

VALENCE INDUSTRIES LIMITED

ACN 008 101 979

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

PROXY FORM

Date of Meeting

18 November 2014

Time of Meeting

10:30 am (Adelaide time)

Place of Meeting

Grant Thornton
Level 1, 67 Greenhill Road
Wayville South Australia

VALENCE INDUSTRIES LIMITED
ACN 008 101 979

NOTICE OF 2014 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 Tuesday 18 November 2014 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

2014 Financial Statements

To receive, consider and discuss the Company's annual financial report including the Directors' Declaration for the year ended 30 June 2014 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 2014 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.

Voting restriction: 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.

Resolution 2 - Re-election of Mr Ian Schache as a Director of the Company

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

"That Mr Ian Schache, 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."

SPECIAL BUSINESS – ORDINARY RESOLUTIONS

Resolution 3 – Ratification of Shares 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 17,142,844 Shares 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.”

Voting exclusion: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares), if the Resolution is passed, and any associate of such person, if the Resolution is passed. 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.

Resolution 4 – Ratification of Shares – Underwriter

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 4,285,715 Shares to the Underwriter of the Company’s Share Purchase Plan (or its nominees) on the terms and to the parties set out in the Notice of Meeting and Explanatory Notes is ratified and approved.”

Voting exclusion: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares), if the Resolution is passed, and any associate of such person, if the Resolution is passed. 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

Resolution 5 – Approval of issue of Director Options to Mr Graham Spurling

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and all other purposes, approval is given for the issue of 500,000 Director Options to Mr Graham Spurling (or his nominee) under the Valence Industries Limited Performance Rights and Options Plan.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Spurling, any associates of Mr Spurling and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 6 – Approval of issue of Director Options to Mr Glenister Lamont

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and all other purposes, approval is given for the issue of 500,000 Director Options to Mr Glenister Lamont (or his nominee) under the Valence Industries Limited Performance Rights and Options Plan.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Lamont, any associates of Mr Lamont and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 7 – Approval of issue of Director Options to Mr Ian Schache

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and all other purposes, approval is given for the issue of 500,000 Director Options to Mr Ian Schache (or his nominee) under the Valence Industries Limited Performance Rights and Options Plan.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Schache, any associates of Mr Schache and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 8 – Approval of issue of Shares to Mr Graham Spurling

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 50,000 Shares to Mr Graham Spurling (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Spurling, any associates of Mr Spurling and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 9 – Approval of issue of Shares to Mr Glenister Lamont

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 35,000 Shares to Mr Glenister Lamont (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Lamont, any associates of Mr Lamont and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 10 – Approval of issue of Shares to Mr Ian Schache

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 35,000 Shares to Mr Ian Schache (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Schache, any associates of Mr Schache and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 11 – Approval of issue of Shares to Mr Christopher Darby

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 200,000 Shares to Mr Christopher Darby (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Darby, any associates of Mr Darby and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 12 – Approval of issue of Director Performance Rights to Mr Christopher Darby

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14, and all other purposes, approval is given for the issue 4,000,000 Director Performance Rights to Mr Christopher Darby (or his nominee) under the Valence Industries Limited Performance Rights and Options Plan.”

Voting exclusions and voting restriction

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Darby, any associates of Mr Darby and any Director of the Company who is eligible to participate in the Performance Rights and Options Plan in respect of which the approval is sought. 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.

Further, 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 a Key Management Personnel, and any Closely Related Party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any Closely Related Party of such a member may vote if it is cast by a person as a 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 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.

Resolution 13 – Approval of issue of Shares to executives of the Company

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of 225,000 Shares to Executives of the Company on the terms set out in the Notice of Meeting and Explanatory Notes is approved.”

Voting exclusion: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares), if the Resolution is passed, and any associate of such person, if the Resolution is passed. 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

By order of the Board

Christopher Darby
Managing Director & CEO
Adelaide, 2 October 2014

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 16 November 2014):

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 10:30am Adelaide time on 16 November 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

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 Tuesday 11 November 2014, 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 2014 is set out in the Directors' Report within the 2014 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 2013 AGM, the Company's Remuneration Report was not put to a vote as the Company was not a listed entity at that time. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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, while noting that each Director has a personal interest in their own remuneration from the Company, recommends that Members vote in favour of Resolution 1.

Resolution 2: Re-election of Mr Ian Schache 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 Ian Schache is required to retire as a Director of the Company and being eligible, has offered himself for re-election. A resume of Mr Schache follows:

Mr Ian Schache (Non-Executive Director)

Mr Schache has over 40 years' experience across a diverse range of development, operations and production activities in the mining industry. He is a Director of New South Resources Limited and was previously Executive General Manager for Bemax Resources Ltd, Senior VP and COO for Tiomin Resources Inc. and Executive General Manager Operations for Westralian Sands/Iuka Resources Ltd. Prior experience includes 16 years in engineering and management with Mount Isa Mines Ltd.

