or New Zealand should consult their professional advisers on requisite formalities. Overseas or foreign applicants who wish to acquire Rights on market should also be aware that the Company is an 'Australian urban land corporation' under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), and any investment in the Company may require notification and the *Foreign Acquisitions and Takeovers Act 1975* (Cth). If you are a foreign person within the meaning of the *Foreign Acquisitions and Takeovers Act 1975* (Cth), you should seek independent legal advice as to how you should proceed before acquiring any Rights on market or making any Application.

No person is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers. Expressions used in this Prospectus with an upper case initial letter have defined meanings which are set out at the end of this Prospectus.

Warning statement applicable to New Zealand investors

The Offers to New Zealand investors are regulated offers made under the mutual recognition provisions in Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008. The Offers and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offers must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offers. If you need to make a complaint about the Offers, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The Offers may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

KEY DATES

The indicative timetable for the Rights Issue Offer and Placement is as follows:

EVENT	DATE
Announcement of Rights Issue Offer, Placement and Lodgement of Prospectus – Announcement of Rights Issue Offer, Placement and Appendix 3B lodged with ASX and Prospectus lodged with ASIC and ASX	Thursday 7 May 2015
Notice to Shareholders – notice of Rights Issue Offer sent to Shareholders containing information required by Appendix 3B	Wednesday 13 May 2015
Placement Shares and Options – the date on which Shares and Listed Options are allotted under the Placement	Wednesday 13 May 2015
Ex date and Rights trading commences – the date on which Shares commence trading without the entitlement to participate in the Rights Issue Offer and Rights trading commences	Thursday 14 May 2015
Record Date – the date for determining entitlements of Shareholders to participate in the Rights Issue Offer	7:00pm AEST time Monday 18 May 2015
Prospectus sent to Shareholders – despatch of Prospectus and Application Forms–Offers open for acceptance	Thursday 21 May 2015
Last day of Rights trading	Thursday 4 June 2015
Securities quoted on a deferred settlement basis	Friday 5 June 2015
Last day to extend Closing Date	5:00pm (AEST) Tuesday 9 June 2015
Closing Date – The last day for receipt of Rights Issue Offer Application Forms	5:00pm AEST time Friday 12 June 2015
Shortfall notification date – notification of shortfall (if any) under the Rights Issue Offer	Wednesday 17 June 2015
Issue date – Allotment of New Shares and Listed Options.	Friday 19 June 2015
Expected commencement of normal trading in New Shares and new Listed Options on ASX	Monday 22 June 2015

Subject to the ASX Listing Rules, the Directors reserve the right to vary the dates for the Rights Issue Offer at their discretion. Should this occur, the variation will have a consequential effect on the anticipated date of issue and normal trading of New Securities (if applicable).

The Placement Offer opens on the date of this Prospectus and the Listed Options under the Placement will be issued at the same time as the Placement Shares, anticipated to be Wednesday 13 May 2015. The Placement is only available to certain investors identified by Lead Manager and the Company.

CHAIRMAN'S LETTER

Dear Shareholder

Rights Issue Offer

The Board of Valence Industries is presenting an opportunity for you to participate in a renounceable Rights Issue Offer, to raise approximately A\$9.4 million (before costs and expenses).

The Rights Issue Offer is part of an overall funding package secured by the Company, which includes:

- a Placement to sophisticated and professional investors, at the same price as the Rights Issue, to raise approximately A\$2.1 million; and
- conditional Debt Facilities of up to US\$75 million.

Proceeds raised under the Rights Issue Offer and Placement will be allocated first to the costs and expenses of the Offers and First Debt Facility and then to:

- construction of scalable tailings facilities and process water return systems;
- completion of existing plant commissioning;
- completion of the 2015 drilling, assaying and metallurgical program;
- preliminary engineering and design for production expansion; and
- working capital requirements.

Any proceeds available under the Debt Facilities will be allocated to the Company's Expansion Plans, as well as the interests and fees payable in relation to the Debt Facilities and working capital costs.

Under the Rights Issue Offer, for every 6 Shares you hold on the Record Date you have the right to subscribe for one New Share at an issue price of 29 cents per Share.

In addition, for every two new shares for which you subscribe, you will also receive one free Listed Option. The Listed Options will be in the same class as the Company's existing Listed Options (ASX:VXLO). These are exercisable at 25 cents each (subject to the adjustment to the exercise price made in accordance with Listing Rule 6.22.2 as a result of the Rights Issue Offer) and exercisable on or before 31 July 2016.

The Rights Issue Offer provides you with an opportunity to increase your investment in Valence Industries at a discount to the market.

The Rights Issue Offer is renounceable. This means that if you do not wish to accept all or part of your Entitlement you may sell all of it or the part of it you do not wish to accept, either on ASX or off-market, during the Rights Trading Period.

My fellow Directors and I are pleased to offer Shareholders the opportunity to participate in this capital raising and assist in the funding of Valence Industries' exciting Expansion Plan. We are hopeful that you will continue your loyal support of Valence Industries and help us to move forward.

You are encouraged to read this Prospectus and the accompanying Application Form fully including the risk factors set out in section 6. If you have any questions about the Rights Issue Offer, you should consult your stockbroker or other professional adviser.

Yours sincerely



Graham G Spurling AM
Chairman

1. DETAILS OF THE OFFERS

1.1 The Rights Issue Offer

Valence Industries offers each of its Shareholders the opportunity to subscribe for New Shares under a pro-rata renounceable Rights Issue Offer. Each Shareholder is entitled to subscribe for one (1) New Share for every six (6) Shares held by that Shareholder as at the Record Date at an issue price of 29 cents per New Share. For every two New Shares subscribed for, Shareholders will receive one (1) free attaching new Listed Option.

The issue price of the New Shares represents a discount of approximately 19.7% to the volume weighted average price of Shares on the 5 ASX trading days on which Shares traded prior to 1 May 2015 (being the day the Company entered a trading halt pending announcement of the Rights Issue).

The New Shares will be fully paid and will rank equally in all respects with Valence Industries' existing Shares on issue. A summary of the rights and liabilities attaching to the New Shares is set out in section 7.1.

The Listed Options will be in the same class as and rank equally with the Company's existing listed options (ASX: VXLO), expiring on 31 July 2016 and will be granted on the terms and conditions set out in section 7.2. The exercise price of Listed Options is currently 25 cents each, but this exercise price will be adjusted as a result of the Rights Issue Offer, in accordance with the formula set out in Listing Rule 6.22 and in accordance with the terms of those Listed Options (please see section 7.2(12)), based on the ratio offered under the Rights Issue and the volume weighted average Share price for the 5 trading days ending on the day before the ex entitlements date ("Ex date"), being Thursday 14 May 2015. For example, if the volume weighted average Share price for the 5 trading days ending on the day before "Ex date" is 35 cents, then the exercise price of the Listed Options will be adjusted to 24.3 cents each.

If a Shareholder becomes entitled to a fraction of a Share or Listed Option, the entitlement will be rounded up to the nearest whole number.

Shareholders and Non-shareholders may also apply for Shortfall, in accordance with the terms and conditions set out in this Prospectus.

The Company has applied for quotation of all New Shares and Listed Options to be issued under this Prospectus on the date of this Prospectus. If quotation is not granted within 3 months of the date of this Prospectus then the New Securities will not be issued under this Prospectus and any application money received will be returned to applicants as soon as practical (without interest).

(1) What is my Entitlement?

The number of New Shares for which you are entitled to subscribe under the Rights Issue Offer (with a free attaching Listed Option for every two New Shares subscribed for) (**Entitlement**) is shown in the accompanying personalised Acceptance Form.

Shareholders may:

- (a) subscribe for all or part of their Entitlement;
- (b) sell all or part of their Entitlement on ASX;
- (c) sell all or part of their Entitlement other than on ASX;
- (d) allow all or part of their Entitlement to lapse; or
- (e) do any combination of the above.

Shareholders and non-shareholders may also apply for Shortfall as set out in section 1.1(2).

If you choose not to accept all of your Entitlement under the Rights Issue Offer, or if you choose not to exercise or sell any of the Listed Options before the expiration of those Listed Options, your shareholding in Valence Industries will be diluted.

Detailed instructions on how to accept and/or sell all or part of your Entitlement are set out in section 3. All applications, once received, are irrevocable.

Excluded Shareholders may not take any of the steps described above. Refer to sections 1.1(5) and 1.1(6) for information relating to Excluded Shareholders.

If you have bought Rights on ASX or otherwise, you need to consult with your stockbroker about how you can take up those Rights.

(2) Shortfall Shares

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and may remain open for up to three months following the Closing Date.

Shareholders may apply for Shortfall Shares in addition to their Entitlement. If you wish to accept your Entitlement in full and apply for Shortfall Shares:

- (a) complete the Acceptance Form accompanying this Prospectus; and
- (b) fill in the number of Shortfall Shares you wish to apply for in the space provided on the accompanying Acceptance Form; and then
- (c) you must pay the appropriate application monies (at 29 cents per New Share subscribed) as provided in paragraph 3.1(6) below.

Non-Shareholders may apply for Shortfall Shares using the Shortfall Application form included in this Prospectus. The Company will endeavor to allocate Shortfall Shares first to existing Shareholders and employees of the Company (other than Directors or related parties) that apply under the Shortfall Offer.

Persons who apply for and are allocated Shortfall Shares will also receive one free Listed Option for every two Shortfall Shares allotted.

Shortfall Shares will only be issued if the Rights Issue Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. If Valence Industries receives applications for Shortfall Shares that would result in the Rights Issue Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject or scale back applications, and otherwise, at its absolute discretion. The Directors reserve the right to place the Shortfall Shares and attaching Listed Options at their discretion.

The Directors reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for. Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

Valence Industries will not issue Shortfall Shares where Valence Industries is aware that to do so would result in a breach of the Corporations Act, the ASX Listing Rules, the *Foreign Acquisitions and Takeovers Act 1975* or any other applicable law. Shareholders wishing to apply for Shortfall Shares must consider whether the issue of the Shortfall Shares applied for would breach the Corporations Act, the ASX Listing Rules, the *Foreign Acquisitions and Takeovers Act 1975*, or any other applicable law having regard to their own circumstances (including the existence of any associates).

(3) Opening and closing dates

The Rights Issue Offer opens for receipt of acceptances on Thursday 21 May 2015. The closing date and time for acceptances and payments is 5:00pm AEST time on Friday 12 June 2015, subject to any variation of the closing date by the Directors in accordance with the ASX Listing Rules.

(4) Who is entitled to participate in the Rights Issue Offer?

Each Shareholder with a registered address in Australia or New Zealand, who is registered as the holder of Shares at 7pm AEST time on Monday 18 May 2015 is entitled to participate in the Rights Issue Offer in respect of the number of Shares for which that Shareholder is then registered as the holder.

