



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

Thursday, 18 September 2014

FUNDING TO COMMENCE PHASE II EXPANSION

- Institutional Placement to raise \$12 million oversubscribed
- Share Purchase Plan to all shareholders, to be underwritten to \$3 million
- Funds to be used to complete feasibility study process, assess new high grade mineralisation, permit early work on Phase II and for operating capital requirements

Successful Placement & SPP to be offered to all shareholders

Valence Industries is pleased to announce:

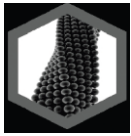
- It has received firm commitments from Institutional and sophisticated investors for a placement of new shares to raise \$12.0 million (before costs) at an issue price of 70 cents per share (**Placement**).
- A Share Purchase Plan will be offered to all eligible shareholders in Australia and New Zealand at a price of 70 cents per share to be underwritten to \$3.0 million (**SPP**).

The Placement and SPP are both priced at \$0.70 per share which represents a discount of 13.6% to Valence Industries' last closing price on ASX and is equal to the Company's twenty (20) day volume weighted average price on the ASX.

Purpose of the capital raising

The funds raised from the Placement and SPP will be applied by Valence Industries to advance the company's programs for growth including:

- Optimising the Company's feasibility study in order to realise maximum benefits from the high-grade graphite mineralisation across the Company's existing JORC (2012) Mineral Resource and the new area of *mineralised pegmatite* recently identified by Valence Industries, including:
 - revising the Company's JORC (2012) Mineral Resource on completion of analysis of the infill drilling results for the high grade material identified in the previously known ore body and the newly discovered *mineralised pegmatite* zone;
 - optimising the proposed Uley Pit 2 and mining plan for the high grade flake graphite mineralisation in the previously known ore body and for the new area of *mineralised pegmatite*, with corresponding adjustments to capital and operating costs;
 - assessing the required minor processing and manufacturing changes for the Phase II plant to take advantage of material from the newer high-grade zones and the area of *mineralised pegmatite*;
 - assessment of the graphite flake sizing and product characteristics of the new grades of material and the potential applications and associated market opportunities;



- reassessment of the opex, capex and resultant economics for the Phase II expansion program in light of the advantages to be achieved from the new high-grade material;
- Providing funding flexibility for early Phase II expansion works which may include preparation of Uley Pit 2, baseline civil work, preparatory infrastructure, and longer lead time orders; and
- For general working capital purposes.

Phase II Expansion & Funding

Valence Industries is focused on delivering the correct balance of funding for the Company's Phase II expansion program. The Company has a number of financiers from whom it has received expressions of interest for the balance of Phase II funding and discussions with these groups are ongoing. The optimal funding mix and decision on the final funding model for the proposed Phase II expansion is anticipated to be made in conjunction with the outcomes of the revised Phase II feasibility study and customer commitments.

Details of the Placement

The Placement of approximately 17,142,857 ordinary shares (subject to rounding) is being made to institutional and sophisticated investors. The Company is pleased by the strong support by major local and international investors for Valence Industries' growth programs.

The Placement is being made under the Company's 15% placement capacity under Listing Rule 7.1 and under that rule further shareholder approval for such a placement is not required.

Details of the Share Purchase Plan for All Shareholders

The SPP will provide all shareholders the opportunity to participate in the current capital raising at the same price as the institutions.

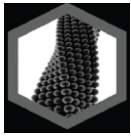
The company notes that the SPP is only available to Australian and New Zealand shareholders who were registered as Valence Industries shareholders at 7:00pm (AEST) on Wednesday 17 September 2014 (**Eligible Shareholders**). The SPP process is an established mechanism under the ASX Listing Rules and the SPP does not need separate shareholder approval.

The SPP entitles all Eligible Shareholders to purchase up to \$15,000 worth of new ordinary shares in the Company at an issue price of \$0.70 each and free of all brokerage and commissions. You can choose whether you want to participate in the SPP or not; participation is entirely voluntary.

The SPP is to be underwritten to the targeted minimum amount of \$3,000,000, equating to approximately 4,285,714 ordinary shares, but Valence Industries may decide to take additional applications after assessing the demand from shareholders to participate. The SPP will be open for three and a half weeks and is currently scheduled to close on 22 October 2014. Valence Industries may close the SPP at any time dependent on demand for shares.

The SPP is offered under an exception to Listing Rule 7.1 and consequently shareholder approval is not required for the SPP.

Any placement to the underwriter will be made under the Company's 15% placement capacity under Listing Rule 7.1 and under that rule further shareholder approval for such a placement is not required.



Full details of the SPP Offer will be contained in a SPP Booklet which is scheduled to be dispatched to Eligible Shareholders on 26 September 2014.

Valence Industries is pleased to acknowledge the strong ongoing support of Patersons Securities Limited who has been appointed as Lead Manager to the Placement and Lead Manager and Underwriter to the SPP.

Key dates

The proposed timetable for the Placement and SPP is detailed below although the Directors reserve the right to vary the dates and times without notice.

