

**AMENDED AND RESTATED CHARTER OF
THE AUDIT COMMITTEE
OF
VALENCE TECHNOLOGY, INC.**

(as adopted by the Board of Directors July 28, 2009)

I. PURPOSE

The Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Valence Technology, Inc., a Delaware corporation (the “*Company*”), has been established to represent and assist the Board in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements, internal control and audit functions. Management is responsible for (a) the preparation, presentation and integrity of the Company's financial statements; (b) accounting and financial reporting principles; and (c) the Company's internal controls and procedures designed to promote compliance with accounting standards, applicable laws and regulations and the Company's ethical standards. The company's independent auditing firm is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards.

The Committee members are not professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of management and the independent auditor, nor can the Committee certify that the independent auditor is "independent" under applicable rules. The Committee only serves a Board-level oversight role where it oversees the relationship with the independent auditor, as set forth in this charter, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditor, and the experience of the Committee's members in business, financial and accounting matters. The Company's management is responsible for preparing the Company's financial statements such that they are complete and accurate and in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing the financial statements. The activities of the Committee are in no way designed to supersede or alter those traditional responsibilities.

II. COMPOSITION

The Committee shall be composed of three or more independent directors elected by the Board for a one-year term, all of whom (except as otherwise permitted) shall meet the requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and the applicable rules of the SEC.

Each Committee member shall meet the independence, financial literacy and related audit committee membership requirements set forth in The Nasdaq Stock Market listing standards in effect from time to time (the “*Nasdaq Standards*”). No person may be a Committee member if his or her service on the Committee would violate any restriction on service imposed by the Nasdaq Standards, any rule or regulation of the SEC or any securities exchange or market on which shares of the common stock of the Company are traded. Committee members may be removed at any time, with or without cause, by the Board. Committee members shall have a working familiarity with basic finance and accounting practices and must be able to read and understand fundamental financial statements or will become able to do so within a reasonable period of time following appointment to the Committee. There will be at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication who shall be an “audit committee financial expert.” Committee members shall maintain regular communication with the Chief Executive Officer, Chief Financial Officer, lead partner of the independent accountant and the person or persons responsible for the Company's internal audit function.

Except for Board and Committee fees, a Committee member shall not be permitted to accept from the Company any fees paid directly or indirectly for services as a consultant, legal advisor or financial advisor or any other fees prohibited by the rules of the SEC and the Nasdaq Standards. No Committee member may be an affiliated person of the Company or any of its subsidiaries. No director may serve on the Committee, without the approval of the Board, if such director simultaneously serves on the audit committee of more than three public companies.

III. MEETINGS

Meetings of the Committee shall be held at such times and places as the Committee shall determine, including by written consent. The Committee will meet at least quarterly, or more frequently, as circumstances dictate. When necessary, the Committee shall meet in executive session outside of the presence of any senior executive officer of the Company. The Committee may ask members of management, employees, outside counsel, the independent accountants, internal auditors or others to attend any meetings and to provide such information as the Committee may request. In fulfilling its responsibilities the Committee shall have authority to delegate its authority to subcommittees, in each case to the extent permitted by applicable law.

IV. RESPONSIBILITIES

The Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so that it can fulfill its oversight responsibilities. In addition to such other duties as the Board may assign, the Committee shall:

1. Be directly responsible for the appointment, replacement, compensation, and oversight of the work of the independent auditor. The independent auditor shall report directly to the Committee.
2. Obtain and review annually a report by the independent auditor describing the audit firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, peer review, PCAOB inspection, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues.
3. Review and discuss with the independent auditor the written statement from the independent auditor concerning any relationship between the auditor and the company or any other relationships that may adversely affect the independence of the auditor, and, based on such review, assess the independence of the auditor.
4. Establish policies and procedures for the review and pre-approval by the Committee of all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent auditor.
5. As appropriate, review and discuss with the independent auditor: (a) its audit plans, and audit procedures, including the scope, fees and timing of the audit; (b) the results of the annual audit examination and accompanying management letters; and (c) the results of the independent auditor's procedures with respect to interim periods.
6. Review and discuss reports from the independent auditors on (a) all critical accounting policies and practices used by the Company, (b) alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management.

7. Review and as appropriate discuss with management and the independent auditor quarterly earnings press releases, the year-end audited financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations".
8. Review and discuss with management and the independent auditor various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditors.
9. Review and approve related-party transactions (as defined in the relevant NASDAQ requirements).
10. Review and discuss with management, the independent auditor, and the Company's chief financial officer (CFO): (a) the adequacy and effectiveness of the Company's internal controls (including any significant deficiencies or material weaknesses) and significant changes in internal controls reported to the Committee by the independent auditor or management; (b) the Company's internal audit procedures; and (c) the adequacy and effectiveness of the Company's disclosures controls and procedures, and management reports thereon.
11. Review and concur in the appointment, replacement, reassignment, or dismissal of the CFO.
12. Review the use of auditors other than the independent auditor in cases such as management's request for second opinions.
13. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
14. Determine the appropriate funding for payment of ordinary administrative expenses of the Committee that are necessary or appropriate for carrying out its duties.
15. Publish the report of the Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
16. Perform any other activities consistent with this charter, the Company's bylaws and governing law as the Committee or the Board deems necessary or appropriate.

V. MISCELLANEOUS

The Committee shall have the authority to retain special legal, accounting or other consultants for advice and assistance. The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities. The Company shall give sufficient funding, as determined by the Committee, for the payment of compensation to the outside advisors employed by the Committee. The Committee shall have sole authority to negotiate and approve the fees and retention terms of such advisors. Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities. The Committee shall evaluate its performance annually and confirm that all responsibilities outlined in this Charter have been carried out. The Committee may recommend to the Board such changes to this Charter as the Committee deems appropriate. This Charter, and any amendments thereto, shall be displayed on the Company's website and a printed copy of such shall be made available to any stockholder of the Company who requests it.