If you are an existing Option holder, you may only participate in the Rights Issue Offer in respect of the Shares to be issued on exercise of the Options held by you if you exercise your Options prior to the Record Date and are registered as the holder of the underlying Shares (with a registered address in Australia or New Zealand) on the Record Date.

(5) Rights Issue Offer not made to Excluded Shareholders

Valence Industries has decided that it is unreasonable to make the Rights Issue Offer to shareholders who have a registered address in a country outside of Australia or New Zealand having regard to the number of shareholders in such places, the number and value of the New Securities they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions. The number of Shares held by shareholders who have registered addresses in countries outside of Australia and New Zealand as at close of trading on 5 May 2015 was 1,099,918 Shares.

Shareholders holding Shares on behalf of persons who are resident outside of Australia or New Zealand are responsible for ensuring that subscribing for the New Securities under the Rights Issue Offer does not breach regulations in the relevant overseas jurisdiction.

This Prospectus does not constitute an offer to Excluded Shareholders and the Prospectus will not be sent to Excluded Shareholders.

(6) Nominee to sell Rights of Excluded Shareholders

The Company has appointed Patersons Securities Limited, on normal commercial terms, as nominee for the purposes of ASX Listing Rule 7.7.1(c) and section 9A(3)(c) of the Corporations Act to sell the Rights, which would have been offered to Excluded Shareholders had they been eligible to participate in the Rights Issue Offer. The nominee will sell the Rights on market and will have the absolute and sole discretion to determine the timing, price and manner of sale of the Rights. The net proceeds, if any, of the sale (in Australian dollars) of the Rights will be distributed to the Excluded Shareholders pro rata in proportion to their respective shareholdings as at the Record Date (after deducting the costs of the sale and the costs of distributing the proceeds). There is no guarantee that the nominee will be able to sell the Rights and Excluded Shareholders may receive no value for the Rights. Neither the Company nor the nominee will have any liability for failure to sell the Rights or to sell them at a particular price.

If any or all of the Rights are not sold by the nominee, those Rights will be allowed to lapse and will form part of the Shortfall.

(7) Renounceability and Rights Trading

The Rights Issue Offer is renounceable. This means that, should you choose not to accept all or part of your Entitlement, your right to subscribe for New Shares and your right to subscribe for Options under the Rights Issue Offer may be traded on ASX or otherwise sold during the Rights Trading Period to a third party who need not be an existing shareholder. Any Entitlements not taken up by Shareholders (or an assignee of their Rights) will form part of the Shortfall and be dealt with in accordance with section 4.

Trading of Rights will commence on ASX at 10am AEST time Thursday 14 May 2015 and will cease at 4pm AEST time on Thursday 4 June 2015.

There is no guarantee that you will be able to sell any or all of your Rights or that any particular price will be paid for the Rights.

(8) Foreign persons

Overseas or foreign applicants who wish to acquire Rights on market or apply for Shortfall Shares should also be aware that the Company is an 'Australian urban land corporation' under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), and any investment in the Company may require notification and the *Foreign Acquisitions and Takeovers Act 1975* (Cth). If you are a foreign person within the meaning of the *Foreign Acquisitions and Takeovers Act 1975* (Cth), you should seek independent legal advice as to how you should proceed before acquiring any Rights on market or making any Application.

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Nominees applying for New Securities on behalf of overseas residents are responsible for ensuring that such an application does not breach any regulation applicable to any such overseas resident. If you are a nominee, or a person proposing to act as a nominee, you should seek independent advice as to how you should proceed.

(9) Electronic Prospectus

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@valenceindustries.com and the Company will send you, free of charge, either a printed copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.valenceindustries.com. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when the person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.2 Placement

As announced on ASX on 7 May 2015, the Company will place approximately 7.1 million Shares at the same issue price as the Rights Issue Offer of 29 cents to a range of sophisticated and professional investors introduced by Patersons Securities Limited, with the Placement Participants entitled to one (1) free attaching Listed Option granted for every two (2) Shares subscribed for.

The Placement Offer opens on the date of this Prospectus and the Listed Options attached to the Placement will be issued on 13 May 2015.

The Listed Options attached to the Placement are being issued with disclosure under this Prospectus in order to:

- (a) remove any secondary sale restrictions that may attach to the Listed Options issued pursuant to this Prospectus;
- (b) ensure a disclosure exception is available for the issue of Shares on the exercise of the Listed Options and any on-sale of those Shares in the 12 months from the date of issue.

The Listed Options attached to the Placement will be in the same class and will rank equally with the Company's existing class of listed options (ASX:VXLO), having an exercise price of 25 cents each, to be adjusted in accordance with the formula in Listing Rule 6.22.2 as a result of the Rights Issue Offer (see section 1.1 above), expiring on 31 July 2016 and will be granted on the terms and conditions set out in section 7.2.

The Company has applied for quotation of these Listed Options on the date of this Prospectus.

The Shares issued upon exercise of the Listed Options will be fully paid and will rank equally with Shares on issue at the date of this Prospectus. A summary of the rights and liabilities attaching to Shares is set out in Section 7.1 of this Prospectus.

2. FURTHER INFORMATION IN RELATION TO THE OFFERS

2.1 Use of funds raised from the Offers and other capital raisings

Funding from the Rights Issue Offer and the Placement will be first allocated to the costs and expenses of the Rights Issue Offer, Placement and the First Debt Facility, and then to:

- construction of scalable tailings facilities and process water return systems;
- completion of existing plant commissioning;
- completion of the 2015 drilling, assaying and metallurgical program;
- preliminary engineering and design for production expansion; and
- working capital requirements.

A breakdown of the anticipated allocation of the proceeds, assuming the Placement proceeds and the Rights Issue is fully subscribed is set out in the table below.

Item	Amount
Completion of Phase I plant, including:	
- Construction of scalable tailings facilities and process water return systems	\$2.2 million
- Phase I plant upgrade capital expenditure	\$2.6 million
Drilling assay and metallurgy program	\$1.6 million
Preliminary engineering and design for Phase II expansion	\$0.5 million
Costs of the Offers and First Debt Facility	\$1.0 million
Operating expenditure including site operations, product marketing, administrative costs and working capital requirements	\$3.5 million
Total	\$11.4 million

It is noted that the figures in the table above may be subject to change and will depend on the funds raised under the Rights Issue. In the event the Rights Issue is not fully subscribed, the planned expenditures will be reduced or deferred. Funds raised will first be applied towards costs of the Placement, Rights Issue and the First Debt Facility and other costs and expenses.

2.2 Offers not made where to make the Offers would be unlawful

This Prospectus and accompanying Application Form do not constitute offers of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Return of a duly completed Application Form will constitute a representation that there has been no breach of any applicable regulations. Where this Prospectus has been dispatched to persons domiciled in a country other than Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offers, this Prospectus and accompanying Application Form are provided for information purposes only.

2.3 Prohibition on exceeding 20% voting power threshold

Potential investors must have regard to and comply with the takeovers prohibition in section 606 of the Corporations Act (that is, the 20% voting power threshold), when applying for New Securities offered as part of the Rights Issue Offer pursuant to this Prospectus, and exercising the attached Listed Options.

As at the date of this Prospectus, there is no anticipated risk of a Shareholder exceeding the 20% voting power threshold in section 606 of the Corporations Act as a result of the Rights Issue Offer.

Whilst a nominee has been appointed to sell the Rights of foreign shareholders, this appointment is not under section 615 of the Corporations Act, so Shareholders who participate in the Rights Issue Offer will *not* be able to rely on the exemption for rights issues in Item 10 of section 611 by virtue of accepting their Entitlements.

Further, there is no exception applicable to the acquisition of Shares on the exercise of Listed Options.

The Company reserves the right to reject or scale back any application for Shortfall Securities which it considers may result in breach of section 606. The Company expressly disclaims any responsibility for monitoring such applications or ensuring that investors do not breach section 606 as a result of participation in the Offers or exercise of Options.

If you are an investor that may be at risk of breaching section 606 as a result of the exercise of Options, you have the following choices available:

- (1) sell your Options, either on market or off market;
- (2) sell some or all of your Shares prior to exercising any Options held by you; or
- (3) rely on another exemption from the takeovers prohibition in section 611 (such as the 3% creep exemption).

If you are an investors that may be at risk of exceeding the 20% voting power threshold in section 606 or increasing your voting power from a position above 20% as a result of application for Shortfall Shares or the acquisition of Shares following exercise of Options, you should seek professional advice before applying for Shortfall Shares or exercising Options (as applicable).

3. HOW TO ACCEPT THE OFFERS

3.1 How to accept the Rights Issue Offer

(1) How to take up all or part of your Entitlement

To subscribe for all or part of your Entitlement, please:

- (a) complete the accompanying Acceptance Form in respect of that part of your Entitlement you wish to accept according to the instructions on that form; and
- (b) forward the completed form together with payment of the appropriate application monies (at 29 cents per New Share subscribed for) to the Company's Share Registry in the manner provided in section 3.1(6) **by no later than 5.00pm AEST time on Friday 12 June 2015** (or such later date as the Directors advise).

If you apply and pay via BPay, you do not need to return the Acceptance Form, you simply need to make payment in accordance with the instructions on the accompanying Acceptance Form, for the number of New Shares you wish to apply for, multiplied by the issue price of 29 cents.

Acceptances will not be valid if they are received after the Closing Date.

Refer to section 1.1(2) for details of how to apply for Shortfall Shares in addition to your Entitlement.

(2) How to sell all or part of your Entitlement on ASX

You may sell all or part of your Entitlement on ASX.

If you decide to sell all or part of your Entitlement on ASX you will need to instruct your stockbroker as soon as possible and follow their instructions.

If you sell **all** your Entitlement on ASX do not return the accompanying Acceptance Form to the Company's Share Registry.

Rights trading will commence on ASX at 10am AEST time on Thursday 14 May 2015 and will cease at 4pm AEST time on Thursday 4 June 2015.

(3) How to sell all or part of your Entitlement other than on ASX

You may elect to sell all or part of your Entitlement to another person other than on ASX. You may only sell all or part of your Entitlement during the Rights Trading Period.

If you choose to sell all or part of your Entitlement to another person other than on ASX, then you must forward a completed standard renunciation and transfer form (obtainable from your stockbroker or the Company's Share Registry) to the Company's Share Registry at one of the addresses set out in section 3.1(6) by **no later than 5.00pm AEST time on Friday 12 June 2015**.

(4) How to sell part of your Entitlement and accept for the balance

If you decide to sell part of your Entitlement and accept the balance of your Entitlement you will need to:

- (a) if selling part of your Entitlement on ASX, instruct your stockbroker as soon as possible and follow their instructions; or
- (b) if selling part of your Entitlement other than on ASX, follow the instructions set out in section 3.1(3); and
- (c) complete the accompanying Acceptance Form in respect of that part of your Entitlement you wish to accept and forward the completed form together with payment of the appropriate application monies (at 29 cents per New Share subscribed for) to the Company's Share Registry in the manner provided in section 3.1(6), by **no later than 5.00pm AEST time on Friday 12 June 2015** or such later date as the Directors advise).

