

VALENCE INDUSTRIES LIMITED

ACN 008 101 979

NOTICE OF ANNUAL GENERAL MEETING Including

EXPLANATORY NOTES

PROXY FORM

Date of Meeting

Wednesday 25 November 2015

Time of Meeting

10:30 am (Adelaide time)

Place of Meeting

Grant Thornton
Level 1, 67 Greenhill Road
Wayville South Australia

For personal use only

NOTICE OF 2015 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Valence Industries Ltd ("Company") will be held at the offices of Grant Thornton, Level 1, 67 Greenhill Road, Wayville, South Australia on Wednesday 25 November 2015 at 10:30 am (Adelaide time).

The business to be considered at the Annual General Meeting is set out below.

This Notice of Meeting should be read in its entirety in conjunction with the accompanying Explanatory Memorandum, which forms part of this Notice of Meeting and contains information in relation to the following Resolutions. If you are in any doubt as to how you should vote on the Resolutions set out in this Notice of Meeting, you should consult your financial or other professional adviser.

Defined terms used in this Notice of Meeting have the meanings given to those Terms in the Glossary at the end of the Explanatory Memorandum.

GENERAL BUSINESS

2015 Financial Statements

To receive, consider and discuss the Company's annual financial report including the Directors' Declaration for the year ended 30 June 2015 and the accompanying Directors' Report and Auditor's Report.

ORDINARY BUSINESS

Resolution 1 - Adoption of Remuneration Report

To consider and, if thought fit, pass the following Resolution as a non-binding Resolution:

"That the Remuneration Report that forms part of the annual financial report of the Company for the year ended 30 June 2015 be adopted for the purpose of section 250R(2) of the Corporations Act and for all other purposes."

Note: Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Resolution 2 - Re-election of Mr Graham Spurling as a Director of the Company

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"That Mr Graham Spurling, a Director retiring by rotation in accordance with clause 9.1 of the Constitution of the Company, being eligible, and having offered himself for re-election, be re-elected as a Director of the Company."

Resolution 3 - Election of Mr Robert Mencil as a Director of the Company

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"That Mr Robert Mencil, a Director retiring in accordance with clause 9.1 of the Constitution of the Company, being eligible, and having offered himself for election, be elected as a Director of the Company."

SPECIAL BUSINESS – ORDINARY RESOLUTIONS

Resolution 4 - Ratification of Placement Shares and Listed Options issued in the preceding 12 month period

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 7,117,665 Shares and 3,558,837 Listed Options during the preceding 12 month period on the terms and to the parties set out in the Notice of Meeting and Explanatory Notes is ratified and approved."

Resolution 5 - Ratification of Shares issued to Rio Tinto Exploration Pty Ltd in the preceding 12 month period

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of up to 2,062,500 Shares to Rio Tinto Exploration Pty Ltd on the terms set out in the Notice of Meeting and Explanatory Notes is ratified and approved."

SPECIAL BUSINESS – SPECIAL RESOLUTION

Resolution 6 - Approval of 10% Additional Placement Capacity

To consider and, if thought fit, pass the following Resolution as a Special Resolution:

"That, for the purpose of ASX Listing Rule 7.1A and all other purposes, approval is given for the Company to have the additional capacity to issue Equity Securities totalling up to 10% of the issued capital of the Company calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Notes."

Voting exclusions and restrictions

Voting restriction in relation to resolution 1: In accordance with the Corporations Act, a vote must not be cast on this Resolution (and will be taken not to have been cast if cast contrary to this restriction) by or on behalf of either a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or any Closely Related Party of such a Member. However, the Member or any Closely Related Party of such a Member may vote if:

- a) it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution, or by a person who is the chair of the Meeting at which the Resolution is voted on and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution and expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a Key Management Personnel; and
- b) it is not cast on behalf of the Member or any Closely Related Party of such a Member.

Voting exclusion in relation to Resolutions 4 and 5 (ratification of Share and Listed Option issues)

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 and 5 by persons that participated in the respective issues and any associate of such persons. However, the Company need not disregard a vote if:

- a) it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting exclusions in relation to Resolution 6 (10% Additional Placement Capacity)

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Special Resolution 6 by:

- a) any person who may participate in the 10% Additional Placement Capacity and their associates; and;
- b) any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) and any associate of such person, if the relevant Resolution is passed.