Key Event	Scheduled Date
Record Date for SPP (7:00pm AEST)	Monday, 15 September 2014
Announcement Date of Placement and SPP	Thursday, 18 September 2014
Date that shares are issued to investors under the Placement	Thursday, 25 September 2014
Placement shares trading date	Friday, 26 September 2014
Opening Date SPP and dispatch of information booklet to Eligible Shareholders	Friday, 26 September 2014
Closing Date of SPP (7.00pm AEDT)	Wednesday, 22 October 2014
Issue of Shares under the SPP	Tuesday, 28 October 2014
Dispatch of holding Statements	Friday, 31 October 2014

For further information, please contact:

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The information in this announcement that relates to the in situ Mineral Resources is based on, and fairly represents, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by a competent person in accordance with the JORC Code (2012 edition) and released to ASX by the Company on 18 November 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous release continue to apply and have not materially changed.

Competent Persons Statement – In-Fill Drilling Campaign

The information in this announcement that relates to the Mineral Resources pertaining to the Company's in-fill drilling campaign results is based on information compiled by Ms Karen Lloyd, who has been engaged as General Manager – Technical Delivery by Valence Industries. Ms Lloyd is a Member of the Australian Institute of Mining and Metallurgy. Ms Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Lloyd consents to the inclusion in this release of the matters based on their information in the form and context as it appears.



VALENCE INDUSTRIES

About Valence Industries & Graphite Manufacturing

Valence Industries (ASX:VXL & VXLO) is the owner and operator of the only graphite mining and manufacturing facilities in Australia located at Uley in South Australia near the major regional centre of Port Lincoln. In April 2014 and just four months after listing on the ASX, Valence Industries achieved the first sales of graphite by an Australian company in more than 20 years and recently signed MoUs for the supply of 80,000 tonnes of graphite over a period of 2+ years.

The Company is bringing its existing plant and substantial infrastructure into production in Phase I with a focus on global markets across multiple graphite product ranges. Graphite production will commence in the second half of 2014, with plans for expanded mining and graphite manufacturing in Phase II increasing through 2015.

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 Leases and two associated Retention Leases, along with an extensive Exploration Licence, for the conduct of its operations. The company anticipates regulatory works approval verification during the September Quarter of 2014.

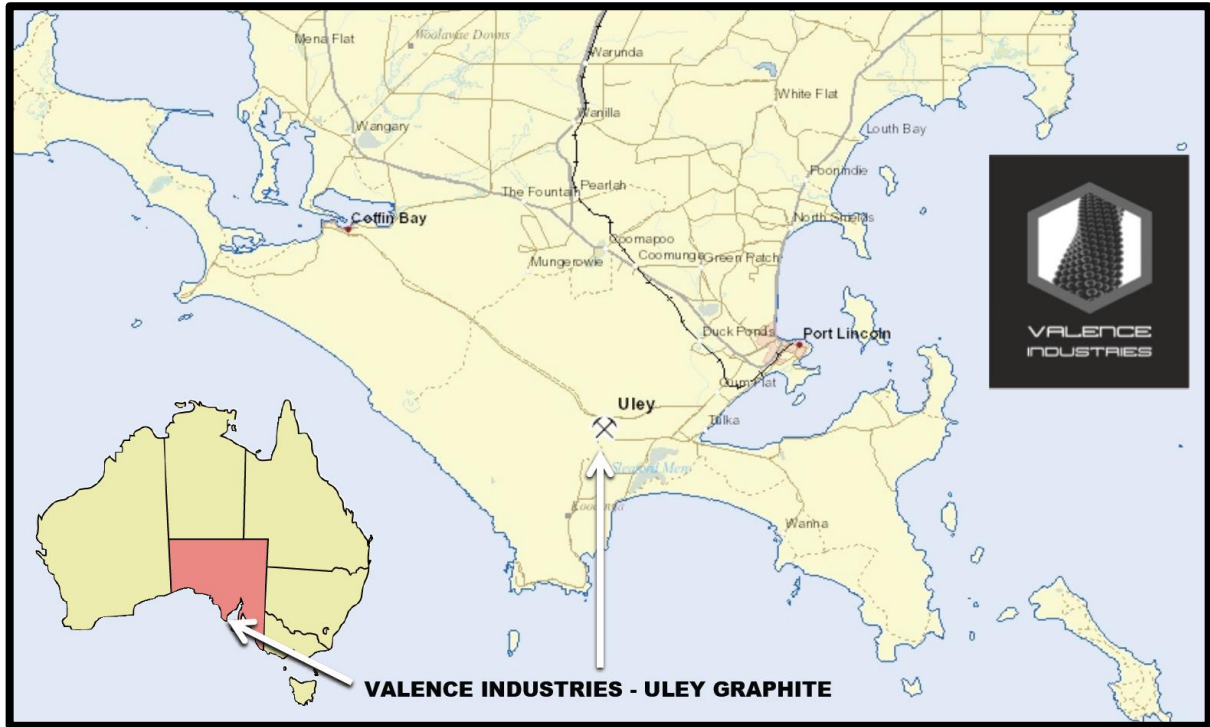
Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing A New Carbon Future & Advanced Graphene Program

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.

The Company is also pursuing research into advanced fields and applications for graphite. That program includes the relationship with the University of Adelaide for the establishment of a dedicated Graphene Research Centre in Adelaide. Graphene is one of the most significant steps forward in the world of advanced materials with the potential for transformative and disruptive technologies and the leading research in this area from the University of Adelaide on natural flake graphite has originated from work on the Company's Uley Graphite. The Graphene Research Centre program will see the development and commercialisation of processes and products for the application of graphene.



**VALENCE INDUSTRIES
ULEY GRAPHITE MINING & MANUFACTURING SITE
SOUTH AUSTRALIA, AUSTRALIA**