



**VALENCE
INDUSTRIES**

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL & VXLO

22 May 2015

Renounceable Rights Issue – Supplementary Prospectus

Valence Industries Ltd (ASX: VXL & VXLO) (“Valence” or “the Company”) advises that a Supplementary Prospectus dated 22 May 2015 (“Supplementary Prospectus”) which supplements the Prospectus dated 7 May 2015 (“Prospectus”) issued by the Company was lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange on 22 May 2015. The Supplementary Prospectus is attached to this announcement and provides details on the change to the timetable and additional information relevant to an investment in the Company.

Valence announced on 18 May 2015 that option holders had exercised 116,633 Listed Options. An updated Appendix 3B for the Rights Issue, due to the option exercise and change to offer dates, follows this announcement.

If you have any queries concerning the Rights Issue, please contact your financial adviser or the Company’s share registry, Link Market Services, on +61 1800 009 918 (toll free within Australia) between 8.30am and 5.00pm (AEST) Monday to Friday.

For further information, please contact:

Jaroslav (Jarek) Kopias
CFO & Company Secretary
Valence Industries
info@valenceindustries.com
+61 8 8418 8564



**VALENCE
INDUSTRIES**

**VALENCE INDUSTRIES LIMITED
ACN 008 101 979**

SUPPLEMENTARY PROSPECTUS

1. IMPORTANT INFORMATION

This Supplementary Prospectus is dated 22 May 2015 and supplements the Prospectus dated 7 May 2015 (**Prospectus**) issued by Valence Industries Limited (ACN 008 101 979) (**Company**).

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 22 May 2015. ASIC and ASX take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

Terms defined in the Prospectus have the same meaning as in this Supplementary Prospectus. For the avoidance of doubt, references to 'Section' in this Supplementary Prospectus mean references to that section of the Prospectus, unless otherwise stated.

This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

Other than the changes set out below, all other details in relation to the Prospectus remain unchanged.

2. REASONS FOR SUPPLEMENTARY PROSPECTUS

The purpose of this Supplementary Prospectus is to provide:

- (a) notification on the change to the timetable for the Rights Issue Offer;
- (b) clarification around the Company's current financial position and alternative options to raise funds;
- (c) details of the Options (warrants) that may be issued in connection with the Debt Facilities and the potential dilution effects of the Options (warrants), if exercised; and
- (d) additional pro-forma financial information;

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

- (e) new Application Forms, taking into account the revised timetable and Supplementary Prospectus.

3. SUPPLEMENTARY INFORMATION

3.1 Revised Indicative Timetable

The Directors have revised the indicative timetable for the Rights Issue Offer, so that despatch of the Prospectus (and this Supplementary Prospectus) will now occur on Tuesday 26 May 2015, with the Closing Date now being 5:00pm (AEST) on Thursday 25 June 2015. This has a consequential effect on the anticipated date of issue and normal trading of the New Securities.

The revised indicative timetable for the Rights Issue Offer, which has been approved by ASX, is set out below and replaces the indicative timetable set out on page 4 of the Prospectus:

EVENT	DATE
Announcement of Rights Issue Offer, Placement and Lodgement of Prospectus – Announcement of Rights Issue Offer, Placement and Appendix 3B lodged with ASX and Prospectus lodged with ASIC and ASX	Thursday 7 May 2015
Notice to Shareholders – notice of Rights Issue Offer sent to Shareholders containing information required by Appendix 3B	Wednesday 13 May 2015
Placement Shares and Options – the date on which Shares and Listed Options are allotted under the Placement	Wednesday 13 May 2015
Ex date and Rights trading commences – the date on which Shares commence trading without the entitlement to participate in the Rights Issue Offer and Rights trading commences	Thursday 14 May 2015
Record Date – the date for determining entitlements of Shareholders to participate in the Rights Issue Offer	7:00pm AEST time Monday 18 May 2015
Supplementary Prospectus lodged with ASIC and ASX	Friday 22 May 2015
Prospectus and Supplementary Prospectus sent to Shareholders – despatch of Prospectus and Supplementary Prospectus and Application Forms– Offers open for acceptance	Tuesday 26 May 2015
Last day of Rights trading	Thursday 18 June 2015
New Securities quoted on a deferred settlement basis	Friday 19 June 2015
Last day to extend Closing Date	5:00pm (AEST) Monday 22 June 2015
Closing Date – The last day for receipt of Rights Issue Offer Application Forms	5:00pm AEST time Thursday 25 June 2015

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Shortfall notification date – notification of shortfall (if any) under the Rights Issue Offer	Tuesday 30 June 2015
Issue date – Allotment of New Shares and Listed Options.	Thursday 2 July 2015
Expected commencement of normal trading in New Shares and new Listed Options on ASX	Friday 3 July 2015

Subject to the ASX Listing Rules, the Directors reserve the right to further vary the dates for the Rights Issue Offer at their discretion. Should this occur, the variation will have a consequential effect on the anticipated date of issue and normal trading of New Securities (if applicable).