Acceptances will not be valid if they are received after the Closing Date.

(5) Lapse of Rights

You should be aware that your Rights may have value. Rights are renounceable, which enables you, if you decide not take up part or all of your Entitlement, to seek to sell or trade all or some of your Rights on ASX or off-market (for details see paragraphs (2), (3) and (4) above).

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse and will form part of the Shortfall.

(6) Payment

Payment must be made with your acceptance **by 5.00pm AEST time on Friday 12 June 2015**, or such later date as the Directors advise, and must be in Australian currency and made by:

- (a) cheque drawn on and payable at any Australian bank;
- (b) bank draft drawn on and payable at any Australian bank;
- (c) money order drawn in Australian currency; or
- (d) BPay.

Your Acceptance Forms, together with your cheque or a bank draft or money order for the appropriate application monies (at 29 cents per New Share subscribed for) must be sent to Valence Industries' Share Registry, Link Market Services, at:

By Post:

Valence Industries Limited
 C/- Link Market Services Limited
 GPO Box 3560
 Sydney NSW 2001

By Delivery:

Valence Industries Limited
 C/- Link Market Services Limited
 1A Homebush Bay Drive
 Rhodes NSW 2138
Please do not use this address for mailing purposes

so that they reach the registry **by no later than 5:00pm AEST time on Friday 12 June 2015** or such later date as the Directors advise.

If you apply and pay by BPay, you do not need to return the Acceptance Form accompanying this Prospectus, you simply need to follow the instructions on the Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payment, so please take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPay are received by the Closing Date.

Acceptances will not be valid if they are received after the Closing Date.

Your Cheque, money order or bank draft must be made payable to 'Valence Industries Limited Rights Issue' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

Application money received under this Prospectus will be held on trust until the New Securities are issued or the application money is returned (without interest) to the applicants.

4. SHORTFALL SHARES

Any Entitlement not taken up pursuant to the Rights Issue Offer will form part of the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and may remain open for up to three months following the Closing Date.

You may apply for Shortfall Shares in addition to your Entitlement. Non-Shareholders may apply for Shortfall Shares using the Shortfall Application Form included in this Prospectus. Refer to section 1.1(2).

Shortfall Shares will only be issued if the Rights Issue Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

If there is any Shortfall, the Shortfall Shares will be allocated to persons who have applied for Shortfall Shares.

The Directors reserve the right to issue the Shortfall Shares in their absolute and sole discretion. Any Shortfall Shares so issued will, in accordance with the ASX Listing Rules, be issued within 3 months after the Closing Date and will be issued at a price that is not less than the issue price of the New Shares under the Rights Issue Offer.

Valence Industries will not issue Shortfall Shares where Valence Industries is aware that to do so would result in a breach of the Corporations Act, the ASX Listing Rules or any other relevant legislation or law.

Application money received under this Prospectus will be held on trust until the New Securities are issued or the application money is returned (without interest) to the applicants.

5. EFFECT OF THE OFFERS ON THE COMPANY

5.1 Effect on financial position

A principal effect of the Offers on the Company, after the Placement, and assuming that the Rights Issue Offer is fully subscribed and no existing Options are exercised prior to the Record Date, and without taking into account the impact of rounding, will be that cash reserves will increase from \$8.3 million as at 31 December 2014 to \$13.8 million (based on the pro forma Balance Sheet as at 31 March 2015 set out below (which takes into account deductions for the expenses of the Offers as set out in section 8.7)).

A pro-forma Balance Sheet as at 31 March 2015 has been prepared and is set out below for illustrative purposes, but it has not been audited or reviewed. The pro-forma Balance Sheet has been prepared on the same basis and using the same accounting policies as the Company's reviewed accounts for the half-year ended 31 December 2014. The pro-forma Balance Sheet has been prepared on the basis that the Rights Issue Offer is fully subscribed and there have been no material movements in assets and liabilities of the Company between 31 March 2015 and the date of this Prospectus other than:

- (a) impact of the Placement and the Rights Issue Offer (net of expenses) on the cash balance;
- (b) an adjustment for the cash movements as announced in the Company's quarterly report for the quarter ended 31 March 2015. The adjustments correspond to the categories in the quarterly report and do not take into account movements in working capital accounts (payables and receivables); and
- (c) expenses of the Offers (not including nominee fees) of approximately \$660,000 (excluding GST).

Pro-forma financials - 31 March 2015

	Consolidated Actual 31-Dec-14 (reviewed)	Consolidated Pro-Forma Full Subscription 31-Mar-15 (unaudited)
	\$	\$
Current Assets		
Cash and cash equivalents	8,323,054	13,810,160
Trade and other receivables	759,916	759,916
Inventory	6,280	6,280
Total current assets	9,089,250	14,576,356
Non-Current Assets		
Term deposits (restricted cash)	1,708,776	1,708,776
Development expenditure	2,326,201	3,226,201
Exploration and evaluation expenditure	845,476	1,442,476
Plant and equipment	7,345,637	8,692,637
Total non-current assets	12,226,090	15,070,090
Total Assets	21,315,340	29,646,446
Current Liabilities		
Trade and other payables	3,624,287	3,624,287
Employee provisions	61,508	61,508
Borrowings	20,606	15,606
Total current liabilities	3,706,401	3,701,401
Total Liabilities	3,706,401	3,701,401
Non-current liabilities		
Borrowings	30,909	30,909
Provisions	535,575	535,575
Total non-current liabilities	566,484	566,484
Total Liabilities	4,272,885	4,267,885
Net Assets	17,042,455	25,378,561
Equity		
Issued capital	26,033,944	37,003,050
Reserves	1,096,180	1,096,180
Accumulated losses	-10,087,669	-12,720,669
Total Equity	17,042,455	25,378,561

Neither the Debt Facilities nor any of the fees payable to Chimaera under the Heads of Agreement have been taken into account or included in this pro-forma Balance Sheet.

5.2 Effect of the Offers on the Capital Structure of the Company

The capital structure of the Company as at the date of this Prospectus is summarised below:

Type of Securities	Number of Securities
Number of listed Shares	153,865,337
Number of restricted Shares	32,816,642
Total number of Shares	186,681,979
Number of Listed Options quoted on ASX	52,199,188
Number of Listed Options that are restricted and currently not quoted on ASX	16,250,000
Number of unlisted Options	9,000,000
Total number of Options	77,449,188

After completion of the Placement, and on the assumption that the Rights Issue Offer is fully subscribed, no existing Options are exercised, and without taking into account the impact of rounding, the capital structure following completion of the Offers will be as above, however:

- (1) the number of Shares on issue will increase from 186,681,979 to 226,099,585 (being, 7,117,665 under the Placement, and 32,299,941 under the Rights Issuer Offer); and
- (2) the number of Listed Options quoted on ASX will increase from 52,199,188 to 71,907,992 (being 3,558,833 under the Placement and 16,149,971 under the Rights Issue Offer).

None of the Options (warrants) that may be issued to Chimaera under the Heads of Agreement has been taken into account.

5.3 Potential effect on control

The Placement will comprise 7,117,665 Shares (equal to 3.7% of the undiluted share capital following issue of securities under the Placement, based on the number of Shares on issue at the date of this Prospectus and assuming no other Shares are issued) and 3,558,833 Listed Options. These securities will be issued to a range of sophisticated and professional investors. It is not anticipated that either the issue of Shares under the Placement, or the exercise of any of the Listed Options issued under the Placement will have any effect on the control of the Company.

The Rights Issue Offer is not anticipated to have any effect on the control of Valence Industries. The maximum number of Shares to be offered under the Rights Issue Offer is equal to 14.3% of the total Shares that will be on issue following issue of the Shares under the Placement and Rights Issue Offer (assuming it is fully subscribed and no other Shares are issued).

The largest shareholder of Valence Industries, Strategic Energy Resources Limited (**SER**), holds 11.67%. If SER takes up its full Entitlements, the Placement shares are placed and no other Shareholder take up their Entitlement, the relevant interest of SER would increase to 13.12%.

No Shareholder will be permitted to exceed 20% voting power as a result of the allocation of Shortfall.

6. RISK FACTORS

6.1 General

The New Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business. There are numerous risk factors involved. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some

are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which New Securities will trade.

The following is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. The summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to take up New Securities under this Prospectus.

6.2 General Economic Climate

Factors such as inflation, currency fluctuation, interest rates, government legislation or intervention, levels of taxation, industrial disruption, natural disasters, social upheaval or war in Australia or elsewhere and supply and demand have an impact on operating costs, commodity prices, revenues and stock market prices and returns to shareholders. The Company's future revenues and the market price for its listed securities may be affected by these factors, as well as by fluctuations in the price of graphite, which are beyond the Company's control.

6.3 Graphite Quality Risk

Actual graphite qualities produced during the life of the Uley Graphite Project may vary from those expected currently, which are based on sampling, drilling and metallurgy to date. If this occurs then the ability to sell the graphite may vary and the price at which it may be sold can also change.

6.4 Graphite and Currency Price Volatility

Graphite prices are subject to influencing factors beyond the control of the Company and can be subject to significant fluctuations. Some of these influencing factors include:

- the level of production costs in major graphite producing regions;
- expectations regarding inflation, interest rates and US dollar to Australian dollar exchange rates;
- supply and demand fluctuations for graphite;
- changes in investor sentiment toward graphite;
- speculative trading;
- technological advancements;
- forward selling activities; and
- macro-economic factors such as inflation and interest rates.

Substantial changes to graphite markets, graphite prices and other macroeconomic factors including foreign exchange rates could have an adverse impact on the commercial viability of the Company's current and proposed expanded operations. Those factors have the potential to negatively impact the ability of Valence Industries to pursue its current operations or its defined Expansion Plan (if at all).

Graphite prices are denominated in USD\$ currency. Fluctuations in exchange rate between USD\$ and AUD\$ will impact on the certainty of Australian dollar cash receipts from potential product sales. This may result in higher or lower Australian Dollar cash receipts upon currency conversion than is currently forecast.

6.5 Operational Risks

The Company's projects are exposed to material operating risks including the potential risk of sub-standard graphite qualities, mining and processing technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure as well as the potential for industrial and environmental accidents.

Profitability, asset values and the timeline for delivery of production or any program can be affected by unforeseen changes in operating circumstances, mineral reserves and geotechnical considerations.

6.6 Political and Regulatory

The possibility exists that new legislation and/or new regulations may be adopted that adversely affect the Company's current and proposed mining operations, cost structure and/or the ability of its customers to purchase or use graphite. The sale of graphite is particularly dependent on export markets and there is the potential that the ability to import graphite into a country for a customer could be limited by regulatory or governmental intervention.