However, the Company need not disregard a vote if:

- c) it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- d) it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As at the date of this Notice of Meeting the Company has no specific plans to issue Equity Securities pursuant to ASX Listing Rule 7.1A and therefore it is not known who (if any) may participate in a potential (if any) issue of Equity Securities under ASX Listing Rule 7.1A.

By order of the Board

Christopher Darby
Managing Director & CEO
Adelaide, 26 October 2015

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your Shareholding and your vote is important.

VOTING AND PROXY

In completing the attached Proxy Form, Members must be aware that where the Chairman of the Meeting is appointed as their proxy, they will be directing the Chairman to vote in accordance with the Chairman's voting intention unless you indicate otherwise by marking the "For", "Against" or "Abstain" boxes. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. Members should note that they are entitled to appoint the Chairman as a proxy with a direction to cast the votes contrary to the Chairman's voting intention, or to abstain from voting, on any Resolution in the Proxy Form. Also, Members may appoint, as their proxy, a person other than the Chairman.

A Member who is entitled to attend and cast a vote at the Meeting and who wishes to vote on the Resolutions contained in this Notice should either attend in person at the time, date and place of the Meeting set out above or appoint a proxy or proxies to attend or vote on the Member's behalf.

A proxy does not need to be a Member of the Company. For the convenience of Members, a Proxy Form is enclosed. A Member who is entitled to attend and cast two or more votes is entitled to appoint two proxies. Where two proxies are appointed, each appointment may specify the proportion or number of voting rights each proxy may exercise. If the Member appoints two proxies and the appointment does not specify this proportion, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes able to be cast by the appointing Member.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form. In order to be valid, the Proxy Form must be received by the Company at the address or facsimile number specified below, along with any power of attorney or certified copy of a power of attorney (if the Proxy Form is signed pursuant to a power of attorney), by no later than 48 hours before the Meeting (i.e., by no later than 10:30am Adelaide time on 23 November 2015):

By mail: Valence Industries Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By facsimile: +61 2 9287 0309

Any Proxy Forms received after that time will not be valid for the Meeting.

A Member who is a body corporate may appoint a representative to attend the Meeting in accordance with the Corporations Act. Representatives will be required to present documentary evidence of their appointment on the day of the Meeting.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and

- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

For the purpose of determining the voting entitlements at the Meeting, the Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that Shares will be taken to be held by the registered holders of those Shares at 6:30pm Adelaide time on 23 November 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

For personal use only

ANNUAL GENERAL MEETING - EXPLANATORY NOTES

These Explanatory Notes accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting, and should be read in conjunction with this Notice of Annual General Meeting.

Introduction

These Explanatory Notes have been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be considered at the Annual General Meeting of the Company. The Directors recommend Shareholders read these Explanatory Notes in full before making any decision in relation to the Resolutions.

Terms defined in the Notice of Annual General Meeting have the same meaning in these Explanatory Notes.

GENERAL BUSINESS

Receiving financial statements and reports

The Corporations Act requires that shareholders consider the annual consolidated financial statements and reports of the Directors and auditor every year.

In accordance with the Corporations Act, Members attending the Meeting to:

- a) ask questions about, or make comments on, the management of the Company; and
- b) ask a representative of the Company's Auditor, Grant Thornton, questions relevant to:
 - 1) the conduct of the audit;
 - 2) the preparation and content of the Auditor's Report;
 - 3) the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
 - 4) the independence of the Auditor in relation to the conduct of the audit.

A Member who is entitled to cast a vote at the Meeting may submit written questions to the Company's Auditor if the question is relevant to the content of the Auditor's report or the conduct of the audit of the annual financial report. A written question must be submitted by giving the question to the Company no later than 5.00pm Adelaide time on Wednesday 18 November 2015, being five business days before the day on which the Meeting is to be held and, the Company will then, as soon as practicable after the question has been received, pass the question on to the Auditor.

The Chairman of the Annual General Meeting will allow a reasonable opportunity at the Annual General Meeting for a representative of the Company's Auditor to answer any such written questions submitted. If the Company's Auditor has prepared written answers to written questions, the Chairman may allow these to be tabled at the Meeting and such written answers will be available to Members as soon as practicable after the Meeting. The Companies will make copies of the question list reasonably available to Members attending the Meeting.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.valenceindustries.com.

No Resolution is required to be moved in respect of this item of General Business.