Mr Schache has been a Director of the Company since 26 September 2013.

The Board considers Mr Schache an independent Director.

Board Recommendation: The Directors (other than Mr Schache) 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 Schache.

Resolution 3: Ratification of Shares issued in the preceding 12 month period

General

On 25 September 2014, the Company completed a Placement of 17,142,844 Shares to institutional, professional and sophisticated investors under the Company's 15% placement capacity under Listing Rule 7.1 to raise \$11,199,991.

The purpose of this Resolution is to seek approval to the ratification of the 17,142,844 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 17,142,844 Shares on 25 September 2014.

The Shares were issued at a price of \$0.70 per Share for 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 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 will be used for:

- expedite completion of the feasibility studies in relation to the Phase II expansion program taking into account the recent discovery of significantly higher grade graphite mineralisation, with particular reference to the mineral resource, mine design, the processing and manufacturing program and the opportunities for commercialisation and sales of the Company's Uley Graphite;
- initiating the early work associated with the Phase II expansion program which may include preparation of Uley Pit 2, baseline civil work, preparatory infrastructure, longer lead time orders, detailed design and engineering and early contractor involvement (ECI); and
- provide the Company with working capital to enable it to support operations including mining, manufacturing and marketing of Uley Graphite from the Phase I Plant once government approvals have been obtained.

Board Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 3.

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 3.

Resolution 4: Approval of issue of up to 4,285,715 Shares

Background

In order to maintain the Company's capacity to issue up to a maximum of 15% of the ordinary securities on issue in the previous 12 months under Listing Rule 7.1 without resorting to Shareholder approval in general meeting, the Company is required to obtain Shareholder approval of the issue of Shares. A summary of ASX Listing Rule 7.1 is set out in Resolution 3 above.

On 18 September 2014, Valence announced that it intends to raise \$3,000,000 under the Company's SPP opening on 26 September 2014. The Share Purchase Plan (SPP) underwritten to \$3,000,000 and any issue of Shares to the Underwriter will be issued under the Company's 15% capacity under Listing Rule 7.1. The maximum number of Share to be issued to the Underwriter is 4,285,715 (subject to rounding) and the final number of Shares to be issued to the Underwriter will depend on the number of Shares subscribed for by eligible shareholders under the SPP - this number will not be known until the completion of the SPP. The Underwriter will be required to contribute to the SPP to the extent that eligible shareholders do not subscribe up to the minimum amount of \$3,000,000.

The timetable for the SPP is detailed below however, the Directors have reserved the right to vary the dates and times without notice.

Record Date for SPP (7:00pm AEST)	Wednesday 17 September 2014
Announcement Date of SPP	Thursday 18 September 2014
Opening Date SPP	Friday 26 September 2014
Closing Date of SPP (7.00pm AEDT)	Wednesday 22 October 2014
Issue of Shares under the Plan	Tuesday 28 October 2014
Dispatch of holding Statements	Friday 31 October 2014

Valence has entered into an underwriting agreement with Patersons Securities Limited (Underwriter) and the SPP is underwritten to the value of \$3,000,000. In the event that eligible shareholders do not subscribe for Shares under the Plan to full the value of \$3,000,000 then the resultant shortfall will, subject to the terms of the underwriting agreement, be placed with the Underwriter or its nominees, being institutional, professional and sophisticated investors.

The underwriting agreement contains other customary conditions, warranties and undertakings and is subject to various termination events exercisable by the Underwriter. These termination conditions include, but are not limited to, an insolvency event, a drop in the S&P / ASX200 Share Price Index of more than 7.5%, defaults / non-compliance by the Company or Directors, alteration of the capital structure, significant change of business activities or the occurrence of a materially adverse change.

The Underwriter is entitled to an underwriting fee of 5% of the underwritten amount. Further details in respect of the underwriting are disclosed in the SPP.

Technical information required by ASX Listing Rule 7.5

Under ASX Listing Rule 7.1, the Company may not, without Members' approval, issue Equity Securities of more than 15% of its total issued Securities within a 12-month period.

The SPP Shortfall Placement Shares are expected to be issued as one issue of Shares, but may be issued progressively if required, and will be issued upon the completion of the SPP and the receipt by the Company of cleared funds from the Underwriter up to an amount of \$3,000,000. The SPP timetable and consequent issue date may vary as permitted under the Listing Rules. The issue date is expected to be 28 October 2014 and in any case will be no later than 18 February 2015, being 3 months from the date of the Meeting.

