



VALENCE
INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

13 May 2015

Dear Shareholder

Renounceable Rights Issue

On Thursday 7 May 2015, Valence Industries Limited (ASX:VXL) (Valence) announced a 1 for 6 renounceable pro rata entitlement issue at 29 cents per new Valence share, together with one (1) free attaching listed option (in the same class as the existing listed options) for every 2 shares subscribed for (**Rights Issue**).

The issue price of 29 cents per new share represents a discount of approximately 19.7 % to the 5 day volume weighted average closing price of Valence shares up to and including Thursday 30 April 2015 (being the last trading day prior to announcement of the Rights Issue).

The Rights Issue is seeking to raise approximately A\$9.4 million (before costs and expenses of the offer). The net funds raised by the Rights Issue will be applied towards:

- Completion of 2015 drilling, assay and metallurgy program
- Construction of scalable tailings facilities and process water return systems
- Completion of existing plant commissioning
- Preliminary engineering and design for production expansion
- Costs of the Placement, Rights Issue and First Debt Facility (see ASX announcement on 7 May 2015); and
- Working capital requirements

The Directors are pleased that you will be offered the opportunity to participate in this capital raising to fund Valence's exciting expansion and development. We are hopeful that you will continue your loyal support of Valence.



Key Terms of Rights Issue

In accordance with the requirements of the ASX Listing Rules, the following information on the Rights Issue and Valence is provided.

Terms of issue of securities	<ul style="list-style-type: none">• New shares will rank equally in all respects with the existing class of quoted fully paid ordinary shares on issue.• New options will rank equally in all respects with the existing class of listed options (exercisable at 25 cents, subject to the adjustment formula in Listing Rule 6.22.2, and expiring at 5pm (AEST) on 31 July 2016).
Record Date	The record date for determining entitlements is 7:00pm (AEST) on Monday 18 May 2015.
Fractional entitlements	Any fractional entitlements will be rounded up to the nearest whole number.
Renounceable	The Rights Issue is renounceable. This means that if you do not wish to accept all or part of your entitlement under the Rights Issue you may sell that part of your entitlement that you do not wish to accept either on ASX or off-market during the rights trading period to a third party who need not be another Shareholder of Valence.
Eligibility	Only shareholders with registered addresses in Australia or New Zealand as at the record date will be eligible to participate in the Rights Issue.
Fees	<ul style="list-style-type: none">• The Lead Manager will receive a fee in connection with the Placement and the Rights Issue of a cash amount equal to \$60,000 plus 6.0% of the total amount raised under the Placement and 4.0% raised under the Rights Issue.• No handling fees will be paid to brokers who lodge acceptances on behalf of security holders.
Maximum number of securities to be issued	The maximum number of new shares to be issued under the Rights Issue is 32,299,941 and the maximum number of new options to be issued under the Rights Issue is 16,164,971 ¹ . This means that following the Rights Issue, the maximum number of shares on issue will be 226,309,585 and the maximum number of options on issue will be 97,157,991 ² with 71,907,992 ³ of those being quoted on ASX.
Dividend Policy	Valence does not have a dividend policy and does not intend to declare a dividend in the near future.
Shareholder approval	No shareholder approval will be required for the Rights Issue.

¹ based on the undiluted share capital of Valence as at the close of trade on 6 May 2015, without taking into account the impact of rounding, but also taking into account the placement of 7,117,665 shares announced on 7 May 2015, which will be issued before the Record Date.

² As above

³ As above



Full details of the Rights Issue are set out in the Prospectus and Appendix 3B lodged with ASIC and ASX on Thursday 7 May 2015. The Prospectus is available to download from both the ASX website (at www.asx.com.au) and Valence's website (at www.valenceindustries.com) and is expected to be sent out to shareholders on Thursday 21 May 2015.

You are encouraged to read the Prospectus in full before making a decision in respect of the Rights Issue. To accept all or part of your entitlement under the Rights Issue you will need to complete the acceptance form that will accompany the Prospectus to be sent to shareholders.

Valence will not be sending an offer under the Rights Issue to any shareholder who does not have a registered address in Australia or New Zealand as at the record date.

Indicative Timetable

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of Rights Issue – announcement of Rights Issue	Thursday 7 May 2015
Lodgement of Prospectus – Prospectus lodged with ASIC and ASX and ASX Appendix 3B lodged with ASX	Thursday 7 May 2015
Notice to Shareholders – notice sent to Shareholders containing information required by Appendix 3B	Wednesday 13 May 2015
Ex date	Thursday 14 May 2015
Rights trading commences – the date on which Shares commence trading without the entitlement to participate in the Rights Issue and Rights trading commences	Thursday 14 May 2015
Record date – the date for determining entitlements of Shareholders to participate in the Rights Issue	7:00pm (AEST) Monday 18 May 2015
Prospectus sent to Shareholders – despatch of Prospectus and Entitlement and Acceptance Forms – Rights Issue opens for acceptances	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 date to extend Closing Date	Tuesday 9 June 2015
Closing Date – The last day for receipt of acceptance forms	5:00pm (AEST) Friday 12 June 2015
Shortfall notification date	Wednesday 17 June 2015
Issued date – Allotment of New Shares. Deferred settlement trading ends	Friday 19 June 2015
Expected commencement of normal trading in New Shares (and New Options, if admitted to quotation) on ASX	Monday 22 June 2015



Valence reserves the right to amend this timetable subject to the ASX Listing Rules.

If you have any queries about the Rights Issue, you should consult your stockbroker or other professional adviser or contact Valence's Share Registry, Link Market Services Ltd, on +61 1800 009 918 (toll free within Australia).

Yours sincerely,

Jaroslaw (Jarek) Kopias
Company Secretary

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