3.2 Current financial position and alternative options to raise funds.

As set out in the Prospectus, the Rights Issue Offer is not underwritten and there is no guarantee that any funds will be raised under the Rights Issue Offer. However, each of the Directors intends to take up their Entitlement in full, in which case the Company will receive proceeds of at least approximately \$278,000 under the Rights Issue Offer. If no other funding was raised under the Rights Issue Offer, the Company would need to reconsider its current activities including delaying or deferring capital expenditure programs and would seek to raise further capital in the short term to continue its core activities. The Company would seek to do this first do this via placement of the Shortfall Shares or short term debt arrangements, then via securing the First Debt Facility and then via other private placements if required. The Company requires the consent of Chimaera for new funding facilities under the terms of the Heads of Agreement for the Debt Facilities with Chimaera, and does not anticipate any issue with securing Chimaera's consent.

3.3 Potential dilution effects of Options (warrants) issued in connection with the Debt Facilities

The terms of the Heads of Agreement for the Debt Facilities include the issue of Options (warrants) in connection with the provision of the Debt Facilities to be provided by the Company.

Under the terms of the Heads of Agreement, the financier¹ (including syndicate member(s)) will be entitled to the grant of the number of Options (warrants) equivalent to 15% of the value of any financing divided by the value of a Share, as determined by Chimaera's reasonable valuation of the Company (to be completed by 30 May 2015), assuming the Company's capital structure at 30 April 2015 and provided that the valuation is no less than the Company's market capitalisation during the period from 30 April 2015 to completion of the valuation. Chimaera has not provided a valuation to the Company as at the date of this Supplementary Prospectus.

The Options (warrants) for the First Debt Facility will have an exercise price of A\$0.322 (being a 10% discount to the 10 day volume weighted average price (VWAP) of the Company's shares

¹ The financier, Chimaera, is a Singapore incorporated entity. Ian Pattison is neither a director or shareholder of Chimaera. Chimaera is party to various intercompany service arrangements in which Chimaera may be liable to make payments to, or entitled to receive payments from, Chimaera Capital Limited and Markets Nominees Pty Ltd (CCL and MN respectively). Mr Ian Pattison is a director of both of those entities and has an indirect ownership interest in CCL and MN but does not control either of those entities.

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

prior to the execution of the Heads of Agreement). The exercise price of the Options (warrants) issued for the main Debt Facility of US\$75 million will be determined at the time the finance documentation for that Debt Facility is entered into. Both the number of Options (warrants) and the exercise price will be subject to adjustment in certain circumstances, including change in issued equity, equity issuances, return of capital and other corporation actions by the Company.

The provision of the Debt Facilities and the issue of the Options (warrants) is conditional on, amongst other things, negotiation and execution of formal documentation for the Debt Facilities and any regulatory and shareholder approvals that are required. Accordingly, it should be noted that the terms and conditions of the Options (warrants) may ultimately vary from those contained in the Heads of Agreement.

However, for illustrative purposes, the table below sets out an example of the number of Options (warrants) that may be issued in connection with the Debt Facilities and the percentage dilution experienced by Shareholders as a result, based on the terms and conditions set out in the Heads of Agreement, the Company's assumptions in the footnotes to the table and the following assumptions made by the Company:

- (a) the maximum of US\$20 million is provided under the First Debt Facility;
- (b) US\$75million is provided under the main Debt Facility;
- (c) the Australian dollar to US exchange rate is 0.80 (based on the exchange rate published by the Reserve Bank of Australia on Tuesday 19 May 2015);
- (d) the value per share in the Company for the purpose of determining the number of Options (warrants) to be issued is assumed to be A\$0.23, being the closing price of the Shares on ASX on the date of this Supplementary Prospectus. The final valuation for this purpose has not been undertaken by Chimaera;
- (e) the exercise price of the Options (warrants) is A\$0.322 (but for the main Debt Facility this currently not known and will be determined at the time the finance documentation is entered into);
- (f) all Options (warrants) are exercised during the applicable exercise period; and
- (g) no circumstances arise during the term of the Options (warrants) that could give rise to an adjustment to the number or exercise price of the Options (warrants).