6.7 Requirements for Capital

Whilst the Company is able to generate cash flow from processing of existing stockpiles and from production, no guarantee or assurance can be given that the Uley Graphite™ mining and processing operations or the operations which may result from the Expansion Plan will be able to generate appropriate cashflow to fully fund its ongoing operations. This would be dependent on many factors, including the building of further infrastructure and commissioning and operational performance, as well as the ability to secure and maintain sales for graphite produced. Whilst the Company is able to generate cash flow, the Company is still dependent on being able to obtain future equity or debt funding to support its operations, and support its proposed Expansion Plans.

Whilst Valence Industries has a defined JORC 2012 Ore Reserve, JORC 2012 Mineral Resource, JORC 2012 Exploration Target, existing run of mine stockpiles and processing facilities, current revenue or profits for Valence Industries are dependent on the performance of the existing plant, the availability of funds and ongoing customer sales contracts.

There is no guarantee that any funds will be raised under the Rights Issue Offer. If the Company does not raise sufficient funds under the Rights Issue Offer, it will need to seek equity funding through other means, which may result in the dilution of existing Shareholders.

The Company requires additional funding of approximately US\$75 million in order to commence full scale mining operations from Uley Pit 2, to expand processing capacity in two equal stages of 25,000 tonnes per annum, to complete the materials handling facility and to complete the advanced manufacturing facility. If that additional financing cannot be sourced as needed, the Company may be required to delay, revise or reduce the scope of its operations or anticipated Expansion Plan, incur financial penalties, or reduce or terminate its operations.

6.8 Debt Facilities and Expansion Plan

As announced on 7 May 2015, it is currently contemplated that the funding required for the Expansion Plan will be provided by way of the Debt Facilities.

The Company has signed a Heads of Agreement whereby Chimaera has agreed to provide certain services to the Company, which may include the provision of the Debt Facilities. There is no guarantee, however, that the Debt Facilities will ultimately be made available to the Company. The conditions of the Debt Facilities must be satisfied or waived on or before 31 December 2015 before any funds will be available, which include conditions related to due diligence, execution of the formal documentation, the obtaining of all necessary shareholder and regulatory approvals, consents or waivers, no deterioration in market conditions or the financial position of the Company, commissioning by the Company of the Phase I Plant, and graphite sales contracts and sufficient reserves in the Uley Graphite™ Project to support the repayment of the Debt Facilities. If any of those conditions are not satisfied, the Debt Facilities may not be available, in which case the Company will need to either secure approximately US\$75million in alternative funding, through either debt or equity (which could dilute existing shareholders), in order to undertake the proposed Expansion Plan or reduce or revise that business plan. There are no guarantees that such funding will be available, or available on terms acceptable to the Company. This could impact on the activities of the Company, including its ability to produce graphite.

The Debt Facilities, if available, will involve restrictions on financing and operating activities and will require the Company to grant security over the assets of the Company in order to secure repayment of the Debt Facilities.

If any of the Debt Facilities are drawn down by the Company, and the Company is unable to repay the amounts outstanding or the interest as and when it falls due, then the Company could be exposed to penalties or claims for breach of contract, or a winding up and, if the amounts outstanding are secured by a security over the Company's assets, the lender could appoint a receiver over the Company's assets in order to recover the debt owing to it. Any security holder would rank behind the lender, employees and other creditors if the Company was subject to a winding up or went into receivership.

Part of the fee for providing the Debt Facilities is an equity component, being the issue of Options equivalent in value to 15% of the amount of any Debt Facility provided to the Company (as set out in the announcement released on ASX on 7 May 2015). When these Options are exercised will have the effect of diluting existing shareholders.

6.9 Key Management

The Company is dependent on a skilled team to undertake the business of the Company. The current board and management team have specialist graphite, mining and processing personnel and might not be able to replace them with persons of equivalent expertise and experience. Valence Industries may be adversely affected if any of the Directors or management team leave the Company and Valence Industries may find it difficult to secure suitable replacements within a reasonable period of time or at all. Further, Valence Industries may incur additional expenses to recruit, train and retain personnel should they be available.

Consequently, the production and development programs and the management of the Company could be affected by the lack of suitable Directors, managers, employees or staff.

6.10 Tenure and Title

The Mining Leases, Retention Leases and Exploration Licence held by the Company are subject to periodic renewal. There are no guarantees that those tenements or interests will be renewed or that the Company will be granted further or additional rights or tenements required for the conduct of operations. If a tenement is not renewed for any reason, the Company may suffer significant damage through the loss of the opportunity to develop and discover mineral resources on that tenement.

6.11 Contractual Risk

The Company has a number of agreements in place, and intends to enter into further contracts, in relation to the development of the Uley Graphite™ Project, the proposed Expansion Plan and the sale of graphite.

The ability of the Company to achieve its objectives will depend on the performance of the counterparties and their obligations under those agreements. If a counterparty defaults in the performance of its obligations or wishes to enforce its rights, it may be necessary for the Company to seek or defend legal remedies including through a court action.

Legal action can be costly and there can be no guarantee that a legal remedy would ultimately be granted to the Company on the appropriate terms (if at all).

6.12 Dilution

Shareholders that do not accept their Entitlements in full or having accepted their Entitlement, do not exercise the free attaching Listed Options will have their Shareholding diluted. The Placement will also have the effect of diluting existing Shareholders.

6.13 Tax issues

There may be tax implications arising from the acquisition of New Securities or Rights and any subsequent disposal of New Securities or Rights. Tax liabilities are the responsibility of individual investors and all investors should carefully consider the tax implications and obtain advice from a

qualified professional advisor if required. The Company will not be responsible for any tax or related penalties.

6.14 Historical Agreements

There are a number of historical agreements that affect the Company's Tenements. The Company has formed the view that most of those historical agreements have expired or have been superseded by subsequent events, but there is a risk that it may be necessary for the Company to seek or defend legal remedies including through a court action in relation to this. Legal action can be costly and there can be no guarantee that a legal remedy would be ultimately granted to the Company on the appropriate terms (if at all). Further, it is possible that a court may form a different view than the Company in relation to the historical agreements, which could impact on the Company's rights and liabilities, including in relation to its Tenements.

6.15 Land Access

There is a substantial level of regulation and restriction on the ability of exploration and mining companies to have access to land in Australia. Negotiations with both native title claimants or holders and land owners/occupiers may be required before the Company can access land for exploration or mining activities. Inability to access, or delays experienced in accessing, the land may impact on the Company's activities.

The Company owns the freehold title to the land underlying its mining leases and the Uley Graphite Mine, but the adjacent retention leases RL 66 and RL 67 and exploration licence EL 4778 may be subject to a number of underlying landowners (including native title holders). The Company may be required to obtain the consent of and pay compensation to any landowners prior to commencing any activities on the affected areas. There is no guarantee that access to this land will be granted in a timely manner or that the conditions of access will be satisfactory to the Company.

6.16 Program for Environment Protection and Rehabilitation (PEPR)

The Company has a PEPR authorising it to excavate Uley 2 Pit to a depth of 16 metres. Before it is entitled to excavate Uley Pit 2 any deeper than 16 metres, the Company needs to conduct a water monitoring program and submit a new PEPR and have that approved by the Department. If the new PEPR is not approved by the Department, then the Company will only be permitted to excavate Uley Pit 2 to a depth of 16 metres, which could impact on the scope of the Company's operations or anticipated Expansion Plan.

6.17 Share market Conditions

The market price of the Company's securities may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

6.18 Environmental Risks

The operations and proposed activities of the Company are subject to both Australian Federal and State laws and regulations concerning the environment. All exploration, mining, processing and manufacturing have an impact on the environment, particularly advanced mine development.

The Company endeavours to conduct its activities in an environmentally responsible manner including compliance with all environmental laws. However, as with all exploration, mining, processing and manufacturing, the Company's operations are expected to have an impact on the environment. There are also risks inherent in the Company's activities including accidental leakages, spills, or other unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before undertaking activities that are likely to impact on the environment. If the Company fails to obtain such approvals it will be prevented from undertaking those activities. The Company cannot predict what future legislation and regulations may govern mining, and may impose significant environmental obligations on the Company. Furthermore, the Company's projects are exposed

to possible environmental constraints or operational conditions and regulations that may restrict the full or economical development of the resources.

6.19 Development, Mining & Process

Mineral exploration and development are high risk undertakings.

Project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of additional economically recoverable ore reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements;
- obtaining consents and approvals necessary for the conduct of mining and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees.

Other factors that could affect the operations of the Company include:

- failure to achieve predicted grades in exploration and mining;
- poor performance levels from external contractors;
- operational and technical difficulties encountered in mining;
- difficulties in commissioning and operating plant and equipment;
- availability of suitable plant and expertise from contractors and consultants;
- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction rates and costs;
- adverse weather conditions;
- industrial and environmental accidents;
- industrial disputes;
- availability of water and power; and
- unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment.

Consequently, there can be no assurance that through the projects the Company will be able to develop and commercialise mineral extraction from its tenements and generate positive cashflow to sustain the financial viability of the Company.

6.20 Sale of Graphite

There is a demand for graphite, and the Company believes that, by undertaking its Expansion Plan, it will be well placed to meet some of that demand. The Company's strategy encompasses a range of grades from current and future projects, designed to provide flexibility and responsiveness to customer requirements.

The Company remains cognisant of considerable competition and, in respect of the international markets, export market risks. In addition, the Company has current and new customer contracts for the sale of Graphite, and intends to find more buyers, or to increase the capacity of current customer contracts. While the Company is confident of being able to secure more buyers, and maintain its current customers, there is a risk that it might not be able to secured further buyers on favourable terms or at all.

6.21 Unforeseen Expenditure

Expenditure may need to be incurred that has not been taken into account in this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such

expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

6.22 Forward looking statement

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

6.23 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Securities offered under this Prospectus. Potential investors should consider that investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Securities.

7. TERMS AND CONDITIONS OF NEW SECURITIES

7.1 New Shares

The New Shares will rank equally in all respects with existing Shares.

The rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of holders of Shares.

(1) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares (at present there are none), at meetings of shareholders of Valence Industries:

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully/partly paid Share held, or in respect of which that person is appointed a proxy, attorney or representative, have one vote, but in respect of partly paid Shares (at present there are none), shall have such number of votes as bears the same proportion which the amount paid, not credited, is of the total amounts paid, and payable, whether or not called (excluding amounts credited) on the partly paid Shares.

(2) Rights on a winding up

On a winding up of Valence Industries, if the property of the Company is more than sufficient to pay the debts and liabilities of Valence Industries and the costs of the winding up, shareholders will have the right to participate equally in the distribution of its property subject to any amounts unpaid on the Share.