GENERAL BUSINESS

Resolution 1: Adoption of Remuneration Report

The Remuneration Report for the financial year ended 30 June 2015 is set out in the Directors' Report within the 2015 Annual Report, which is available on the Company's website: www.valenceindustries.com. The Remuneration Report sets out the Company's remuneration arrangements for Directors, including the Managing Director, and the Company's Key Management Personnel.

Section 300A of the Corporations Act requires the Directors to include a Remuneration Report in their report for the financial year. Section 250R(2) of the Corporations Act requires the Remuneration Report to be put to a vote at the Company's Annual General

Meeting. The vote on the Resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

In relation to the non-binding shareholder vote, under the Corporations Act, if 25% or more of the votes that are cast are voted against the adoption of a company's remuneration report at two consecutive AGM's, then Members will be required to vote at the second of those AGMs on a resolution ("Spill Resolution") that another meeting be held within 90 days at which all of the company's directors (except the Managing Director) cease to hold office immediately before the end of the "Spill Meeting" and may stand for re-election at the Spill Meeting. The meeting may resolve to appoint those or other persons to the vacated positions. The Corporations Act also contains a re-setting mechanism so that a Spill Resolution could only be considered by Members at every second AGM. At the 2014 AGM, the Company's remuneration report for the financial year ended 30 June 2014 did not receive 25% or more of the votes cast against the adoption of the remuneration report.

The Directors believe that the Company's remuneration policies and structures are appropriate relative to the size of the Company and its business.

Board Recommendation: The Board refrains from making a recommendation in relation to this resolution as the Board is excluded from voting on the Resolution.

The Chairman of the Meeting intends to vote all undirected proxies in which he is entitled to vote in favour of the adoption of the remuneration report.

Resolution 2: Re-election of Mr Graham Spurling as a Director of the Company

In accordance with clause 9.1 of the Constitution, there must be an election of Directors at each Annual General Meeting. A retiring Director is eligible for re-election.

Accordingly Mr Graham Spurling is required to retire as a Director of the Company and being eligible, has offered himself for re-election. A resume of Mr Spurling follows:

Mr Graham Spurling (Non-Executive Director)

Graham Spurling is a qualified mechanical engineer and the former Managing Director and Chief Executive Officer of Mitsubishi Motors Australia. He has significant knowledge of both the foundry and battery industries directly relevant to graphite and a deep understanding and experience in global markets and with delivering productivity in manufacturing.

Mr Spurling has been a Director of the Company since 16 September 2013.

The Board considers Mr Spurling to be an independent Director.

Board Recommendation: The Directors (other than Mr Spurling) recommend that Shareholders vote in favour of Resolution 2.

The Chairman of the Meeting intends to vote all undirected proxies in favour of the re-election of Mr Spurling.

Resolution 3: Election of Mr Robert Mencil as a Director of the Company

In accordance with clause 9.1(d) of the Constitution, a Director appointed by the Board must retire at the conclusion of the next annual general meeting of the Company. This excludes the first appointed Managing Director if there is more than one managing director. Robert Mencil is the second appointed (deputy) managing director.

Accordingly Mr Robert Mencil is required to retire as a Director of the Company and being eligible, has offered himself for re-election. Following the resignation of Mr Darby as managing Director on 1 December 2015, Mr Mencil will take on the responsibility of the Company's Managing Director.

A resume of Mr Mencil follows:

Mr Robert Mencil (Deputy Managing Director)

Robert Mencil has extensive experience in the resources sector, with over 20 years developing a wide range of engineering, mining and mineral processing operations, translating strategic management objectives into operable practices. He has proven leadership abilities in developing cohesive teams to achieve stated outcomes within specific time frames. Robert has an MBA (Technology I Management), a Graduate Diploma in Management and a Bachelor Degree in Engineering (Mining).

Robert worked for three years with Tenix, initially as Deputy Project Manager for the \$530m M113 Upgrade Project, followed by two years as Manager of Tenix's Fleet and Logistic Services business during which time he successfully expanded the business from a one project business to a national and internationally focused business. He successfully completed the upgrade of the Bandiana Production Facilities on budget and 12 months ahead of schedule. Robert co-founded disruptive innovation companies Bravo Resource Solution Pty Ltd and Midas Environmental Technology Pty Ltd.