	15% of Debt Facility	Maximum number of Options (warrants) ¹	Funds received by Company from exercise of Options (warrants) ^{1,2}	Percentage Dilution based on issued capital as at date of Prospectus ^{1,2,3}	Percentage Dilution based on issued capital following Placement and Rights Issue ^{1,2,4}	Percentage Dilution based on issued capital following Placement, Rights Issue and exercise of all \$0.25 Options and warrants ^{1,5}
First Debt Facility (US\$20million)	US \$3,000,000	16,304,348	A\$5.3 million	7.8%	6.7%	4.9%
	A\$3,750,000					
Main Debt Facility (US\$75million)	US\$11,250,000	61,141,305	A\$19.7 million	22.5%	20.1%	15.5%
	A\$14,062,500					

1. NUMBER OF OPTIONS (WARRANTS) HAS BEEN CALCULATED BASED ON THE TERMS OF THE HEADS OF AGREEMENT AND THE ASSUMPTIONS NOTED ABOVE AND BELOW, AND THE ACTUAL NUMBER TO BE ISSUED IN CONNECTION WITH

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

THE DEBT FACILITIES MAY VARY SIGNIFICANTLY FROM THE FIGURES IN THE TABLE, IF ANY OF THOSE ASSUMPTIONS CHANGE.

- 2. Assumes all Options (warrants) are exercised during the exercise period, and no further Options (exercisable at \$0.25) are exercised.**
- 3. Percentage dilution calculated based on the number of Shares on issue as at the date of the Supplementary Prospectus, being 193,916,277 Shares and taking into account the Shares issued on exercise of the Options (warrants).**
- 4. Percentage dilution calculated based on the number of Shares on issue following the Placement and the Rights Issue Offer (assuming it is fully subscribed), being 226,235,657 and taking into account the Shares issued on exercise of the Options (warrants).**
- 5. Percentage dilution calculated based on the number of Shares on issue following the Placement and the Rights Issue Offer (assuming it is fully subscribed), and assuming that all Options (exercisable at \$0.25) and all Options (warrants) are exercised and taking into account the Shares issued on exercise of the Options (warrants).**

3.4 Additional pro-forma financial information

Section 5.1 of the Prospectus includes a pro-forma Balance Sheet as at 31 March 2015. An additional pro-forma Balance Sheet is set out below, which also shows the Company's unaudited Balance Sheet as at 31 March 2015 adjusted for the receipt of net funds from the Placement.

As with the pro-forma Balance Sheet included in the Prospectus, the pro-forma has been prepared on the same basis and using the same accounting policies as the Company's reviewed accounts for the half year ended 31 December 2014, without taking into account period end close out procedures, and on the basis that the Rights Issue Offer is fully subscribed and there have been no material movements in assets and liabilities of the Company between 31 March 2015 and the date of the Prospectus other than:

- (a) impact of the Placement and the Rights Issue Offer (net of expenses) on the cash balance;
- (b) an adjustment for the cash movements, movements in payables and receivables and allocation of major categories of expenditure for the quarter ended 31 March 2015; and
- (c) expenses of the Offers (not including nominee fees) of approximately \$660,000 (excluding GST)

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Pro-forma financials - 31 March 2015

	Consolidated Actual	Consolidated Pro-Forma No Subscription management accounts (including placement)	Consolidated Pro-Forma Full Subscription management accounts
	31-Dec-14 (reviewed)	31-Mar-15 (unaudited)	31-Mar-15 (unaudited)
	\$	\$	\$
Current Assets			
Cash and cash equivalents	8,323,054	4,979,399	13,815,866
Trade and other receivables	759,916	542,834	542,834
Inventory	6,280	6,280	6,280
Total current assets	9,089,250	5,528,513	14,364,980
Non-Current Assets			
Term deposits (restricted cash)	1,708,776	1,708,776	1,708,776
Development expenditure	2,326,201	2,801,193	2,801,193
Exploration and evaluation expenditure	845,476	1,095,376	1,095,376
Plant and equipment	7,345,637	8,541,852	8,541,852
Total non-current assets	12,226,090	14,147,197	14,147,197
Total Assets	21,315,340	19,675,710	28,512,177
Current Liabilities			
Trade and other payables	3,624,287	2,799,667	2,799,667
Employee provisions	61,508	120,260	120,260
Borrowings	20,606	15,454	15,454
Total current liabilities	3,706,401	2,935,381	2,935,381
Total Liabilities	3,706,401	2,935,381	2,935,381
Non-current liabilities			
Borrowings	30,909	30,909	30,909
Provisions	535,575	535,575	535,575
Total non-current liabilities	566,484	566,484	566,484
Total Liabilities	4,272,885	3,501,865	3,501,865
Net Assets	17,042,455	16,173,845	25,010,312
Equity			
Issued capital	26,033,944	28,011,374	37,008,687
Reserves	1,096,180	1,096,180	1,096,180
Accumulated losses	-10,087,669	-12,933,709	-13,094,555
Total Equity	17,042,455	16,173,845	25,010,312