(3) **Transfer of Shares**

Subject to the Constitution of Valence Industries, the Corporations Act, and any other laws and ASX Settlement Operating Rules and ASX Listing Rules, Shares are freely transferable.

(4) **Future increases in capital**

The allotment and issue of any Shares is under the control of the Directors. Subject to restrictions on the allotment of Shares in the ASX Listing Rules, the Constitution of the Company and the Corporations Act, the Directors may allot Shares on such terms and conditions as they see fit.

(5) **Variation of rights**

Under the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders, vary or abrogate the rights attaching to Shares. If at any time the share capital is divided into different classes of shares unless the terms of issue of the Shares of a class state otherwise, the rights attached to any class may be varied or abrogated with the sanction of a special resolution passed at a meeting of shareholders, together with the consent in writing of the holders of three quarters of the issued shares of that class, or a special resolution passed at a separate meeting of the holders of the shares of that class.

(6) **Dividend rights**

Subject to the rights of holders of shares issued with special, preferential or qualified rights (at present there are none), the profits of the Company which the Directors determine to distribute dividends as, in their judgement, the financial position of the Company justifies. Any dividends will be divisible among the holders of Shares in proportion to the number of Shares held by them (but where shares are partly paid all dividends must be apportioned and paid proportionately to amounts paid (not credited) on the shares).

7.2 Listed Options

Each of the Listed Options issued under this Prospectus will be in the same class as and rank equally with the Company's existing listed Options (ASX:VXLO) and will be granted on the following terms and conditions:

- (1) Each of the Listed Options entitles the holder (**Optionholder**) to subscribe for one Share (subject to possible adjustments referred to in paragraphs (10), (11) and (12) below).
- (2) Each of the Listed Options will be exercisable during the period from the date it is granted until 5.00pm (AEST time) on 31 July 2016 (**Expiry Date**). Listed Options not exercised before the Expiry Date will lapse.
- (3) The exercise price of each of the Listed Options will be 25 cents, subject to an adjustment as a result of the Rights Issue Offer under this Prospectus, in accordance with the formula set out below in paragraph 12 (**Exercise Price**).
- (4) The Listed Options will be exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price in cleared funds.
- (5) Some or all of the Listed Options will be able to be exercised at any one time or times prior to the Expiry Date.
- (6) Shares issued pursuant to the exercise of any of the Listed Options will rank in all respects on equal terms with the existing Shares.
- (7) The Company will make application for new Shares allotted on exercise of the Listed Options to be admitted to the official list of ASX.
- (8) The Listed Options will be freely transferable.

- (9) The Listed Options will not entitle the Optionholder to participate in any new issue of securities by the Company unless the Listed Option has been duly exercised prior to the relevant record date. The Company will ensure that for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares (other than a share purchase plan), that the record date will be at least six business days after the date the issue is announced.
- (10) If there is a bonus issue to the holders of Shares:
- (a) the number of Shares over which each of the Listed Options are exercisable will be increased by the number of Shares which the holder of the Listed Option would have received if the Listed Option had been exercised before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
- (11) If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the holders of the Listed Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
- (12) If the Company makes a rights issue (other than a bonus issue), the Exercise Price of the Listed Options will be reduced in accordance with the following formula:

$$\text{Reduced Option Exercise Price} = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- O = the old Exercise Price of the Listed Option;
- E = the number of underlying Shares into which one Listed Option is exercisable;
- P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex-entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

The Company has applied for quotation of the Listed Options to be issued under this Prospectus on ASX.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure and Documents available for inspection

This is a Prospectus for the offer of continuously quoted securities (within the meaning of the Corporations Act) and options to acquire such continuously quoted securities and is issued pursuant to section 713 of the Corporations Act as a transaction specific prospectus. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a “disclosing entity” for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the ASX Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to the Company may be obtained, or inspected at, an office of ASIC.

During the Offer Period, the Company will provide to any person, on request and free of charge, a copy of each of the following documents:

- (a) the annual financial report of the Company for the financial year ended 30 June 2014, being the annual report of the Company most recently lodged with ASIC before the issue of this Prospectus;
- (b) the half year financial report of the Company for the period ended 31 December 2014, being the half year report of the Company lodged with ASIC after the annual report referred to in paragraph (a) above and before the issue of this Prospectus and
- (c) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to above until lodgement of the Prospectus with ASIC, in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporation Act.

The Company has lodged the following announcements with ASX since lodgement of the annual financial report for the financial year ended 30 June 2014:

DATE	DESCRIPTION OF ANNOUNCEMENT
07/05/2015	Reinstatement of Official Quotation
07/05/2015	Advanced Manufacturing and Finance
05/05/2015	50% Increase in Uley Graphite Resource
05/05/2015	Suspension from Official Quotation
01/05/2015	Valence Establishes US\$75 Million Finance Facilities
01/05/2015	Trading Halt
30/04/2015	March 2015 Quarterly Activities Report and Appendix 5B
21/04/2015	New Sales from Valence into Europe Markets
14/04/2015	CEO Presentation to SA Investor Conference
14/04/2015	Uley Graphite Export Shipped
26/03/2015	First Graphite Shipment Leaves Port Lincoln
16/03/2015	Valence Signs 6 New Graphite Sales Contracts
13/03/2015	Valence Half Year Report to 31 December 2014
12/03/2015	High Grade Mineralisation Extended at Uley Graphite
03/03/2015	Response to ASX Price Query
19/02/2015	Change of Director's Interest Notice - I Schache
19/02/2015	Change of Director's Interest Notice - G Lamont
19/02/2015	Change of Director's Interest Notice - C Darby
19/02/2015	Change of Director's Interest Notice - G Spurling
19/02/2015	Appendix 3B - Issue of Unlisted Options
19/02/2015	Results of 2015 General Meeting
19/02/2015	Managing Director's address at General Meeting
11/02/2015	Valence Corporate Presentation - February 2015
02/02/2015	December 2014 Quarterly Activities Report and Appendix 5B
27/01/2015	Valence Corporate Update Presentation

DATE	DESCRIPTION OF ANNOUNCEMENT
20/01/2015	Change of Director's Interest Notice - I Pattison
12/01/2015	Notice of General Meeting
02/01/2015	VXL FEASIBILITY STUDY EXPANSION AND ADV MANUFACTURING
24/12/2014	Approval Received for Graphite Production
23/12/2014	Change of Director's Interest Notice - I Pattison
17/12/2014	Maiden High Grade Graphite Ore Reserve
10/12/2014	Initial Director Interest Notice - I Pattison
10/12/2014	Director Appointment
05/12/2014	Valence SAEM Conference Presentation
03/12/2014	Mines and Money London Presentation
02/12/2014	Graphite Production Status Update
26/11/2014	Valence Mining SA Presentation
25/11/2014	Uley Graphite Mine Opening
18/11/2014	Change of Directors Interest Notice - I Schache
18/11/2014	Change of Directors Interest Notice - G Lamont
18/11/2014	Change of Directors Interest Notice - C Darby
18/11/2014	Change of Directors Interest Notice - G Spurling
18/11/2014	Appendix 3B - Cancellation of Options and Rights
18/11/2014	Results of 2014 Annual General Meeting
18/11/2014	Managing Director's address at 2014 Annual General Meeting
18/11/2014	Chairman's address at 2014 Annual General Meeting
17/11/2014	Uley Graphite Grade Increases to 11.7%
11/11/2014	Appendix 3B - Exercise of Options
11/11/2014	Withdrawal of Certain 2014 AGM Resolutions
06/11/2014	Change of Directors Interest Notice - I Schache
06/11/2014	Change of Directors Interest Notice - G Lamont
06/11/2014	Change of Directors Interest Notice - G Spurling
06/11/2014	Appendix 3B - Share Purchase Plan Issue
03/11/2014	Change of Director's Interest Notice - C Darby
03/11/2014	Lapse of Unlisted Securities
31/10/2014	September 2014 Quarterly Activities Report and Appendix 5B
31/10/2014	\$35M Phase II Funding Update
31/10/2014	Share Purchase Plan Closing
24/10/2014	Appendix 3B - Exercise of Options
22/10/2014	Appendix 3B - Exercise of Options
21/10/2014	SA Premier to Open Phase I Graphite Plant

ASX maintains files containing publicly available information for all listed companies. The Company's file is available on the ASX website at www.asx.com.au, using the Company's code VXL.

8.2 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the ASX Listing Rules because the ASX Listing Rules expressly or impliedly exclude the information from disclosure, and which, in the Board's opinion, Shareholders and their professional advisers would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to the New Securities other than the following:

- (a) the Company continues to pursue and negotiate graphite sales contracts with a range of potential customers and anticipates entering into these contracts continuously and on a rolling basis;
- (b) the Company continues to pursue and negotiate arrange of technology development and commercialisation arrangements associated with new product development in the graphite space;
- (c) the Company continues to pursue and negotiate a range of technology development and commercialisation contracts associated with commercialisation and sales of a graphite derivative technical material known as graphene;
- (d) the Company continues to pursue and assess associated materials produced during the mining and processing programs and the opportunity for commercial production and sales of those associated materials; and
- (e) the Company continues to pursue and negotiate potential graphite supply to a local customer which may include a non-material payment associated with a one off historical royalty entered into by a subsidiary and the Company reasonably expects to reach a simple commercial outcome.

8.3 Interests of Directors

Other than as set out below, in this section 8 or elsewhere in this Prospectus, no Director or any entity in which a Director is a partner or director, has or has had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or to any entity in which a Director is a partner or a director, either to induce him to become, or qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company or the Offers.

Interests in Existing Securities

As at the date of this Prospectus the Directors have a direct or indirect interest in the following securities of the Company:

Director	Existing Shares	Existing Options	Entitlement**
Mr Graham G. Spurling AM Non Exec. Chairman	171,429 Shares	150,000 Listed Options 500, 000 Unlisted Options	28,572 New Shares 14,286 Listed Options
Mr Christopher S. Darby Managing Director & Chief Executive Officer	687,500 Shares*	500,000 Unlisted Options* 4,000,000 Unlisted Options (vesting subject to performance conditions)	114,584 New Shares 57,292 Listed Options
Mr Ian S. Schache Non Exec. Director	214,286 Shares	500,000 Unlisted Options	35,715 New Shares 17,858 Listed Options
Mr Glenister Lamont Non Exec. Director	64,286 Shares 25,000 Shares*	50,000 Listed Options 500,000 Unlisted Options	14,881 New Shares 7,441 Listed Options
Mr Ian D. Pattison Non Exec. Director	4,590,000 Shares	4,880,000 Listed Options 1,875,000 Unlisted Options	765,000 New Shares 382,500 Listed Options

* restricted to 6 January 2016

** Precise entitlement may vary due to rounding and assuming no Options are exercised.

This does not take into account any Options that may be issued under the Heads of Agreement in connection with the Debt Facility.