From 2006 to 2012 he was the General Manager at Mount Gibson where he oversaw the expansion of the Talling Peak Direct Ship Hematite Project from a 1mtpa operation to 3mtpa operation on budget and schedule. Robert oversaw construction and commissioning of major infrastructure including the successful transition from contract mining to owner operator. Most recently he was the Managing Director of Ironclad Mining Limited where he obtained all outstanding Federal and State approvals for the 1.2mtpa Wilcherry Hill Iron Ore Project, including the bulk storage facility. Prior to that, as Chief Operating Officer at Ironclad, Robert led the re-design and development of the Wilcherry Hill Project.

Robert has previously held senior operational management roles with Normandy Mining Limited, and WMC Limited. At Normandy he managed the successful Callie Opencut, one of Australia's largest and most profitable open cut gold mines, and was project manager for the Groundrush pre-feasibility study, responsible for obtaining all Government and Central Land Council approvals and mining permits.

Mr Mencil has been a Director of the Company since 19 October 2015.

The Board does not consider Mr Mencil to be an independent Director as he is part of the executive management group of the Company.

Board Recommendation: The Directors (other than Mr Mencil) recommend that Shareholders vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote all undirected proxies in favour of the re-election of Mr Mencil.

Resolution 4: Ratification of Shares and Listed Options issued in the preceding 12 month period

General

On 7 May 2015, the Company announced a Placement of 7,117,665 Shares and 3,558,837 attaching Listed Options to institutional, professional and sophisticated investors under the Company's 15% placement capacity under Listing Rule 7.1 to raise \$2,064,122. The Placement was made in conjunction with a rights issue announced at the same time.

The purpose of this Resolution is to seek approval to the ratification of the 7,117,665 Shares and 3,558,837 Listed Options that were issued under the Company's 15% capacity.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

In order to maintain the Company's capacity to issue up to a maximum of 15% of the issued capital of the Company without resorting to Shareholder approval in general meeting, as required pursuant to ASX Limited Listing Rule 7.1 and Listing Rule 7.4, the Company is required to obtain Shareholder ratification to the issue of any Securities during the preceding 12 month period.

Technical information required by ASX Listing Rule 7.5

The Company issued 7,117,665 Shares and 3,558,837 Listed Options on 12 May 2015 and 13 May 2015.

The Shares were issued at a price of \$0.29 per Share for cash consideration and the Listed Options were issued for \$nil consideration.

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Listed Options were in the same class as all other listed options on issue (ASX:VXLO) with an exercise price of \$0.25 and expiry of 31 July 2016.

The Shares were issued to institutional, professional and sophisticated investors, none of whom were or are Related Parties of the Company.

The funds raised by the issue of the Shares have or 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, subsequent rights issue and first debt facility; and
- Working capital requirements.

Funds raised by the exercise of the Listed Options will be applied towards the Company's working capital requirements at the time of exercise.

A voting exclusion statement for Resolution 4 is set out in the Notice of Meeting.

Board Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 4.

The Chairman of the Meeting intends to vote all undirected proxies in favour of the ratification of the issue of the Shares and Listed Options in this Resolution 4.

Resolution 5: Ratification of Shares issued to Rio Tinto Exploration Pty Ltd in the preceding 12 month period

General

On 4 September 2015, the Company advised that it has reached agreement with Rio Tinto Exploration Pty Ltd with respect to concluding legacy royalties. Under the agreement Rio Tinto Exploration Pty Ltd was issued 2,062,500 Shares and received a cash payment of \$100,000 concluding all legacy royalties. As part of the agreement, the Company will also receive an introduction to the relevant people for supply of graphite to the Rio Tinto group.

The purpose of this Resolution is to seek approval to the ratification of the 2,062,500 Shares that were issued under the Company's 15% capacity.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

In order to maintain the Company's capacity to issue up to a maximum of 15% of the issued capital of the Company without resorting to Shareholder approval in general meeting, as required pursuant to ASX Limited Listing Rule 7.1 and Listing Rule 7.4, the Company is required to obtain Shareholder ratification to the issue of any Securities during the preceding 12 month period.

Technical information required by ASX Listing Rule 7.5

The Company issued 2,062,500 Shares on 4 September 2015.

The Shares were issued at a deemed price of \$0.20 per Share for \$nil cash consideration.

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

The Shares were issued to Rio Tinto Exploration Pty Ltd, which is not a Related Party of the Company.

There were no funds raised by the issue and the purpose of the issue is settlement of legacy royalty agreement.