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

3.5 New Application Forms

New Application Forms are attached to this Supplementary Prospectus, taking into account the revised timetable and the fact that this Supplementary Prospectus has been released. These Application Forms replace the Application Forms attached to the Prospectus lodged with ASIC and ASX on 7 May 2015 and investors should apply for securities by completing the Application Forms attached to this Supplementary Prospectus, rather than the Application Forms attached to the Prospectus.

4. DIRECTORS STATEMENT

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. Each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of
Valence Industries Ltd
On 22 May 2015



Christopher S. Darby
Managing Director & Chief Executive Officer
Valence Industries Limited

This Supplementary Prospectus is intended to be read in conjunction with the Prospectus dated 7 May 2015 issued by Valence Industries Limited (ACN 008 101 979).

Valence Industries Limited

ABN 41 008 101 979

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone (free call within Australia): +61 1800 009 918
ASX Code: VXL, VXLO
Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Subregister:

Number of Eligible Shares held as
at the Record Date, 7:00pm (AEST)
on 18 May 2015:

Entitlement to New Shares
(on a 1 New Share for 6 basis):

Amount payable on full acceptance
at A\$0.29 per Share:

Offer Closes
5:00pm (AEST):

25 June 2015

ENTITLEMENT AND ACCEPTANCE FORM

As an eligible Shareholder you are entitled to acquire 1 New Share for every 6 Shares that you hold on the Record Date, at an issue price of A\$0.29 per New Share with a free attaching Listed Option for every 2 New Shares subscribed for. You may also apply for Shortfall Shares in excess of your Entitlement, at the issue price of A\$0.29. The Rights Issue Offer is renounceable, which means that if you do not wish to accept all or part of your Entitlement you may sell all of it or the part of it you wish not to accept.

This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Rights Issue Offer is being made under the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus"). The Prospectus contains information about investing in the New Shares and Listed Options. Before applying for New Shares, you should read the Prospectus carefully. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

The prospectus can be downloaded from www.valenceindustries.com or you can obtain a paper copy at no charge by calling the Valence Industries Offer Information Line on +61 1800 009 918 (free call within Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or apply for Shortfall Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 25 June 2015. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of New Shares that your payment will pay for.



Billers Code: 585695

Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

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OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your application monies. No signature is required on the acceptance slip. The acceptance slip with your application monies must be received by the Registry before 5:00pm (AEST) on 25 June 2015.

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form. If you do not take up or sell your Entitlements, you may not receive any value for them. It is important that you decide whether to accept or sell your Entitlements in accordance with the Prospectus.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment

Valence Industries Limited

ABN 41 008 101 979



SRN/HIN:

Entitlement Number:

A Number of New Shares accepted (being not more than your Entitlement shown above)

B Number of Shortfall Shares

+

C Total number of New Shares accepted (add Boxes A and B)

=

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Valence Industries Limited Rights Issue” and crossed “Not Negotiable”.

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

A\$

E CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

VALENCE INDUSTRIES LIMITED

The Rights Issue Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Rights Issue Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares or Options in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares and Listed Options acquired by you and agree to be bound by the Constitution of Valence Industries Limited.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.29.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Shortfall Shares

You can apply for more New Shares than your Entitlement. Please enter the number of Shortfall Shares above your Entitlement for which you wish to apply into Box B. Your Application for Shortfall Shares may not be successful (wholly or partially). The decision of Valence Industries Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any application monies received or returned.

C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

6. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Valence Industries Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Valence Industries Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Entitlement and Acceptance Form and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than **5:00pm (AEST) on 25 June 2015**. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Valence Industries Limited reserves the right not to process any Entitlement and Acceptance Form and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Valence Industries Offer Information Line on +61 1800 009 918 (free call within Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Valence Industries Limited Rights Issue" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Valence Industries Limited may treat you as applying for as many New Shares and Shortfall Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

3. SALE OF YOUR ENTITLEMENT IN FULL OR IN PART BY YOUR STOCKBROKER AND ACCEPTANCE OF THE BALANCE

If you wish to sell all of your Entitlements through your stockbroker or if you wish to sell part of your Entitlements through your stockbroker and accept the balance you should contact your stockbroker personally and provide details as requested which appear overleaf.