Intentions in respect of the Rights Issue Offer

As at the date of this Prospectus, each of the Directors intends to accept their Entitlements under the Rights Issue Offer in full.

This does not take into account any Options that may be issued under the Heads of Agreement in connection with the Debt Facility.

Remuneration of Directors

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$500,000 per annum.

Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The Directors are currently or have been entitled to the following remuneration or directors' fees over the past 2 years:

Director	Current annual remuneration	Cash remuneration for prior 2 years	Equity remuneration for prior 2 years*
Mr Graham Spurling Non Exec. Chairman	Directors' fees of \$75,000 per annum	Directors' fees of \$121,875	\$23,256
Mr Christopher Darby Managing Director and Chief Executive Officer	Remuneration of \$350,000 per annum	Remuneration of \$504,570	\$582,009
Mr Ian Schache Non Exec. Director	Directors' fees of \$50,000 per annum	Directors' fees of \$79,867	\$23,256
Mr Glenister Lamont Non Exec. Director	Directors' fees of \$50,000 per annum	Directors' fees of \$103,357	\$23,256
Mr Ian Pattison Non Exec. Director	Directors' fees of \$50,000 per annum	Directors' fees of \$19,625	Nil

* Fair value of options and performance rights issued (as appropriate).

Coronet Consultants Pty Ltd, a company controlled by Mr Ian Schache, also consults to the Company and is paid a time based fee for technical services. In the past 2 years the Company has paid \$27,400 to Coronet Consultants Pty Ltd.

In the past 2 years, Tech Minerals Consulting Group Pty Ltd was paid approximately \$22,800 (plus GST and disbursements) by the Company for assisting in the preparation of a scoping study report in 2013. Mr Christopher Darby (Managing Director) is a Director of Tech Minerals Consulting Group Pty Ltd and Crallan Pty Ltd (a company controlled by Christopher Darby) holds 50% of the shares in Tech Minerals Consulting Group Pty Ltd.

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company. The Company has entered into indemnity, insurance and access deeds with each of the Directors (**Deeds**). Under the Deeds, the Company agrees to indemnify each of the Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company, and to insure each Director against certain risks to which the Company is exposed as an officer of the Company. The Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

8.4 Watsons Lawyers

Christopher Darby, Managing Director and Chief Executive Office, is Managing Partner of Watsons Lawyers. Watsons Lawyers will receive a fee of approximately \$25,500 (excluding GST and disbursements) in connection with legal advice provided to the Company in respect of the Offers and the preparation or negotiation of documentation in connection with the Offers, including this Prospectus and associated documents, and Placement mandate. Watsons Lawyers has also acted as legal service provider to the Company in respect of its listing on the ASX and at all times since, and has in the 2 years prior to the date of this Prospectus received legal fees in respect of those services of approximately \$305,000 (exclusive of GST and disbursements).

8.5 Patersons

Patersons Securities Limited will also be entitled to a fee for acting as Lead Manager in relation to the Placement and Rights Issue, comprising a \$60,000 management fee plus an amount equal

to 6.0% of the total amount raised under the Placement and an amount equal to 4.0% of the total amount raised under the Rights Issue Offer.

The Company has also appointed Patersons Securities Limited, on normal commercial terms, as nominee to sell the Rights of Excluded Shareholders had they been eligible to participate in the Rights Issue Offer. For providing the services, the nominee will receive a brokerage fee equal to 2% on the total gross dollar value of all Rights sold or \$2,500 plus applicable GST, whichever is the greater.

Patersons Securities Limited also acted as lead manager and underwriter in respect of other capital raisings by the Company and has, in the 2 years prior to the date of this Prospectus, received fees in respect of those services of approximately \$1,112,419.

8.6 Broker handling fees

No handling fees are payable in connection with the Offers.

8.7 Expenses of the Offers

If the Rights Issue Offer is fully subscribed, the estimated expenses of the Offers, including ASX Listing Fees, legal fees, Placement fees, share registry expenses, printing and postage costs, (but excluding nominee fees) are \$660,000 (excluding GST).

8.8 Consents and disclaimer

Each of the parties referred to in this section 8.8:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) has not made, or purported to make any statement in this Prospectus, or on which any statement made in this Prospectus is based, other than the statements referred in this section 8.8;
- (c) does not assume responsibility for any part of this Prospectus except for the statements referred to in this section 8.8; and
- (d) to the maximum extent permitted by law, disclaim any responsibility or liability for any part of this Prospectus, other than a reference to it or a statement to be included in this Prospectus with their consent as specified in this section 8.8.

Each of the following has consented in writing to being named in this Prospectus in the capacity noted below and in the form and context in which they have been named, and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (a) Watsons Lawyers as legal advisor to the Company;
- (b) Link Market Services Limited as the Company's share registry.

Patersons Securities Limited has given, and at the time of lodgement of this Prospectus has not withdrawn its consent to be named in this Prospectus as the Lead Manager to the Rights Issue and to act as Nominee for the ineligible shareholders, in the form and context in which it is named.

It takes no responsibility for any part of this Prospectus other than references to its name. Patersons Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons Securities Limited makes no express or implied representation or warranty in relation to Valence Industries, this Prospectus or the Offers and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited. To the maximum extent permitted by law, Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

Each Director has also consented in writing to any statements included in this Prospectus attributed to, or said to be based on, a statement by them, or the Directors or the Company and has not withdrawn that consent.

8.9 Liability Statement

Neither Patersons Securities Limited nor Link Market Services were involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Neither Patersons Securities Limited nor Link Market Services makes any express or implied representation or warranty in relation to Valence Industries, this Prospectus, or the Offers, and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited or Link Market Services. To the maximum extent permitted by law, Patersons Securities Limited and Link Market Services expressly disclaim and take no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

8.10 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending.

8.11 Further information

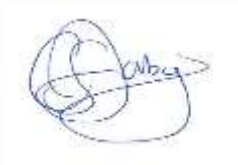
If you have any questions about the Offers, please contact either:

- (a) Valence Industries' share registry, Link Market Services, on +61 1800 009 918 (toll free within Australia); or
- (b) your stockbroker or professional adviser.;

DIRECTORS STATEMENT

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of
Valence Industries
On 7 May 2015



Christopher S. Darby
Managing Director & Chief Executive Officer
VALENCE INDUSTRIES

9. DEFINED TERMS

In this Prospectus, the following words have the following meanings unless the context requires otherwise:

Acceptance Form	the personalised Entitlement and Acceptance Form for Shareholders accompanying this Prospectus.
Application Form	Either the Acceptance Form or the Shortfall Application Form.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange operated by ASX Limited (as the context requires).
ASX Listing Rules	the official listing rules of ASX.
Business Day	has the same meaning as in the ASX Listing Rules.
Chimaera	Chimaera Capital Management Pte Ltd
Closing Date	the last date for accepting the Rights Issue Offer, being 5.00pm AEST time on Friday 12 June 2015, or such later date as the Directors advise.
Company or Valence Industries	Valence Industries Limited (ACN 008 101 979)
Corporations Act	Corporations Act 2001 (Cth).
Debt Facilities	<p>The debt facilities or financing that Chimaera has conditionally agreed to provide to the Company under the Heads of Agreement which may include:</p> <ul style="list-style-type: none">(a) the First Debt Facility;(b) a main debt or structure debt facility denominated in US dollars that may include the issue of principal amortising notes with a face value of not less than US\$75million (which will, to the extent required, repay the First Debt Facility referred to in paragraph (a) above);(c) any other financing undertaken for the main purpose of achieving name plate capability of the Phase I Plant or development of Phase II or both;(d) financing for general corporate purposes; or(e) a combination of any of the financing arrangements described in paragraphs (a)-(d) above, <p>subject to the right of Chimaera to change the pricing, terms and or structure after consultation with the Company, if Chimaera determined such changes are necessary in order to ensure successful completion of the Debt Facilities (including successful syndication of such Debt Facilities).</p>
Department	South Australian Department of State Development.
Directors	the directors of Valence Industries.
Entitlement	is defined in section 1.1(1).
Excluded Shareholder	a registered holder of Shares on the Record Date with a registered address in a country outside of either Australia or New Zealand.

Expansion Plan	The Company's proposed expansion of the Uley Graphite™ mining and processing facilities and development of the Company's proposed materials handling facilities and advanced manufacturing facilities, contemplated to have the three elements set out in paragraphs 2(a) to (c) on page 1 of this Prospectus.
Heads of Agreement	The binding heads of agreement between the Company and related party, Chimaera Capital Management Pte Ltd, dated 30 April 2015, whereby Chimaera (or its nominee) has agreed to provide the Debt Facilities to the Company subject to the satisfaction or waiver of the conditions of the Debt Facilities, with Chimaera entitled to a fee equal to 6% of the amount of the Debt Facilities, payable in stages, including 1% payable on execution of formal documentation and approximately 4% payable on the first draw down, as well as an equity component comprising the issue of Options (warrants) equivalent in value to 15% of the amount of any Debt Facility provided to the Company.
First Debt Facility	an initial debt or structured debt facility denominated in US dollars that may include the issue of principal amortising notes with a face value of between US\$5-20million
Listed Option	means a listed Option to be issued under this Prospectus, in the same class as the Company's existing listed options (ASX:VXLO), exercisable at 25 cents each (subject to an adjustment in accordance with the formula under Listing Rule 6.22.2 as a result of the Rights Issue Offer), expiring on 31 July 2016 and otherwise having the terms and conditions set out in section 9.2.
New Share	a Share to be issued pursuant to this Prospectus at 29 cents per Share.
New Security or New Securities	a New Share, and/or Listed Option (as appropriate).
Option	an Option to subscribe for a Share.
Offers	the Rights Issue Offer and the Placement Offer made pursuant to this Prospectus.
Offer Period	the period during which the Rights Issue Offer will remain open for acceptance in accordance with the terms of the Rights Issue Offer.
Patersons	Patersons Securities Limited (ABN 69 008 896 311)
Phase I	the Company's 14,000 tonne plant at the Uley site.
Phase II	the expansion of the Phase I production facilities at the Company's Uley Graphite operation by a further 50,000 tonnes per annum in total as detailed in the feasibility study announced to ASX on 2 January 2015.
Placement	placement of 7,117,665 Shares to professional and sophisticated investors at a price of \$0.29 per Share, together with one (1) free attaching Listed Option for every two (2) New Shares subscribed for.
Placement Offer	the offer made under this Prospectus of Listed Options to the Placement Participants, on the basis of one (1) free attaching Listed Option granted for every two (2) New Shares subscribed for by each Placement Participant.
Placement Participants	each applicant who has or will subscribe for Shares under the Placement.
Prospectus	this prospectus dated 7 May 2015 under which the Offers are being made.
Record Date	7pm AEST time on Monday 18 May 2015.

Rights	the right to subscribe for New Shares pursuant to the Rights Issue Offer on the basis of one New Share for every six Shares held at the Record Date, with one free attaching Listed Option for every two New Shares subscribed.
Rights Issue Offer	the offer made to Shareholders under this Prospectus of one New Share for every six Shares held on the Record Date, with one free attaching Listed Option for every two New Shares subscribed for in accordance with the terms and conditions of this Prospectus.
Rights Trading Period	the period during which Rights may be traded, being 10:00am AEST time on 14 May 2015 to 4pm AEST time on 4 June 2015.
Share	a fully paid ordinary share in the capital of Valence Industries.
Shareholder	a registered holder of Shares with a registered address in either Australia or New Zealand as at the Record Date.
Shortfall or Shortfall Shares	those New Shares forming Entitlements or part of Entitlements not accepted under the Rights Issue Offer, including the right to be issued one free attaching Listed Option for every two New Shares subscribed for.
Shortfall Application Form	The generic application form for Shortfall accompanying this Prospectus.
Shortfall Offer	the offer of the Shortfall on the terms and conditions set out in this Prospectus, particularly section 4.



VALENCE INDUSTRIES LIMITED
ACN 008 101 979

SUPPLEMENTARY PROSPECTUS

1. IMPORTANT INFORMATION

This Supplementary Prospectus is dated 22 May 2015 and supplements the Prospectus dated 7 May 2015 (**Prospectus**) issued by Valence Industries Limited (ACN 008 101 979) (**Company**).

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 22 May 2015. ASIC and ASX take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

Terms defined in the Prospectus have the same meaning as in this Supplementary Prospectus. For the avoidance of doubt, references to 'Section' in this Supplementary Prospectus mean references to that section of the Prospectus, unless otherwise stated.

This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

Other than the changes set out below, all other details in relation to the Prospectus remain unchanged.

2. REASONS FOR SUPPLEMENTARY PROSPECTUS

The purpose of this Supplementary Prospectus is to provide:

- (a) notification on the change to the timetable for the Rights Issue Offer;
- (b) clarification around the Company's current financial position and alternative options to raise funds;
- (c) details of the Options (warrants) that may be issued in connection with the Debt Facilities and the potential dilution effects of the Options (warrants), if exercised; and
- (d) additional pro-forma financial information;

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

- (e) new Application Forms, taking into account the revised timetable and Supplementary Prospectus.

3. SUPPLEMENTARY INFORMATION

3.1 Revised Indicative Timetable

The Directors have revised the indicative timetable for the Rights Issue Offer, so that despatch of the Prospectus (and this Supplementary Prospectus) will now occur on Tuesday 26 May 2015, with the Closing Date now being 5:00pm (AEST) on Thursday 25 June 2015. This has a consequential effect on the anticipated date of issue and normal trading of the New Securities.

The revised indicative timetable for the Rights Issue Offer, which has been approved by ASX, is set out below and replaces the indicative timetable set out on page 4 of the Prospectus:

EVENT	DATE
Announcement of Rights Issue Offer, Placement and Lodgement of Prospectus – Announcement of Rights Issue Offer, Placement and Appendix 3B lodged with ASX and Prospectus lodged with ASIC and ASX	Thursday 7 May 2015
Notice to Shareholders – notice of Rights Issue Offer sent to Shareholders containing information required by Appendix 3B	Wednesday 13 May 2015
Placement Shares and Options – the date on which Shares and Listed Options are allotted under the Placement	Wednesday 13 May 2015
Ex date and Rights trading commences – the date on which Shares commence trading without the entitlement to participate in the Rights Issue Offer and Rights trading commences	Thursday 14 May 2015
Record Date – the date for determining entitlements of Shareholders to participate in the Rights Issue Offer	7:00pm AEST time Monday 18 May 2015
Supplementary Prospectus lodged with ASIC and ASX	Friday 22 May 2015
Prospectus and Supplementary Prospectus sent to Shareholders – despatch of Prospectus and Supplementary Prospectus and Application Forms– Offers open for acceptance	Tuesday 26 May 2015
Last day of Rights trading	Thursday 18 June 2015
New Securities quoted on a deferred settlement basis	Friday 19 June 2015
Last day to extend Closing Date	5:00pm (AEST) Monday 22 June 2015
Closing Date – The last day for receipt of Rights Issue Offer Application Forms	5:00pm AEST time Thursday 25 June 2015

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Shortfall notification date – notification of shortfall (if any) under the Rights Issue Offer	Tuesday 30 June 2015
Issue date – Allotment of New Shares and Listed Options.	Thursday 2 July 2015
Expected commencement of normal trading in New Shares and new Listed Options on ASX	Friday 3 July 2015

Subject to the ASX Listing Rules, the Directors reserve the right to further vary the dates for the Rights Issue Offer at their discretion. Should this occur, the variation will have a consequential effect on the anticipated date of issue and normal trading of New Securities (if applicable).

3.2 Current financial position and alternative options to raise funds.

As set out in the Prospectus, the Rights Issue Offer is not underwritten and there is no guarantee that any funds will be raised under the Rights Issue Offer. However, each of the Directors intends to take up their Entitlement in full, in which case the Company will receive proceeds of at least approximately \$278,000 under the Rights Issue Offer. If no other funding was raised under the Rights Issue Offer, the Company would need to reconsider its current activities including delaying or deferring capital expenditure programs and would seek to raise further capital in the short term to continue its core activities. The Company would seek to do this first do this via placement of the Shortfall Shares or short term debt arrangements, then via securing the First Debt Facility and then via other private placements if required. The Company requires the consent of Chimaera for new funding facilities under the terms of the Heads of Agreement for the Debt Facilities with Chimaera, and does not anticipate any issue with securing Chimaera's consent.

3.3 Potential dilution effects of Options (warrants) issued in connection with the Debt Facilities

The terms of the Heads of Agreement for the Debt Facilities include the issue of Options (warrants) in connection with the provision of the Debt Facilities to be provided by the Company.

Under the terms of the Heads of Agreement, the financier¹ (including syndicate member(s)) will be entitled to the grant of the number of Options (warrants) equivalent to 15% of the value of any financing divided by the value of a Share, as determined by Chimaera's reasonable valuation of the Company (to be completed by 30 May 2015), assuming the Company's capital structure at 30 April 2015 and provided that the valuation is no less than the Company's market capitalisation during the period from 30 April 2015 to completion of the valuation. Chimaera has not provided a valuation to the Company as at the date of this Supplementary Prospectus.

The Options (warrants) for the First Debt Facility will have an exercise price of A\$0.322 (being a 10% discount to the 10 day volume weighted average price (VWAP) of the Company's shares

¹ The financier, Chimaera, is a Singapore incorporated entity. Ian Pattison is neither a director or shareholder of Chimaera. Chimaera is party to various intercompany service arrangements in which Chimaera may be liable to make payments to, or entitled to receive payments from, Chimaera Capital Limited and Markets Nominees Pty Ltd (**CCL** and **MN** respectively). Mr Ian Pattison is a director of both of those entities and has an indirect ownership interest in CCL and MN but does not control either of those entities.

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

prior to the execution of the Heads of Agreement). The exercise price of the Options (warrants) issued for the main Debt Facility of US\$75 million will be determined at the time the finance documentation for that Debt Facility is entered into. Both the number of Options (warrants) and the exercise price will be subject to adjustment in certain circumstances, including change in issued equity, equity issuances, return of capital and other corporation actions by the Company.

The provision of the Debt Facilities and the issue of the Options (warrants) is conditional on, amongst other things, negotiation and execution of formal documentation for the Debt Facilities and any regulatory and shareholder approvals that are required. Accordingly, it should be noted that the terms and conditions of the Options (warrants) may ultimately vary from those contained in the Heads of Agreement.

However, for illustrative purposes, the table below sets out an example of the number of Options (warrants) that may be issued in connection with the Debt Facilities and the percentage dilution experienced by Shareholders as a result, based on the terms and conditions set out in the Heads of Agreement, the Company's assumptions in the footnotes to the table and the following assumptions made by the Company:

- (a) the maximum of US\$20 million is provided under the First Debt Facility;
- (b) US\$75million is provided under the main Debt Facility;
- (c) the Australian dollar to US exchange rate is 0.80 (based on the exchange rate published by the Reserve Bank of Australia on Tuesday 19 May 2015);
- (d) the value per share in the Company for the purpose of determining the number of Options (warrants) to be issued is assumed to be A\$0.23, being the closing price of the Shares on ASX on the date of this Supplementary Prospectus. The final valuation for this purpose has not been undertaken by Chimaera;
- (e) the exercise price of the Options (warrants) is A\$0.322 (but for the main Debt Facility this currently not known and will be determined at the time the finance documentation is entered into);
- (f) all Options (warrants) are exercised during the applicable exercise period; and
- (g) no circumstances arise during the term of the Options (warrants) that could give rise to an adjustment to the number or exercise price of the Options (warrants).

	15% of Debt Facility	Maximum number of Options (warrants) ¹	Funds received by Company from exercise of Options (warrants) ^{1,2}	Percentage Dilution based on issued capital as at date of Prospectus ^{1,2,3}	Percentage Dilution based on issued capital following Placement and Rights Issue ^{1,2,4}	Percentage Dilution based on issued capital following Placement, Rights Issue and exercise of all \$0.25 Options and warrants ^{1,5}
First Debt Facility (US\$20million)	US \$3,000,000	16,304,348	A\$5.3 million	7.8%	6.7%	4.9%
	A\$3,750,000					
Main Debt Facility (US\$75million)	US\$11,250,000	61,141,305	A\$19.7 million	22.5%	20.1%	15.5%
	A\$14,062,500					

1. NUMBER OF OPTIONS (WARRANTS) HAS BEEN CALCULATED BASED ON THE TERMS OF THE HEADS OF AGREEMENT AND THE ASSUMPTIONS NOTED ABOVE AND BELOW, AND THE ACTUAL NUMBER TO BE ISSUED IN CONNECTION WITH

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

THE DEBT FACILITIES MAY VARY SIGNIFICANTLY FROM THE FIGURES IN THE TABLE, IF ANY OF THOSE ASSUMPTIONS CHANGE.