A voting exclusion statement for Resolution 5 is set out in the Notice of Meeting

Board Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 5.

The Chairman of the Meeting intends to vote all undirected proxies in which he is entitled to vote in favour of the ratification of the issue of the Shares in this Resolution 5.

SPECIAL RESOLUTION

Resolution 6: Approval for 10% Additional Placement Capacity

Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued Share capital through placements over a 12 month period after the Annual General Meeting at which approval of the issue is obtained. This 10% Additional Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1 and allows the Company to issue up to 25% of its issued capital in total.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity at the date of this Notice of Meeting and must remain compliant with the requirements of Listing Rule 7.1A at the date of the Meeting to be able to utilise the additional capacity to issue Equity Securities under that Listing Rule.

The Company is now seeking Shareholder approval by way of a Special Resolution which requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) to have the ability to issue Equity Securities under the 10% Additional Placement Capacity. The exact number of Equity Securities to be issued under the 10% Additional Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

Number of Equity Securities

The formula for calculating the maximum amount of securities to be issued under the 10% Additional Placement Capacity is calculated as follows:

$$(A \times D) - E$$

A is the number of Shares on issue 12 months before the date of issue:

- plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary Shares that became fully paid in the 12 months;
- plus the number of Shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4 (excluding an issue of Shares under the Company's 15% placement capacity without Shareholder approval);
- less the number Shares cancelled in the 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under this Listing Rule 7.1A.2 in the 12 months before the date of the issue and not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

Any Equity Securities issued under Listing Rule 7.1A must be in an existing quoted class of Equity Securities. The Company currently has on issue two classes of quoted Equity Securities - Shares and Listed Options.

No Director or Related Party will participate in any issue under the 10% Placement Facility unless specific approval is obtained for the purposes of ASX Listing Rule 10.11.

The ability to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 199,016,214 Shares and therefore has capacity to issue:

1. 29,852,432 Equity Securities under Listing Rule 7.1 (subject to approval of Resolutions 3 and 4 in this Notice) and
2. 19,901,621 Equity Securities under Listing Rule 7.1A (subject to approval of Resolutions 3, 4 and 6 in this Notice).

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

A number of scenarios showing potential issues under Listing Rule 7.1A are detailed in **Table 1**.

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Additional Placement Capacity as follows:

1. Minimum issue price

For the purpose of Listing Rule 7.1.A.3, the issue price of Equity Securities under the 10% Additional Placement Capacity will be no less than 75% of the VWAP for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- i) the date on which the price at which the securities are to be issued is agreed; or
- ii) if the securities are not issued within 5 trading days of the date in paragraph i), the date on which the securities are issued.

The Company may also issue Equity Securities under the 10% Placement Facility as non-cash consideration, in which case the Company will release to the market a valuation of those Equity Securities that demonstrates that the issue price of the securities complies with the rule above.

2. Risk of economic and voting dilution

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Additional Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in **Table 1** below (in the case of Listed Options, only if the Listed Options are exercised).

There is also a risk of economic dilution of existing Shareholders, including a risk that:

- i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting in which the approval under rule 7.1A is given; and
- ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Table 1 also shows:

- i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future meeting of Shareholders; and
- ii) two examples where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the average share price of the Company, based on the closing market price, over the previous 6 month period ending on 30 September 2015.

TABLE 1

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.125 50% decrease in issue price of Shares	\$0.25 Issue Price of Shares	\$0.50 100% increase in issue price of Shares
Current Variable A	10% voting dilution	19,901,621 Shares	19,901,621 Shares	19,901,621 Shares
199,016,214 Shares	Funds raised	\$2,488,000	\$4,975,000	\$9,951,000
50% increase in current Variable A	10% voting dilution	29,852,432 Shares	29,852,432 Shares	29,852,432 Shares
298,524,321 Shares	Funds raised	\$3,732,000	\$7,463,000	\$14,926,000
100% increase in current Variable A	10% voting dilution	39,803,242 Shares	39,803,242 Shares	39,803,242 Shares
398,032,428 Shares	Funds raised	\$4,975,000	\$9,951,000	\$19,902,000

Table 1 presents theoretical examples only and has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Additional Placement Capacity.
- No unlisted options or Listed Options currently on issue are exercised into Shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- **Table 1** does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Additional Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- **Table 1** shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The funds raised have been rounded to the nearest thousand dollars.
- The issue of Equity Securities under the 10% Additional Placement Capacity consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- The issue price is based on the average share price of the Company, based on the closing market price, over the previous 6 month period ending on 30 September 2015.