The Shares will be issued to the Underwriter or its nominees, being institutional, professional and sophisticated investors, none of whom will be related parties of the Company.

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

The purpose of the funds raised is to:

- expedite completion of the feasibility studies in relation to the Phase II expansion program taking into account the recent discovery of significantly higher grade graphite mineralisation, with particular reference to the mineral resource, mine design, the processing and manufacturing program and the opportunities for commercialisation and sales of the Company's Uley Graphite;
- initiating the early work associated with the Phase II expansion program which may include preparation of Uley Pit 2, baseline civil work, preparatory infrastructure, longer lead time orders, detailed design and engineering and early contractor involvement (ECI); and
- provide the Company with working capital to enable it to support operations including mining, manufacturing and marketing of Uley Graphite from the Phase I Plant once government approvals have been obtained.

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 the issue of up to 4,285,715 Shares.

Resolutions 5 to 7: Issue of Director Options to Messrs Spurling, Lamont and Schache

Background

Messrs Graham Spurling, Glenister Lamont and Ian Schache are non-executive Directors of the Company with responsibility to the Board of Directors in relation to leadership and strategy. Their remuneration comprises Director's fee inclusive of all entitlements.

To acknowledge the qualifications and experience of each Director within their area of specialisation that each Director brings to the Company and the desire to preserve cash, the Board has determined to include an incentive based equity remuneration component in excess of Director's fees. Messrs Spurling, Lamont and Schache have been invited by the board of the Company to participate in the Performance Rights and Options Plan (PROP) and to be issued with Director Options if approved by Members at this Meeting.

Messrs Spurling, Lamont and Schache have previously been issued with Unlisted Options as approved at the 2013 AGM. Each Director currently holds 350,000 Unlisted Options and will forfeit these Unlisted Options following the Annual General Meeting (AGM) as outlined in **Table 1**.

TABLE 1

Vesting Condition	Options¹	Timeframe for satisfaction of Vesting Condition	Status
Delivery of first 1,000 tonnes of graphite from the Uley Project	150,000 – G Spurling 150,000 – G Lamont 150,000 – I Schache	31 May 2014	Lapsed
On completion of three months of scheduled operations following commissioning of the new processing plant	350,000 – G Spurling 350,000 – G Lamont 350,000 – I Schache	30 June 2015	To be forfeited upon issue of Shares and Director Options following this AGM.
TOTAL	1,500,000		

¹ The Unlisted Options are exercisable at \$0.25 on or before 31 July 2016.

Reason for approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities under an employee incentive scheme to a director an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained. Messrs Spurling, Lamont and Schache are Directors of the Company. Accordingly, shareholder approval is sought for the issue of a total of 1,500,000 Director Options to Mr Graham Spurling, Mr Glenister Lamont and Mr Ian Schache.

Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Messrs Spurling, Lamont and Schache are related parties of the Company due to the fact that they are directors of the Company. The issue of Shares and Director Options constitutes a "Financial Benefit" as described in the Corporations Act. Accordingly, the proposed issue of Shares and Director Options to Messrs Spurling, Lamont and Schache will constitute the provision of a financial benefit to a related party of the Company.

Whilst it is the view of the Company that the exception set out in section 211 of the Corporations Act does apply in the current circumstances, no quorum exists for the Directors to reach this view. Accordingly, Shareholder approval is sought for the issue of Director Options to the Related Parties.

ASX Listing Rules

Further information is provided as required under Listing Rule 10.15:

The individuals, as defined under Listing Rule 10.14, entitled to participate in the PROP as approved at the 2013 AGM are Directors Graham Spurling, Christopher Darby, Glenister Lamont and Ian Schache.

The following individuals have participated in the PROP by receiving Unlisted Options and performance rights as approved at the 2013 AGM for nil consideration. All performance rights and unlisted options are subject to various performance conditions as outlined in the 2013 AGM explanatory notes.

Director	Unlisted Options	Unlisted Performance Rights
Graham Spurling	500,000	0
Christopher Darby	2,000,000	2,750,000
Glenister Lamont	500,000	0
Ian Schache	500,000	0

Issue of Director Options

Upon approval at the AGM, 1,500,000 Director Options will be issued to Messrs Spurling, Lamont and Schache within 5 business days of the AGM. The Director Options will only vest upon the Director remaining on the Board of the Company to 31 July 2015.

The Company will not issue the Director Options later than 12 months after the AGM.

The Company advises that there are no loans provided to Messrs Spurling, Lamont and Schache in relation to the issue of Shares and Director Options.

Table 2 summarises the Director Options to be issued to Messrs Spurling, Lamont and Schache.

TABLE 2

Securities	Number	Total	Issue date / vesting date ¹	Expiry
Options	500,000 – G Spurling 500,000 – G Lamont 500,000 – I Schache	1,500,000	18 November 2014 ² / 31 July 2015	31 July 2016

¹ The Options in **Table 2** above will each be exercisable at \$0.80.