- 2. Assumes all Options (warrants) are exercised during the exercise period, and no further Options (exercisable at \$0.25) are exercised.**
- 3. Percentage dilution calculated based on the number of Shares on issue as at the date of the Supplementary Prospectus, being 193,916,277 Shares and taking into account the Shares issued on exercise of the Options (warrants).**
- 4. Percentage dilution calculated based on the number of Shares on issue following the Placement and the Rights Issue Offer (assuming it is fully subscribed), being 226,235,657 and taking into account the Shares issued on exercise of the Options (warrants).**
- 5. Percentage dilution calculated based on the number of Shares on issue following the Placement and the Rights Issue Offer (assuming it is fully subscribed), and assuming that all Options (exercisable at \$0.25) and all Options (warrants) are exercised and taking into account the Shares issued on exercise of the Options (warrants).**

3.4 Additional pro-forma financial information

Section 5.1 of the Prospectus includes a pro-forma Balance Sheet as at 31 March 2015. An additional pro-forma Balance Sheet is set out below, which also shows the Company's unaudited Balance Sheet as at 31 March 2015 adjusted for the receipt of net funds from the Placement.

As with the pro-forma Balance Sheet included in the Prospectus, the pro-forma has been prepared on the same basis and using the same accounting policies as the Company's reviewed accounts for the half year ended 31 December 2014, without taking into account period end close out procedures, and on the basis that the Rights Issue Offer is fully subscribed and there have been no material movements in assets and liabilities of the Company between 31 March 2015 and the date of the Prospectus other than:

- (a) impact of the Placement and the Rights Issue Offer (net of expenses) on the cash balance;
- (b) an adjustment for the cash movements, movements in payables and receivables and allocation of major categories of expenditure for the quarter ended 31 March 2015; and
- (c) expenses of the Offers (not including nominee fees) of approximately \$660,000 (excluding GST)

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Pro-forma financials - 31 March 2015

	Consolidated Actual	Consolidated Pro-Forma No Subscription management accounts (including placement)	Consolidated Pro-Forma Full Subscription management accounts
	31-Dec-14 (reviewed)	31-Mar-15 (unaudited)	31-Mar-15 (unaudited)
	\$	\$	\$
Current Assets			
Cash and cash equivalents	8,323,054	4,979,399	13,815,866
Trade and other receivables	759,916	542,834	542,834
Inventory	6,280	6,280	6,280
Total current assets	9,089,250	5,528,513	14,364,980
Non-Current Assets			
Term deposits (restricted cash)	1,708,776	1,708,776	1,708,776
Development expenditure	2,326,201	2,801,193	2,801,193
Exploration and evaluation expenditure	845,476	1,095,376	1,095,376
Plant and equipment	7,345,637	8,541,852	8,541,852
Total non-current assets	12,226,090	14,147,197	14,147,197
Total Assets	21,315,340	19,675,710	28,512,177
Current Liabilities			
Trade and other payables	3,624,287	2,799,667	2,799,667
Employee provisions	61,508	120,260	120,260
Borrowings	20,606	15,454	15,454
Total current liabilities	3,706,401	2,935,381	2,935,381
Total Liabilities	3,706,401	2,935,381	2,935,381
Non-current liabilities			
Borrowings	30,909	30,909	30,909
Provisions	535,575	535,575	535,575
Total non-current liabilities	566,484	566,484	566,484
Total Liabilities	4,272,885	3,501,865	3,501,865
Net Assets	17,042,455	16,173,845	25,010,312
Equity			
Issued capital	26,033,944	28,011,374	37,008,687
Reserves	1,096,180	1,096,180	1,096,180
Accumulated losses	-10,087,669	-12,933,709	-13,094,555
Total Equity	17,042,455	16,173,845	25,010,312

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

3.5 New Application Forms

New Application Forms are attached to this Supplementary Prospectus, taking into account the revised timetable and the fact that this Supplementary Prospectus has been released. These Application Forms replace the Application Forms attached to the Prospectus lodged with ASIC and ASX on 7 May 2015 and investors should apply for securities by completing the Application Forms attached to this Supplementary Prospectus, rather than the Application Forms attached to the Prospectus.

4. DIRECTORS STATEMENT

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. Each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of
Valence Industries Ltd
On 22 May 2015



Christopher S. Darby
Managing Director & Chief Executive Officer
Valence Industries Limited

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Valence Industries Limited

ABN 41 008 101 979

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone (free call within Australia): +61 1800 009 918
ASX Code: VXL, VXLO
Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Subregister:

Number of Eligible Shares held as
at the Record Date, 7:00pm (AEST)
on 18 May 2015:

Entitlement to New Shares
(on a 1 New Share for 6 basis):

Amount payable on full acceptance
at A\$0.29 per Share:

Offer Closes 5:00pm (AEST):	25 June 2015
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ENTITLEMENT AND ACCEPTANCE FORM

As an eligible Shareholder you are entitled to acquire 1 New Share for every 6 Shares that you hold on the Record Date, at an issue price of A\$0.29 per New Share with a free attaching Listed Option for every 2 New Shares subscribed for. You may also apply for Shortfall Shares in excess of your Entitlement, at the issue price of A\$0.29. The Rights Issue Offer is renounceable, which means that if you do not wish to accept all or part of your Entitlement you may sell all of it or the part of it you wish not to accept.

This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Rights Issue Offer is being made under the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus"). The Prospectus contains information about investing in the New Shares and Listed Options. Before applying for New Shares, you should read the Prospectus carefully. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

The prospectus can be downloaded from www.valenceindustries.com or you can obtain a paper copy at no charge by calling the Valence Industries Offer Information Line on +61 1800 009 918 (free call within Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or apply for Shortfall Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 25 June 2015. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of New Shares that your payment will pay for.



Billers Code: 585695

Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your application monies. No signature is required on the acceptance slip. The acceptance slip with your application monies must be received by the Registry before 5:00pm (AEST) on 25 June 2015.

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form. If you do not take up or sell your Entitlements, you may not receive any value for them. It is important that you decide whether to accept or sell your Entitlements in accordance with the Prospectus.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment

Valence Industries Limited

ABN 41 008 101 979



SRN/HIN:

Entitlement Number:

A Number of New Shares accepted (being not more than your Entitlement shown above)

B Number of Shortfall Shares

+

C Total number of New Shares accepted (add Boxes A and B)

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Valence Industries Limited Rights Issue” and crossed “Not Negotiable”.

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

A\$

E CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

VALENCE INDUSTRIES LIMITED

The Rights Issue Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Rights Issue Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares or Options in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares and Listed Options acquired by you and agree to be bound by the Constitution of Valence Industries Limited.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.29.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Shortfall Shares

You can apply for more New Shares than your Entitlement. Please enter the number of Shortfall Shares above your Entitlement for which you wish to apply into Box B. Your Application for Shortfall Shares may not be successful (wholly or partially). The decision of Valence Industries Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any application monies received or returned.

C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Valence Industries Limited Rights Issue" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Valence Industries Limited may treat you as applying for as many New Shares and Shortfall Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

3. SALE OF YOUR ENTITLEMENT IN FULL OR IN PART BY YOUR STOCKBROKER AND ACCEPTANCE OF THE BALANCE

If you wish to sell all of your Entitlements through your stockbroker or if you wish to sell part of your Entitlements through your stockbroker and accept the balance you should contact your stockbroker personally and provide details as requested which appear overleaf.

You should complete the "Instructions to your Stockbroker" panel below and forward this Entitlement and Acceptance Form to your stockbroker.

Instructions to your Stockbroker

I/We have accepted	<input type="text"/>
	New Shares as per reverse side
And attach a cheque/bank draft for	<input type="text"/>
	A\$
	being acceptance monies at A\$0.29 per New Share
I/We wish to sell	<input type="text"/>
	Rights to Ordinary Shares

4. DISPOSAL OF YOUR ENTITLEMENT OTHER THAN THROUGH A STOCKBROKER

A renunciation form must be used for all other transactions. These forms may be obtained from the Valence Industries Limited Registry or your stockbroker.

5. OVERSEAS SHAREHOLDERS

The Prospectus and Entitlement and Acceptance Form do not constitute an offer of securities in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue the Prospectus. By applying for New Shares under this Entitlement and Acceptance Form or by accepting this offer, you represent and warrant that applying for New Shares does not breach any law in Australia (including the *Corporations Act 2001* (Cth) and the *Foreign Acquisition and Takeovers Act 1975* (Cth)), and any relevant overseas jurisdiction.

6. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Valence Industries Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Valence Industries Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Entitlement and Acceptance Form and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than **5:00pm (AEST) on 25 June 2015**. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Valence Industries Limited reserves the right not to process any Entitlement and Acceptance Form and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Valence Industries Offer Information Line on +61 1800 009 918 (free call within Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

Valence Industries Limited

ABN 41 008 101 979

Broker Code

Adviser Code

Shortfall Application Form

This is an Application Form for Shortfall Shares in Valence Industries Limited ("The Company") with a free attaching Listed Option for every two Shortfall Shares subscribed for under the terms set out in the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus"). Shortfall Shares are allotted at the Directors' discretion. The Company cannot guarantee the availability of Shortfall Shares for all or any of the applications. This Application Form and your cheque or bank draft must be received by the Share Registry by 5:00pm (AEST) on 25 June 2015.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and Listed Options and you should read the entire Prospectus carefully before applying for Shortfall Shares.

Shares applied for

Price per Share

Application Monies

A

at

A\$0.29

B A\$

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant

Surname/Company Name

C

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F

☒

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

G

Cheques or bank drafts should be made payable to "Valence Industries Limited" in Australian currency and crossed "Not Negotiable".

Cheque or Bank Draft Number

BSB

Account Number

H

Total Amount A\$

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEST) on 25 June 2015 to:

Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

VXL NRE001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shortfall Shares and free attaching Listed Option to which this Shortfall Application Form relates are Valence Industries Limited Shares. Further details about the Shares are contained in the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus") issued by Valence Industries Limited.

The Offer of any Shortfall Shares to which this Shortfall Application Form relates is not being made to investors located or resident outside of Australia or New Zealand. In particular the Offer of any Shortfall Shares is not being made to any persons in the U.S. or to a U.S. person. The Prospectus and Offer of any Shortfall Shares and the Shortfall Application Form do not constitute an Offer or invitation to acquire Shortfall Shares in any jurisdiction outside of Australia and New Zealand to whom it would not be lawful to issue the Prospectus. By applying for Shortfall Shares under this Shortfall Application Form, you represent and warrant that applying for Shortfall Shares and the free attaching Listed Options does not breach any laws in Australia (including the *Corporations Act 2001* (Cth) and the *Foreign Acquisition and Takeovers Act 1975* (Cth)), and any relevant overseas jurisdiction.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Shortfall Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shortfall Shares.

- A** Insert the number of Shortfall Shares you wish to apply for. You may be issued all of the Shortfall Shares applied for or a lesser number.
- B** Insert the relevant amount of application monies. To calculate your application monies, multiply the number of Shortfall Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Valence Industries Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Valence Industries Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Valence Industries Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.
- Make your cheque or bank draft payable to "Valence Industries Limited" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected.

LODGEMENT INSTRUCTIONS

This Shortfall Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 25 June 2015 at:

Valence Industries Limited Share Offer
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Valence Industries Limited Share Offer
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (AEST) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares and Listed Options. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.