3. Timing

The date by which the Equity Securities may be issued is the earlier of:

- i) 12 months after the date of this Annual General Meeting; and
- ii) the date of approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

The approval will cease to be valid in the event that holders of the Company's Shares approve a transaction under ASX Listing Rule 11.1.2 or ASX Listing Rule 11.2.

4. Purposes for which Equity Securities may be issued

The Company may seek to issue the Equity Securities for the following purposes:

- i) Non-cash consideration for the acquisition new resources, assets or investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued development or exploration expenditure on the Company's current assets and/or general working capital.

The Company will comply with disclosure obligations under Listing Rule 7.1A.4 and 3.10.5A upon issue of any Equity Securities under the 10% Additional Placement Capacity.

5. Allocation policy

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% Additional Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to, but not limited to, the following factors:

- i) the methods of raising funds that are available to the Company, but not limited to, rights issues or other issues in which existing security holders can participate;
- ii) the effect of the issue in the Equity Securities on control of the Company;
- iii) the financial situation and solvency of the Company; and
- iv) advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Additional Placement Capacity have not been determined as at the date of this Notice, but may include existing substantial Shareholders and/or new Shareholders who are not Related Parties or associates of a Related Party of the Company.

Further, if the Company acquires new assets, it is likely that the allottees under the 10% Additional Placement Capacity will be the vendors of the new assets.

If Resolution 6 is approved by Shareholders, the Company may issue Equity Securities under the 10% Placement Facility during the 10% Placement Period, as and when the circumstances of the Company require.

The Company has not previously obtained approval under Listing Rule 7.1A.

A voting exclusion statement for Resolution 6 is set out in the Notice of Meeting. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Meeting.

Board Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 6.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 6.

For personal use only

Glossary

In the Notice of Annual General Meeting and Explanatory Notes:

10% Additional Placement Capacity means the additional capacity to issue Shares under Listing Rule 7.1A.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors of Valence.

Closely Related Party has the meaning given to it in the Corporations Act and the Corporations Regulations.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Corporations Regulations means the Corporations Regulations 2001 (Cth).

Director means a director of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Key Management Personnel means a member of the key management personnel as disclosed in the Remuneration Report.

Listing Rules means the listing rules of ASX.

Listed Options means quoted options with an exercise price of \$0.25 and expiry of 31 July 2016.

Meeting or Annual General Meeting means the Annual General Meeting of Shareholders to be held at the offices of Grant Thornton at Level 1, 67 Greenhill Road, Wayville, South Australia on Tuesday 25 November 2015 at 10:30 am (Adelaide time).

Member or Shareholder means each person registered as a holder of a Share.

Notice or Notice of Meeting means this Notice of Annual General Meeting.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of Shareholders.

Placement means the issue of Shares and Listed Options on 12 May 2015 and 13 May 2015.

Related Parties has the same meaning as the Listing Rules.

Remuneration Report means the section of the directors' report of Valence that is included in the Annual Report.

Resolution means a resolution referred to in this Notice.

Rio means Rio Tinto Exploration Pty Ltd.

Share means a fully paid ordinary share in the capital of the Company.

Spill Resolution means, if 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGM's and no spill resolution was voted on at the first AGM, then the Members will be required to vote at the second of those AGM's on a resolution ("Spill resolution") that another meeting be held within 90 days at which all of the Directors (except the Managing Director) must stand for re-election.

Supplementary Prospectus means the supplementary prospectus (supplementary to the prospectus issued on 7 May 2015) issued on 22 May 2015 in relation to the Company's renounceable rights issue.

Valence or the Company means Valence Industries Limited (ABN 41 008 101 979).

VWAP means volume weighted average market price.

Valence Industries Limited

ABN 41 008 101 979

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Valence Industries Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Valence Industries Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am (Adelaide time) on Wednesday, 25 November 2015 at Grant Thornton, Level 1, 67 Greenhill Road, Wayville, SA (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Ratification of Shares issued to Rio Tinto Exploration Pty Ltd in the preceding 12 month period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Graham Spurling as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval of 10% Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Mr Robert Mencil as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Ratification of Placement Shares and Listed Options issued in the preceding 12 month period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

VXL PRX502C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (Adelaide time) on Monday, 23 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

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



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**