



VALENCE
INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

Monday, 3 November 2014

LAPSE OF UNLISTED SECURITIES

Valence Industries Limited (ASX: VXL & VXLO) ("Valence" or "the Company") advises that 500,000 unlisted options and 687,500 unlisted performance rights (Securities) have lapsed on 31 October 2014. The Securities were subject to the performance condition of "Execution of definitive transaction documents for finance facility for the full-scale process plant for the Uley Graphite Mine" as approved by shareholders at the 2013 Annual General Meeting.

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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Valence Industries
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+61 8 8418 8564

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.



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Valence Industries – Manufacturing Our Carbon Future™

Valence Industries (ASX:VXL & VXLO) operates as an industrial manufacturer of high-grade flake graphite products for distribution and sale to global markets. The Company is the 100% owner of established mining, processing and manufacturing facilities and infrastructure to produce a wide range of graphite product lines for multiple applications and multiple industries.

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 produces and sells its graphite products from its Uley Graphite™ facilities 15 minutes from Port Lincoln in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America. 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.

In April 2014, 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. In August 2014 the Company also signed MoUs for the supply of 80,000 tonnes of graphite over a period of 2+ years.

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.

Phase I – Established 14,000t Graphite Plant

During 2014 Valence Industries focused on recommencing graphite production by bringing its existing Uley Graphite manufacturing and processing plant off care and maintenance. The existing Phase I Plant has a projected capacity to produce 14,000 tonnes of flake graphite concentrate per year. The Phase I plant was well maintained and, with the engineering and reconstruction program implemented by Valence

Industries in 2014, the Primary Processing Circuit has been redesigned and replaced and the Secondary Processing Circuit has been fully refurbished and tested.

As part of the Phase I program the Company has conducted a successful local recruitment campaign. Significant numbers of highly qualified local applicants have been assessed and the first shifts are ready to commence work without the need for any FIFO workforce. The vast majority of the site operations personnel have come from Port Lincoln and will make the short 15 minute drive to work each day.

The Phase I program is designed to first process existing ROM stockpiled raw materials. The Company holds substantial stockpiles from the historical mining campaigns and has the ability to process that material for 9+ months. Importantly the ROM stockpiles are at a lower grade than the proposed new Phase II Uley Pit 2 and as Valence Industries opens that new pit and provides new higher-grade material to the Phase I plant it will become increasingly competitive ahead of production from the proposed Phase II plant.

The Phase I plant will provide commercial quantities of processed Uley graphite for pre-qualification by customers in advance of larger scale production from the proposed Phase II plant, to be completed in 2015. The Company is waiting on the final regulatory works approval and will then ramp up its Phase I commissioning and production programs. Production remains scheduled to commence in the second half of 2014.

Phase II – Expanded Mining & 50,000t Graphite Plant

In conjunction with the Phase I program to restart operations at the Uley Graphite facilities Valence Industries is completing the feasibility study for the proposed Phase II expansion of production.

The feasibility study builds on the results and recommendations of the 2013 Scoping Study. This process has involved pursuit of relevant regulatory approvals, in-fill drilling across the existing JORC (2012) Mineral Resource, design and engineering of the new automated production facility and advanced assessment of the market and customer growth.

During 2014 Valence Industries completed the Phase II in fill drilling campaign for definition of Uley Pit 2. That program was very successful and identified significant high grade flake graphite material across the area of its existing JORC (2012)



Mineral Resource with grades exceeding 47% graphitic carbon. The in-fill drilling campaign also led to a new discovery of a previously unknown zone of exceptionally high-grade flake graphite in *mineralised pegmatite zone*. The new graphite zone has grades in excess of 62% graphitic carbon and the flake graphite products from that zone are being described as Valence Industries *Arterial Flake™*.

The Phase II plant is expected to achieve improved production capacity, quality and operating costs when compared to the Phase I Plant and correspondingly generate sound returns for Valence Industries. The Phase II Plant is planned to have an initial capacity in Phase IIA to produce 50,000 tonnes p.a.

Phase III – High Purity Graphite Programs

Valence Industries has initiated early assessment of the potential to deliver higher-value flake graphite products to its customers. This initiative is known as the Phase III High Purity Program. The Phase III program involves not only the delivery of flake graphite with higher purity levels which demand higher prices in the global market but also involves a range of specialist applications and proprietary formulations of Valence Industries flake graphite that do not necessarily include further purification.

The program to fully assess those Phase III opportunities is being conducted by Valence

Industries Commercialisation & Sales division and will continue during 2014. The timetable for formally completing that assessment and releasing the results of any studies will be announced as the Company advances its thinking and commitment to these initiatives.

Phase IV – Advanced Graphene Program

Valence Industries signed a Joint Research, Development & Commercialisation Agreement with the University of Adelaide for the development and commercialisation of all new graphene research and for the development of a new Australian Graphene Research Centre to be based in South Australia. The Company has allocated \$800,000 over 3.5 years to this program.

This graphene research program is an initiative that has grown from pioneering work by Professor Dusan Losic and his team at the School of Engineering in the University of Adelaide. Professor Losic will continue to lead and help grow the research program as Valence Industries pursues the commercialisation of products from that research.

The graphene research driven and owned by Valence Industries will permit the development of new and significant applications for graphene products and sales. Those applications range from heavy industrial uses through to new technology and medical uses.



VALENCE INDUSTRIES ULEY GRAPHITE™

MINING & MANUFACTURING SITE
SOUTH AUSTRALIA, AUSTRALIA

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)

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <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	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	
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	

+ See chapter 19 for defined terms.

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 – 8,140,317 7.1A – Not applicable						
7	<p>+Issue dates</p> <p><small>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.</small></p> <p><small>Cross reference: item 33 of Appendix 3B.</small></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>152,880,615</td> <td>Ordinary shares</td> </tr> <tr> <td>52,201,723</td> <td>Listed Options exercisable at 25 cents on or before 31 July 2016.</td> </tr> </tbody> </table>	Number	+Class	152,880,615	Ordinary shares	52,201,723	Listed Options exercisable at 25 cents on or before 31 July 2016.
Number	+Class							
152,880,615	Ordinary shares							
52,201,723	Listed Options exercisable at 25 cents on or before 31 July 2016.							

+ See chapter 19 for defined terms.

Appendix 3B
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	Restricted 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.
	1,550,000	Unlisted Options exercisable at 25 cents on or before 31 July 2016 escrowed to 6 January 2016 - unvested and subject to performance criteria.
	687,500	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

+ See chapter 19 for defined terms.

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 <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	
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	

⁺ See chapter 19 for defined terms.

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Appendix 3B

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	

+ See chapter 19 for defined terms.

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

⁺ See chapter 19 for defined terms.

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	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <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					
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>					
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table border="1"><thead><tr><th>Number</th><th>+Class</th></tr></thead><tbody><tr><td></td><td></td></tr></tbody></table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

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:Date: 3 November 2014
Company secretary

Print name: Jaroslaw (Jarek) Kopias

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+ See chapter 19 for defined terms.

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 Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	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 1,621,408 (exercise of listed options) – between 16 April 2014 and 24 October 2014
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	
“A”	168,554,413

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	25,283,161
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert 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> 	17,142,844 ordinary shares issued on 25 September 2014
“C”	17,142,844
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	25,283,161
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	17,142,844
Total [“A” x 0.15] – “C”	8,140,317 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

⁺ 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"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • 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 • It may be useful to set out issues of securities on different dates as separate line items 	
“E”	

+ See chapter 19 for defined terms.

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>

+ See chapter 19 for defined terms.