



VALENCE INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

ASX ANNOUNCEMENT

ASX : VXL

30 January 2014

Australian Graphite Producer Places Rights Issue Shortfall

Valence Industries Limited (ASX:VXL) is pleased to announce that it has successfully placed the remainder of the shortfall available under the recent rights issue undertaken by the Company. The shortfall placement will raise a further \$3.40 million (before costs) to fund the Company's activities as outlined in the Prospectus. With completion of the shortfall placement, the Company's Placement and Rights Issue is now fully subscribed, raising a total of approximately \$10.14 million before costs.

Operations Update

The program for near term graphite production from the Company's Uley operations near Port Lincoln in South Australia is progressing rapidly. Valence Industries has mobilised further personnel to site and orders for the key plant and equipment components have been placed with deliveries scheduled over coming weeks. In the interim, site infrastructure upgrades are underway.

With this rapid development program, Valence Industries is pleased to announce additions to its senior operations team under the leadership of David J. Salari, P.Eng., Chief Operating Officer.

Ian McLean has been appointed as Valence Industries' Project Manager at Uley. Ian has worked on the delivery of a number of advanced processing and manufacturing projects around the world. Christopher Darby, Managing Director & CEO, said "We are fortunate to have secured the services of a professional of Ian McLean's caliber including his site team members. He brings with him proven leadership ability and the required experience in getting projects like ours delivered." Mr McLean has previously worked as global operations manager for significant mining, manufacturing and process operations and that capability is a valuable asset for the program at Uley.

The operations management at site has been bolstered with Valence Industries mobilising its experienced team. This program supports the phased development of the Company's established facilities as Valence Industries takes the operation off care and maintenance and restarting its graphite manufacturing and sales.

Senior roles filled to date include:

- Construction Manager
- Site Manager
- Senior Geologist
- Environmental Manager
- Procurement & Logistics Manager

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Discussions and negotiations with key cornerstone customers are progressing ahead of plan. The Company is confident that customer demand will exceed available supply from the Company's planned production capacity. Christopher Darby, Managing Director & CEO, said "we expect to finalise formal sales agreements prior to commencement of production, which remains in accordance with our timetable for delivery early this year".

Under the shortfall placement, the Company will issue 17,024,453 fully paid ordinary shares at a price of \$0.20 per share following receipt of cleared funds. Valence will also issue 17,024,453 options, being one free attaching option for every share issued, with an exercise price of \$0.25 on or before 31 July 2016. The issue is made under the replacement prospectus (Prospectus) dated 15 November 2013 and is made under listing rule 7.2, *Exception 3*. This exception means that shareholder approval does not need to be sought.

The Company expects to receive the proceeds by the end of this week. Valence will issue the shares once it has received cleared funds for the entire ~\$3.40 million. An Appendix 3B will be lodged with ASX upon the issue seeking quotation of the shares and options. The purpose of the issue is in accordance with and detailed in the Company's Prospectus. In summary:

- Taking the existing Phase 1 manufacturing facility off care and maintenance and for associated plant and infrastructure
- Engineering, design and metallurgical optimisation work
- Processing of previously mined material
- Costs of the offer
- Working capital
- Exploration related activities

For more information, visit www.valenceindustries.com or contact:

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About Valence Industries

Valence Industries (ASX:VXL) is the owner and operator of the only graphite manufacturing facilities in Australia located at Uley in South Australia near the regional centre of Port Lincoln. The company is bringing existing infrastructure into production with a focus on global markets across multiple graphite product ranges. Graphite production is expected to commence in early 2014, with plans for expanded production by the end of 2014.