² Within 5 business days of receipt of Shareholder approval.

Issue Price and Exercise Price

There is no issue price and consequently there are no funds raised upon issue of the Director Options as they are issued for nil consideration. Each Director Option issued to Messrs Spurling, Lamont and Schache will have an exercise price of 80 cents per Share (being a premium of 14.3% above the price at which the placement and SPP shares were issued, which will vest upon the Director remaining on the Board until 31 July 2015 and lapse on 31 July 2016).

Additional terms and conditions of the Director Options under the PROP are detailed in Appendix 1.

The value of the Director Options and the pricing methodology is set out in Appendix 2.

Should Messrs Spurling, Lamont or Schache cease to be an officer of the Company, the Director Options will expire immediately upon their departure.

The relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
G Spurling ⁴	150,000	500,000 ¹
G Lamont ⁴	75,000	400,000 ²
I Schache ⁴	200,000	350,000 ³

¹ 150,000 listed Options exercisable at \$0.25 each on or before 31 July 2016 and 350,000 unlisted Options exercisable at \$0.25 each on or before 31 July 2016 with various performance hurdles.

² 50,000 listed Options exercisable at \$0.25 each on or before 31 July 2016 and 350,000 unlisted Options exercisable at \$0.25 each on or before 31 July 2016 with various performance hurdles.

³ 350,000 unlisted Options exercisable at \$0.25 each on or before 31 July 2016 with various performance hurdles.

⁴ Messrs Spurling, Lamont and Schache have previously been issued with Unlisted Options as approved at the 2013 AGM. Each Director currently holds 350,000 Unlisted Options and will forfeit these Unlisted Options following the Annual General Meeting (AGM) as outlined in **Table 1**.

The remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year (2015) ¹	Previous Financial Year (2014)
G Spurling	\$227,750	73,734
G Lamont	\$195,925	66,454
I Schache	\$195,925	52,554

¹ Includes the Black Scholes Valuation of Director Options of \$120,000 for each Director and the value of Shares the subject of Resolution 8 to 10.

If the Director Options granted to the Related Parties are exercised, a total of 1,500,000 Shares would be issued. This will increase the number of Shares on issue from 185,663,195 to 187,163,194 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.81%, comprising 0.27% by Mr G Spurling, 0.27% by Mr G Lamont and 0.27% by Mr I Schache.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.870	9 September 2014
Lowest	\$0.185	6 January 2014
Last	\$0.655	1 October 2014

Mr G Spurling declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 6 and 7, he recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- the issue of Director Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
- the issue of the Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

Mr G Lamont declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 5 and 7, Mr G Lamont recommends that Shareholders vote in favour of those Resolutions for the reasons set out above.

Mr I Schache declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 5 and 6, Mr I Schache recommends that Shareholders vote in favour of those Resolutions for the reasons set out above.

Mr Darby recommends that Shareholders vote in favour of Resolutions 5, 6 and 7 for the reasons set out above.

In forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares and the current market practices when determining the number of Director Options to be issued.

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5 to 7.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolutions 5, 6 and 7.

Resolution 8 - 11 – Issue of Shares to Directors

General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 320,000 Shares (**Related Party Shares**) to Messrs Spurling, Lamont, Darby and Schache (**Related Parties**) on the terms and conditions set out below. In order to remunerate Messrs Spurling, Lamont, and Schache based on the additional effort they have contributed in the start-up phase of the Company's operations and to preserve cash each Director will be issued Shares as remuneration if approved by Members at this Meeting.

Mr Darby's remuneration comprises an executive remuneration contractual payment inclusive of all entitlements. In order to remunerate Mr Darby based on the additional effort he has contributed in the start-up phase of the Company's operations, the desire to preserve cash and in recognition of Mr Darby's experience and expertise in the industry he will be issued Shares as remuneration if approved by Members at this Meeting under Resolution 11.

A summary of Chapter 2E of the Corporations Act is set out above at Resolutions 5 – 7.

The issue of the Related Party Shares constitutes giving a financial benefit and Messrs Spurling, Lamont, Darby and Schache are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Whilst it is the view of the Company that the exception set out in section 211 of the Corporations Act does apply in the current circumstances, no quorum exists for the Directors to reach this view. Accordingly, Shareholder approval is sought for the issue of Shares to the Related Parties.

Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Related Party Shares:

The maximum number of Related Party Shares (being the nature of the financial benefit being provided) to be issued to the Related Parties is set out in Table 3 below:

TABLE 3

Securities	Number	Total	Issue date / vesting date
Shares	50,000 – G Spurling 35,000 – G Lamont 35,000 – I Schache 200,000 – C Darby	320,000	18 November 2014

The Related Party Shares will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Shares will be issued on one date.

The Related Party Shares will be issued at a notional price of 70 cents per Share being the price at which the Company completed the placement, the subject of Resolution 3, and conducted the SPP, the subject of the Underwriting in Resolution 4. The Related Party Shares will be issued for nil consideration and consequently there are no funds raised upon issue of the Related Party Shares.

The Related Party Shares will be granted for nil cash consideration, accordingly no funds will be raised.

The Related Party Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

The value of the Related Party Shares, based on the most recent trading price of Shares on ASX of 65.5 cents, is \$209,600;

The relevant interests of Messrs Spurling, Lamont and Schache in securities of the Company are set out in Resolutions 5 - 7 above.

The relevant interests of Mr Darby in securities of the Company are set out below:

Related Party	Shares	Options	Performance Rights
C Darby	687,500	1,500,000 ¹	1,375,000 ²

¹ 1,500,000 unlisted Options exercisable at \$0.25 each on or before 31 July 2016 with various performance hurdles.

² Unlisted Performance Rights with vesting subject to meeting KPI conditions.

The remuneration and emoluments from the Company to Messrs Spurling, Lamont and Schache for the previous financial year and the proposed remuneration and emoluments for the current financial year is set out in Resolutions 5 – 7 above. The remuneration and emoluments from the Company to Mr Darby are set out below:

Related Party	Current Financial Year (2015) ¹	Previous Financial Year (2014)
C Darby	\$1,218,400	\$742,336

¹ Includes the Monte Carlo Valuation of Director Performance Rights of \$756,000 and the value of Shares the subject of Resolution 11.

If the Related Party Shares are issued to the Related Parties, a total of 320,000 Shares would be issued. This will increase the number of Shares on issue from 185,663,194 to 185,983,194 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.17%, comprising 0.03% by Mr G Spurling, 0.02% by Mr G Lamont, 0.02% by Mr I Schache and 0.11% by Mr Darby.

In accord with his existing terms of appointment the remuneration for Mr Darby as MD & CEO will be \$350,000 p.a. (inclusive of superannuation) with retrospective effect from 1 October 2014. The Board believes this remuneration suitably rewards current success achieved in progressing the Company's business plan to date and reflects the key role performed by Mr Darby.

The trading history of the Shares on ASX in the 12 months before the date of this is set out in Resolutions 5 – 7 above.

Mr G Spurling declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Related Party Shares in the Company should Resolution 8 be passed. However, in respect of Resolutions 9, 10 and 11, he recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- the issue of Related Party Shares to the Related Parties will align the interests of the Related Parties with those of Shareholders;
- the issue of the Related Party Shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Related Party Shares upon the terms proposed;

Mr G Lamont declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Shares in the Company should Resolution 9 be passed. However, in respect of Resolutions 8, 10 and 11, Mr G Lamont recommends that Shareholders vote in favour of those Resolutions for the reasons set out above.

Mr I Schache declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Shares in the Company should Resolution 10 be passed. However, in respect of Resolutions 8, 9 and 11, Mr I Schache recommends that Shareholders vote in favour of those Resolutions for the reasons set out above.

Mr Darby declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Shares in the Company should Resolution 11 be passed. However, in respect of Resolutions 8, 9 and 10, Mr Darby recommends that Shareholders vote in favour of those Resolutions for the reasons set out above.

In forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares and the current market practices when determining the number of Related Party Shares to be issued.

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 8 to 11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Resolution 12: Issue of Director Performance Rights to Mr Christopher Darby

Background

Mr Darby is an executive Director of the Company with responsibility to the Board of Directors in relation to executive management, leadership and strategy. To incentivise Mr Darby in the growth and future performance of the Company, the Board has determined to include an incentive based equity remuneration component in excess of Mr Darby's base remuneration. Mr Darby has been invited by the board of the Company to participate in the (PROP) and to be issued with Director Performance Rights if approved by Members at this Meeting.

Mr Darby has previously been issued with Unlisted Options and Unlisted Performance Rights as approved at the 2013 AGM. He currently holds 1,500,000 Unlisted Options and 1,375,000 Unlisted Performance Rights and will forfeit 50% of the unvested unlisted Securities following the AGM as outlined in **Table 4**.

