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ASX: VXL & VXLO

AUSTRALIAN STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

FINANCE FACILITIES UPDATE

- Up to AUD\$3.5 million in bridge financing made available while remaining conditions precedent for the Initial Syndicated Finance Facility (Initial Facility) are satisfied.
- As announced on 1 May 2015 the Initial Facility of up to US\$20 million will underpin the current ramp-up in graphite production and support the Company's expansion program.

Bridge Financing and Syndicated Facility Update

Valence Industries Limited (the **Company**) is pleased to announce that pursuant to the syndicated debt facilities agreed with Singapore based Chimaera Capital Markets Pte Ltd (**CCM**) and announced on 1 May 2015, the Company will draw down an amount of A\$3 million in bridge financing with up to a further A\$0.5M available under that bridge. This financing has an establishment fee of ~\$200k and an interest rate of 12.5% per annum, and will provide interim funding while the remaining conditions precedent for the Initial Facility are satisfied.

Due diligence for the Initial Facility of up to \$US20 million continues and a number of the conditions precedent for that facility have been satisfied. The Company is working closely with CCM to meet the outstanding conditions for this facility and that program is progressing and is on schedule. The key conditions relate to independent technical verifications including of the Company's current operating production and geological resources and assessment of Valence Industries' customer sales contracts.

Finance Strategy

The Company's debt finance strategy is independent of any other capital raising initiatives (i.e. including equity and the recent rights issue) and is structured as stand-alone funding to be supported by production revenues.

The Company is financing its production and expansion plans through a syndicated and staged approach, structured with the bridge facility and then the US\$20 million Initial facility to be replaced by a larger US\$75 million Main Facility. The finance structure is designed to ensure that the Company's working and development capital requirements are met and are structured in line with Valence Industries' expected production profile and repayment capability.

The Initial Facility is intended to be repaid and replaced by the Main Facility which itself is expected to be made available to the Company once the existing plant is operating at capacity and on completion of the detailed design packages and construction timetable for the expansion program.

As announced on 16 June 2015, production has commenced at the Company's Uley Graphite™ facility, and a more detailed production update will be released soon.

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Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Valence Industries Limited (Valence Industries) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Valence Industries, that could cause Valence Industries' actual results to differ materially from the results expressed or anticipated in these statements.

Valence Industries cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Valence Industries does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable la