



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

**ASX: VXL
ASX: VXLO**

30 May 2014

LAPSE OF UNLISTED SECURITIES

Valence Industries Limited (ASX: VXL & VXLO) ("Valence" or "the Company") advises that 950,000 unlisted options and 687,500 unlisted performance rights (Securities) have lapsed. The Securities were subject to the performance condition of "Delivery of first 1,000 tonnes of graphite from the Uley Project by 31 May 2014" as approved by shareholders at the 2013 Annual General Meeting.

The company has significantly advanced the program of refurbishment and recommissioning of the existing facilities over the period since listing on 6 January 2014. However, as advised in the March 2014 Quarterly Activities Report, due to delays in the timing of the listing, that program of development commenced later than was anticipated. The Company now advises that the target of delivering 1,000 tonnes by 31 May 2014 will not be met.

"We are very pleased with the program for bringing our existing process facilities back online. The Valence Industries team has made significant achievements in our first 5 months of operations. Not the least of these major advances has been delivering on the first sales of graphite from Australia in 20+ years. That ability in the market, that ability to deliver on customer demand for high quality flake graphite, sets us apart" said Christopher Darby, MD & CEO.

The company remains focused on the current Phase I recommissioning program and the advance of its flake graphite production this year. At the same time the Phase II feasibility study will be delivered in coming months and is intended to significantly increase Valence Industries graphite manufacturing capacity.

All unlisted options had not vested and had an exercise price of 25 cents per share and expiry of 31 July 2016. An updated Appendix 3B is attached to this announcement.

For further information, please contact:

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CFO & Company Secretary
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About Valence Industries

Valence Industries (ASX:VXL) is the owner and operator of the only graphite manufacturing facilities in Australia located at Uley in South Australia near the regional centre of Port Lincoln. The Company is bringing existing infrastructure into production with a focus on global markets across multiple graphite product ranges. Graphite production will commence in early 2014, with plans for expanded production by the end of 2014.

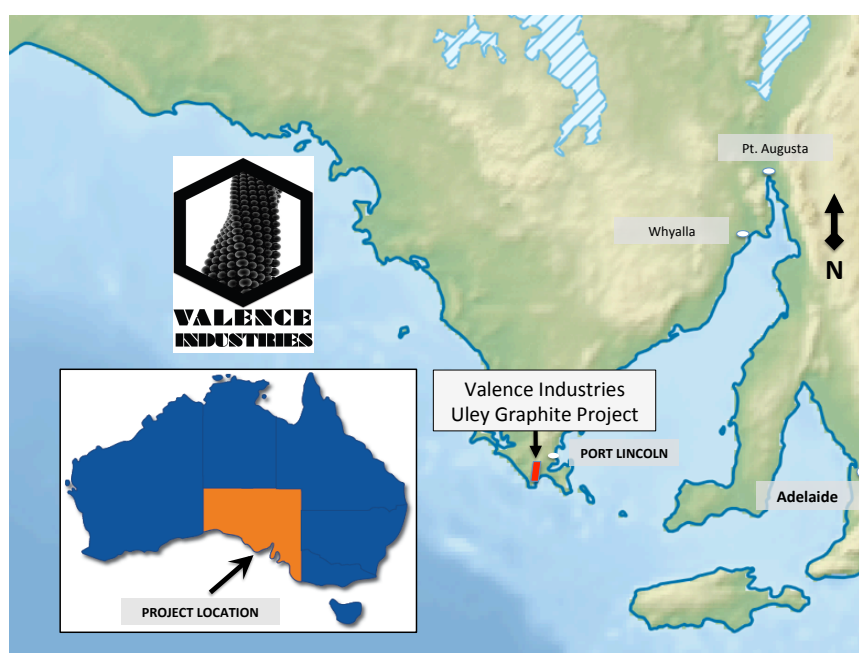
Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Valence Industries' Uley Graphite project is recognised as a significant area of graphite mineralisation, and one of the largest coarse flake graphite deposits in the world. The deposit contains disseminated, high-grade flake graphite and the mineralisation is near surface, with the final manufactured graphite products recognised and purchased by many customers for its high quality.

The company holds two existing Mining Licences and two associated Retention Licences, along with an extensive Exploration Licence, for the conduct of its operations. In addition Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing A New Carbon Future

The Company operates as an industrial manufacturer of high-grade flake graphite products for distribution and sale to global markets. Valence Industries owns established processing facilities and infrastructure to manufacture a wide range of graphite product lines for multiple applications and multiple industries. The Company produces and sells its graphite products from its Uley Graphite facilities in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America.

As a vertically integrated manufacturer of specialist graphite product ranges Valence Industries' branded products are designed to meet current and future customer demand. This program includes development of a significant VXL High Purity Graphite Facility program and a range of future Graphene applications.



Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Valence Industries Limited

ABN

41 008 101 979

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | |

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Appendix 3B
New issue announcement

| | |
|--|----|
| 4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | |
| 5 Issue price or consideration | |
| 6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets) | |
| 6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i | No |
| 6b The date the security holder resolution under rule 7.1A was passed | |
| 6c Number of +securities issued without security holder approval under rule 7.1 | |

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| 6d | Number of +securities issued with security holder approval under rule 7.1A | | | | | | | |
|-------------|--|--|--------|--------|-------------|------------------------------------|------------|--|
| 6e | Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting) | | | | | | | |
| 6f | Number of +securities issued under an exception in rule 7.2 | | | | | | | |
| 6g | If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation. | | | | | | | |
| 6h | If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements | | | | | | | |
| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements | 7.1 – 25,061,302 7.1A – Not applicable | | | | | | |
| 7 | <p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p> | | | | | | | |
| 8 | Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable) | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">134,258,708</td> <td>Ordinary shares (Shares)</td> </tr> <tr> <td style="text-align: center;">53,680,786</td> <td>Listed Options exercisable at 25 cents on or before 31 July 2016 (Options).</td> </tr> </tbody> </table> | Number | +Class | 134,258,708 | Ordinary shares (Shares) | 53,680,786 | Listed Options exercisable at 25 cents on or before 31 July 2016 (Options) . |
| Number | +Class | | | | | | | |
| 134,258,708 | Ordinary shares (Shares) | | | | | | | |
| 53,680,786 | Listed Options exercisable at 25 cents on or before 31 July 2016 (Options) . | | | | | | | |

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New issue announcement

| | Number | +Class | |
|----|---|----------------------------------|---|
| 9 | Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable) | 32,816,642 | Ordinary shares escrowed to 6 January 2016. |
| | | 16,250,000 | Listed Options exercisable at 25 cents on or before 31 July 2016 escrowed to 6 January 2016. |
| | | 3,500,000 | Unlisted Options exercisable at 25 cents on or before 31 July 2016 escrowed to 6 January 2016 - vested. |
| | | 2,050,000 | Unlisted Options exercisable at 25 cents on or before 31 July 2016 escrowed to 6 January 2016 - unvested and subject to performance criteria. |
| | | 1,375,000 | Unlisted performance rights escrowed to 6 January 2016 and subject to performance criteria. |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | Same as for all other securities | |

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Part 2 - Pro rata issue

- 11 Is security holder approval required?

- 12 Is the issue renounceable or non-renounceable?

- 13 Ratio in which the +securities will be offered

- 14 +Class of +securities to which the offer relates

- 15 +Record date to determine entitlements

- 16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?

- 17 Policy for deciding entitlements in relation to fractions

- 18 Names of countries in which the entity has security holders who will not be sent new offer documents
Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.

- 19 Closing date for receipt of acceptances or renunciations

- 20 Names of any underwriters

- 21 Amount of any underwriting fee or commission

- 22 Names of any brokers to the issue

- 23 Fee or commission payable to the broker to the issue

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New issue announcement

| | | |
|----|---|--|
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders | |
| 25 | If the issue is contingent on security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and offer documents will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | +Issue date | |

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Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1

(b) All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

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Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

| | Number | +Class |
|--|--------|--------|
| 42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38) | | |

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Quotation agreement

1 +Quotation of our additional +securities is in ASX’s absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
Company secretary

Date: 30 May 2014

Print name: Jaroslaw (Jarek) Kopias

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Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

| Rule 7.1 – Issues exceeding 15% of capital | |
|--|--|
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue | 115,547,375 (on admission to ASX prior to placement under prospectus) |
| Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | 33,673,677 (rights issue for admission to ASX) – 24 December 2013 687,500 (issue upon exercise of performance rights on issue prior to admission to ASX) – 20 January 2014 17,024,453 (rights issue shortfall) – 4 February 2014 142,345 (exercise of listed options) – between 16 April 2014 and 27 May 2014 |
| Subtract the number of fully paid +ordinary securities cancelled during that 12 month period | |
| “A” | 167,075,350 |

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| | |
|---|---|
| Step 2: Calculate 15% of “A” | |
| “B” | 0.15 <i>[Note: this value cannot be changed]</i> |
| Multiply “A” by 0.15 | 25,061,302 |
| Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used | |
| <p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | Nil |
| “C” | |
| Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1 | |
| <p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p> | |
| <p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p> | Nil |
| <p>Total [“A” x 0.15] – “C”</p> | <p>25,061,302</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p> |

+ See chapter 19 for defined terms.

Part 2

| Rule 7.1A – Additional placement capacity for eligible entities | |
|--|---|
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| “A” <i>Note: number must be same as shown in Step 1 of Part 1</i> | Not applicable |
| Step 2: Calculate 10% of “A” | |
| “D” | 0.10 <i>Note: this value cannot be changed</i> |
| Multiply “A” by 0.10 | |
| Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used | |
| Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | |
| “E” | |

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| Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A | |
|--|---|
| “A” x 0.10 <i>Note: number must be same as shown in Step 2</i> | |
| Subtract “E” <i>Note: number must be same as shown in Step 3</i> | |
| Total [“A” x 0.10] – “E” | <i>Note: this is the remaining placement capacity under rule 7.1A</i> |

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