TABLE 4

Vesting Condition	Performance Rights	Options¹	Timeframe for satisfaction of Vesting Condition	Status
Admission to Official List of ASX	687,500	500,000	31 March 2014	Rights vested and exercised and options vested
Delivery of first 1,000 tonnes of graphite from the Uley Project	687,500	500,000	31 May 2014	Lapsed
Execution of definitive transaction documents for finance facility for the full scale process plant for the Uley Project	687,500	500,000	31 October 2014	Vesting condition to be assessed prior to AGM per vesting timeframe
Practical completion of the full scale process plant for the Uley Project and the completion of commissioning with 3 months' operation at capacity	687,500	500,000	30 June 2015	To be forfeited upon issue of Shares and Director Performance Rights following this AGM.
TOTAL	2,750,000	2,000,000		

¹ The Options in **Table 4** above are exercisable at \$0.25 on or before 31 July 2016.

Reason for approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a director an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained. Mr Darby is a Director of the Company. Accordingly, shareholder approval is sought for the grant of up to 4,000,000 Director Performance Rights to Mr Christopher Darby.

Corporations Act

A summary of Chapter 2E of the Corporations Act is set out above at Resolutions 5 – 7.

Mr Darby is a related party of the Company due to the fact that he is a director of the Company. The issue of Director Performance Rights constitutes a "Financial Benefit" as described in the Corporations Act. Accordingly, the proposed issue of Director Performance Rights to Mr Darby will constitute the provision of a financial benefit to a related party of the Company.

Whilst it is the view of the Company that the exception set out in section 211 of the Corporations Act does apply in the current circumstances, no quorum exists for the Directors to reach this view. Accordingly, Shareholder approval is sought for the issue of Performance Rights to Mr Darby.

Issue of Director Performance Rights

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Director Performance Rights.

Upon approval at the AGM, 4,000,000 Director Performance Rights will be issued to Mr Darby within 5 business days of the AGM, but will vest upon meeting the performance hurdles as approved by the Board.

The Company will not issue the Director Performance Rights later than 12 months after the AGM and it is anticipated the Performance Rights will be issued on one date.

The Company advises that there are no loans provided to Mr Darby in relation to the issue of Director Performance Rights.

Issue Price and Exercise Price

The maximum number of Performance Rights (being the nature of the financial benefit being provided) to be issued to Mr Darby is 4,000,000. There is no issue price and consequently there are no funds raised upon issue of the Performance Rights as they are issued for nil consideration. Each Director Performance Right issued to Mr Darby will have a nil exercise price. The Shares issued upon conversion of the Performance Rights will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Key Performance Indicators

The Director Performance Rights vest and become exercisable if the Key Performance Indicator hurdles are satisfied. The Key Performance Indicators relate to Mr Darby's and the Company's performance during the period 1 January 2015 to 31 December 2015. Each Key Performance Indicator is independent of the other Key Performance Indicators listed in **table 5** below.

TABLE 5

KPI	Maximum number of Director Performance Rights vested upon achieving KPI ³	Timing	Grant date ¹	Expiry date ²
1. Share price	2,000,000	500,000	18 Nov 2014	31 Dec 2015
2. Phase II Production	2,000,000	500,000	18 Nov 2014	31 Dec 2015
TOTAL	2,000,000			

¹ Within 5 business days of receipt of Shareholder approval.

² Director Performance Rights will expire immediately upon Mr Darby ceasing employment with the Company if earlier than expiry date.

³ The vesting of Director Performance Rights is tied to achieving KPI's as listed below.

1. *Share price KPI*

The vesting of Director Performance Rights under this KPI is tied to achieving a Share price as follows:

Valence's Share price target on a sliding linear scale (main increments detailed in **table 6** below) with a base reference Share price of \$0.70 per Share, being the price of the recent Placement and SPP. Entitlement commences at a 10% increase in Share price and is measured per % point increase with the entitlement rounded to nearest 1,000 rights.

The entitlement is based on the largest increase in market value (measurement based on closing share price) over a 5 day period between 1 January 2015 and 31 December 2015. Vesting and issue of Director Performance Rights will be within 1 month of 31 December 2015.

TABLE 6

Increase in market value	Share price target over a minimum of 5 days during the measurement period ¹	Entitlement ²
0%	\$0.70	0%
10%	\$0.77	25%
20%	\$0.84	50%
40%	\$0.98	100%

¹ Based on average of closing share price.

² Entitlement only commences upon a minimum 10% increase in price.

For example, if the largest 5 day closing average Valence share price between 1 January 2015 and 31 December 2015 was 85 cents per Share in the 5 day period between 10 August 2015 and 14 August 2015, then Mr Darby will be entitled to 1,050,000 Director Performance Rights.

2. *Phase II Production KPI*

The vesting of Director Performance Rights under this KPI is tied to achieving production from the Phase II plant prior to 31 December 2015:

For example, if the Phase II facility produces graphite products on 20 November 2015, then Mr Darby will be entitled to 2,000,000 Performance Rights.

The value of the Director Performance Rights and the pricing methodology is set out in Appendix 4.