You should complete the "Instructions to your Stockbroker" panel below and forward this Entitlement and Acceptance Form to your stockbroker.

Instructions to your Stockbroker

I/We have accepted	<input type="text"/>
	New Shares as per reverse side
And attach a cheque/bank draft for	<input type="text"/>
	A\$
	being acceptance monies at A\$0.29 per New Share
I/We wish to sell	<input type="text"/>
	Rights to Ordinary Shares

4. DISPOSAL OF YOUR ENTITLEMENT OTHER THAN THROUGH A STOCKBROKER

A renunciation form must be used for all other transactions. These forms may be obtained from the Valence Industries Limited Registry or your stockbroker.

5. OVERSEAS SHAREHOLDERS

The Prospectus and Entitlement and Acceptance Form do not constitute an offer of securities in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue the Prospectus. By applying for New Shares under this Entitlement and Acceptance Form or by accepting this offer, you represent and warrant that applying for New Shares does not breach any law in Australia (including the *Corporations Act 2001* (Cth) and the *Foreign Acquisition and Takeovers Act 1975* (Cth)), and any relevant overseas jurisdiction.

Valence Industries Limited

ABN 41 008 101 979

Broker Code

Adviser Code

Shortfall Application Form

This is an Application Form for Shortfall Shares in Valence Industries Limited ("The Company") with a free attaching Listed Option for every two Shortfall Shares subscribed for under the terms set out in the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus"). Shortfall Shares are allotted at the Directors' discretion. The Company cannot guarantee the availability of Shortfall Shares for all or any of the applications. This Application Form and your cheque or bank draft must be received by the Share Registry by 5:00pm (AEST) on 25 June 2015.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and Listed Options and you should read the entire Prospectus carefully before applying for Shortfall Shares.

Shares applied for

Price per Share

Application Monies

A

at

A\$0.29

B A\$

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant

Surname/Company Name

C

Title

First Name

Middle Name

Joint Applicant #2

Surname

Title

First Name

Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

D

TFN/ABN type – if NOT an individual, please mark the appropriate box

Company

Partnership

Trust

Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours

Contact Name (PRINT)

G

Cheques or bank drafts should be made payable to "Valence Industries Limited" in Australian currency and crossed "Not Negotiable".

Cheque or Bank Draft Number

BSB

Account Number

H

Total Amount A\$

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEST) on 25 June 2015 to:

Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

VXL NRE001



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shortfall Shares and free attaching Listed Option to which this Shortfall Application Form relates are Valence Industries Limited Shares. Further details about the Shares are contained in the Prospectus dated 7 May 2015 and Supplementary Prospectus dated 22 May 2015, together the ("Prospectus") issued by Valence Industries Limited.

The Offer of any Shortfall Shares to which this Shortfall Application Form relates is not being made to investors located or resident outside of Australia or New Zealand. In particular the Offer of any Shortfall Shares is not being made to any persons in the U.S. or to a U.S. person. The Prospectus and Offer of any Shortfall Shares and the Shortfall Application Form do not constitute an Offer or invitation to acquire Shortfall Shares in any jurisdiction outside of Australia and New Zealand to whom it would not be lawful to issue the Prospectus. By applying for Shortfall Shares under this Shortfall Application Form, you represent and warrant that applying for Shortfall Shares and the free attaching Listed Options does not breach any laws in Australia (including the *Corporations Act 2001* (Cth) and the *Foreign Acquisition and Takeovers Act 1975* (Cth)), and any relevant overseas jurisdiction.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Shortfall Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shortfall Shares.

- A** Insert the number of Shortfall Shares you wish to apply for. You may be issued all of the Shortfall Shares applied for or a lesser number.
- B** Insert the relevant amount of application monies. To calculate your application monies, multiply the number of Shortfall Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Valence Industries Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Valence Industries Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Valence Industries Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.
- Make your cheque or bank draft payable to "Valence Industries Limited" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected.

LODGEMENT INSTRUCTIONS

This Shortfall Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 25 June 2015 at:

Valence Industries Limited Share Offer
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Valence Industries Limited Share Offer
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (AEST) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares and Listed Options. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.