



VALENCE
INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

8 May 2015

Dear Option Holder

Renounceable Rights Issue

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

As at the date of this letter, you hold options in unissued shares in Valence. The purpose of this letter is to give you notice of the Rights Issue to allow you time to exercise your options before the **Record Date (being 7:00pm (AEST) time on 18 May 2015)**, should you wish to receive an entitlement to participate in the Rights Issue in respect of shares issued upon the exercise of options.

Under the terms and conditions of the options that you currently hold, there is no entitlement to participate in the Rights Issue. If you do not wish to participate in the proposed Rights Issue (in respect of your Valence options) you do not need to take any action. However, if you do wish to participate in respect to your Valence options please note the timetable as outlined below.

The Prospectus for the Rights Issue was lodged with ASIC and ASX on Thursday 7 May 2015 and is available to download at both www.asx.com.au using ASX code "VXL" and at Valence's website <http://www.valenceindustries.com>. **You are encouraged to read the Rights Issue Prospectus fully before exercising any of your Valence options.**

Key Terms of Rights Issue

- The price payable for each new share is 29 cents.
- Each new option will be in the same class as the existing listed options (exercisable at 25 cents, subject to the adjustment formula in Listing Rule 6.22.2, and expiring at 5pm (Sydney time) on 31 July 2016).
- The Rights Issue is renounceable.
- The Rights Issue will raise approximately A\$9.4 million (before costs and expenses of the offer). The net funds raised by the Rights Issue will be applied towards
 - Completion of 2015 drilling, assay and metallurgy program
 - Construction of scalable tailings facilities and process water return systems
 - Completion of existing plant upgrades
 - Preliminary engineering and design for production expansion

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- Costs of the Placement, Rights Issue and First Debt Facility (see ASX announcement on 7 May 2015); and
- Working capital requirements

Eligibility to participate

To be eligible to participate in the Rights Issue in respect to your options you must exercise your Valence options and be registered (**with a registered address in Australia or New Zealand**) as the holder of the underlying Valence shares before **the Record Date (being Monday 18 May 2015)**. To then accept the offer under the Rights Issue in respect of those underlying Valence shares, you will need to complete the application form that will accompany the Prospectus to be sent to shareholders.

To exercise some or all of your Valence options you will need to give notice, in writing, to Valence in accordance with the terms and conditions of your options, and pay Valence the exercise price for each option exercised. If you have lost the exercise notice for your options, please contact Valence's Share Registry, Link Market Services Ltd, on +61 1800 009 918 (toll free within Australia) or the Company directly on +61 8 8418 8564.

If you do not exercise your options, an adjustment may be made to the exercise price of your options after the closing date of the Rights Issue in accordance with the formula set out in the terms and conditions of your Valence options.

Indicative Timetable

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of Rights Issue and Lodgement of Prospectus with ASIC and ASX; ASX Appendix 3B lodged with ASX	Thursday 7 May 2015
Notice to Shareholders	Wednesday 13 May 2015
Ex date	Thursday 14 May 2015
Rights trading commences	Thursday 14 May 2015
Record date	7:00pm (AEST) Monday 18 May 2015
Prospectus sent to Shareholders Rights Issue opens for acceptances	Thursday 21 May 2015
Last day of Rights trading	Thursday 4 June 2015
Securities quoted on a deferred settlement basis	Friday 5 June 2015
Last date to extend Closing Date	Tuesday 9 June 2015
Closing Date	5:00pm (AEST) Friday 12 June 2015
Shortfall notification date	Wednesday 17 June 2015
Issued date	Friday 19 June 2015



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

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

Yours sincerely

Jaroslaw (Jarek) Kopias
Company Secretary