Should Mr Darby cease to be an officer of the Company, the Director Performance Rights will expire within immediately upon his departure.

The relevant interests of Mr Darby in securities of the Company is set out in Resolutions 8 – 11 above.

The remuneration and emoluments from the Company to Mr Darby for the previous financial year and the proposed remuneration and emoluments for the current financial year is set out in Resolutions 8 – 11 above.

If the Performance Rights granted to Mr Darby are converted to Shares, a total of 4,000,000 Shares would be issued. This will increase the number of Shares on issue from 185,663,194 to 189,663,194 (assuming that no Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 2.15% by Mr Darby.

The trading history of the Shares on ASX in the 12 months before the date of this is set out in Resolutions 5 – 7 above.

Mr Darby declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution on the basis that he is to be issued Performance Rights in the Company should Resolution 12 be passed.

With the exception of Mr Darby, no other Director has a personal interest in the outcome of Resolution 12. The Directors (other than Mr Darby) recommend that Shareholders vote in favour of Resolution 12 for the following reasons:

- the issue of Performance Rights to the Related Parties will align the interests of Mr Darby with those of Shareholders;
- the issue of the Performance Rights is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Darby; and
- it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights upon the terms proposed.

In forming their recommendations, each Director considered the experience of Mr Darby, the current market price of Shares and the current market practices when determining the number of Performance Rights to be issued.

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 12.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights to the Related Parties as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to Mr Darby will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 12.

Resolution 13: Issue of Shares to executives of the Company

Background

In order to maintain the Company's capacity to issue up to a maximum of 15% of the ordinary securities on issue in the previous 12 months under Listing Rule 7.1 without resorting to Shareholder approval in general meeting, the Company is required to obtain Shareholder approval of the issue of Shares.

A summary of ASX Listing Rule 7.1 is set out in Resolution 3 above.

The three senior executives of the Company are Mr Christopher Whiteley – Chief Marketing Officer, Ms Karen Lloyd – General Manager Technical Delivery and Mr Jaroslaw (Jarek) Kopias – Chief Financial Officer and Company Secretary. In order to remunerate each executive based on the additional they have contributed in the start-up phase of the Company's operations and in recognition of their experience and expertise they will be issued 75,000 Shares each as remuneration if approved by Members at this Meeting.

The details of the proposed issue are outlined in **table 7**.

TABLE 7

Details	C Whiteley	K Lloyd	J Kopias
Allottee ¹	Christopher Whiteley	Karen Lloyd	Jarek Kopias
Consideration total	Nil	Nil	Nil
Shares to be issued	75,000	75,000	75,000
Date of issue ²	Within 5 business days of the date of this meeting	Within 5 business days of the date of this meeting	Within 5 business days of the date of this meeting
Issue price	Deemed price of \$0.70 per Share	Deemed price of \$0.70 per Share	Deemed price of \$0.70 per Share
Purpose of issue	Executive remuneration	Executive remuneration	Executive remuneration

¹ Shares may be issued to a nominee of the executive as directed.

² No later than 3 months after the AGM.

Reason for approval

Under ASX Listing Rule 7.1, the Company may not, without Members' approval, issue Equity Securities of more than 15% of its total issued Securities within a 12-month period.

Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares.

The maximum number of Shares to be issued is 225,000.

The Shares to executives are expected to be issued as one issue of Shares, but may be issued progressively if required, and will be issued within 5 days of receiving Shareholder approval and in any case will be no later than 18 February 2015, being 3 months from the date of the Meeting.

The Shares will be issued for nil cash consideration as remuneration for the Executives. Accordingly, no funds will be raised from the issue of the Shares.

The Shares will be issued to the Executives as set out in Table 7. None of these subscribers are related parties of the Company.

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

Board Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 13.

The Chairman of the Meeting intends to vote all undirected proxies in favour the issue of Shares to executives of the Company.

Appendix 1

Key terms of Director Options

Each of the Options will be granted on the following terms and conditions:

- (1) Each Option will entitle the holder (**Optionholder**) to subscribe for one Share (subject to possible adjustments referred to in paragraphs 0, 0 and (11) below); and
- (2) Each of those Options will be exercisable during the period from the date it is granted until 5.00pm (Adelaide time) on 31 July 2016 (**Expiry Date**). Options not exercised before the Expiry Date will lapse.
- (3) The exercise price of each of those Options will be 25 cents (**Exercise Price**).
- (4) Those Options will be exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price in cleared funds.
- (5) Some or all of the Options will be able to be exercised at any one time or times prior to the Expiry Date.
- (6) Shares issued pursuant to the exercise of any of those Options will rank in all respects on equal terms with the existing Shares.
- (7) The Options will be freely transferable.
- (8) The Options will not entitle the Optionholder to participate in any new issue of securities by the Company unless the Option has been duly exercised prior to the relevant record date. The Company will ensure that for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares (other than a share purchase plan), that the record date will be at least six business days after the date the issue is announced.
- (9) If there is a bonus issue to the holders of Shares:
 - (a) the number of Shares over which each of the Options are exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
- (10) If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the holders of the Options may be varied to comply with the ASX Listing Rules which apply to the reorganisation.
- (11) If the Company makes a rights issue (other than a bonus issue), the Exercise Price of the Options will be reduced in accordance with the following formula:

$$\text{Reduced Option Exercise Price} = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- O = the old Exercise Price of the Option;
- E = the number of underlying Shares into which one Option is exercisable;
- P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex-entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

Appendix 2

Valuation of Director Options

The Company has been listed since 65 January 2014 and there is a ready market for the Shares. The shares have traded in the range of 18.5 cents and 87 cents since listing.

The Company has obtained a valuation as at 1 October 2013, which the Board has adopted, in relation to the indicative value of the Options to be granted to Messrs Spurling, Lamont and Schache.

The valuation uses the Black-Scholes Option Pricing Model and the following assumptions:

- (a) the grant date of the Options is the date of this Annual General Meeting and the value of the Shares is \$0.655 based on the closing Share price at 1 October 2014;
- (b) an exercise price of \$0.80 per Option;
- (c) a calculated volatility based on the Company's trading history since 6 January 2014 of 70.24%;
- (d) risk-free interest rates for the Options of 2.56%;
- (e) the date of exercise as being their expiry date which is, for each Option, 31 July 2016.

This valuation has provided an indicative value for each Option at \$0.24 (24 cents). The total value of the Options to be issued to Messrs Spurling, Lamont and Schache is \$120,000 each.

This valuation contains no reductions for early exercise or discount for limitations on the transferability of the Options. The valuation is not a representative valuation of the Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue.

Appendix 3

Valuation of Director Performance Rights

The value of the Director Performance Rights has been calculated using a Monte Carlo pricing simulation. The valuation is based on the following assumptions:

- (a) each Performance Right will vest (otherwise the Performance Rights have nil value);
- (b) the grant date of the Performance Rights is the date of this Annual General Meeting and the value of the Shares is \$0.655 based on the closing Share price at 1 October 2014;
- (c) a calculated volatility based on the Company's trading history since 6 January 2014 of 70.24%;
- (d) risk-free interest rates for the Options of 2.56%;
- (e) a 50% discount is applied for the vesting conditions); and
- (f) vesting periods have not been taken into account.

Based on the indicative value of each Performance Right at \$0.65 and the total value of the Director Performance Rights to be issued to Mr Christopher Darby under Resolution 12 is \$756,000.

The valuation is not a representative valuation of the Director Performance Rights at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue.

Glossary

In the Notice of Annual General Meeting and Explanatory Notes:

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.

Director Options means unlisted options at an exercise price of 80 cents per Share, vesting of 31 July 2015 and expiry of 31 July 2016.

Director Performance Rights means unlisted performance rights with no exercise price and vesting subject to meeting key performance indicators by 31 December 2015.

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.

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 18 November 2014 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.

PROP means Performance Rights and Options Plan as approved by Shareholders at the 2013 AGM.

Related Parties has the same meaning as the Listing Rules.

Related Party Shares means the Shares issued to Related Parties.

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.

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.

SPP or **Plan** means the Share Purchase Plan offered by the Company to Eligible Shareholders.

Underwriter means Patersons Securities Limited ABN 69 008 896 311.

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



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



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



X99999999999

PROXY FORM

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

STEP 1

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 (excluding the registered shareholder) you are appointing as your proxy.

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 vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at **10:30am (Adelaide time) on Tuesday, 18 November 2014 at the offices of Grant Thornton, Level 1, 67 Greenhill Road, Wayville, South Australia (the Meeting)** and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

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

STEP 2

VOTING DIRECTIONS

Resolutions	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of issue of Shares to Mr Graham Spurling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Ian Schache as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval of issue of Shares to Mr Glenister Lamont	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Ratification of Shares issued in the preceding 12 month period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval of issue of Shares to Mr Ian Schache	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Shares - Underwriter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approval of issue of Shares to Mr Christopher Darby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issue of Director Options to Mr Graham Spurling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approval of issue of Director Performance Rights to Mr Christopher Darby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of issue of Director Options to Mr Glenister Lamont	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Approval of issue of Shares to executives of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of issue of Director Options to Mr Ian Schache	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

i * 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.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

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 PRX401R



HOW TO COMPLETE THIS 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 a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

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 Sunday, 16 November 2014**, 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.

**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.**