

## **VARISCAN MINES LIMITED**

**ACN 003 254 395**

### **PROSPECTUS**

For a renounceable entitlement offer of approximately 86,325,973 New Shares, on the basis of one New Share for every five Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.018 per New Share and for the offer of the Shortfall.

The Entitlement Offer will raise up to \$1,553,867 before costs

The Entitlement Offer closes at 5.00pm AEST on 10 June 2016

#### **Important Information:**

This is an important document that should be read in its entirety. If you do not understand any part of this Prospectus, or are in any doubt as to how to deal with it or the Entitlement Offer, you should consult your stockbroker, solicitor, accountant or other professional adviser. The New Shares offered by this Prospectus should be considered speculative.

ASX Code: **VAR**

Patersons Securities Limited is engaged as Underwriter and Lead Manager to the Entitlement Offer.

## IMPORTANT INFORMATION

This Prospectus is dated 13 May 2016 and a copy of this Prospectus was lodged with ASIC on the same date. Neither ASIC nor the ASX nor any of their respective officers take any responsibility for the contents of this Prospectus.

The expiry date of this Prospectus is 13 months from the date of this Prospectus (**Expiry Date**). No New Shares will be issued on the basis of this Prospectus after the Expiry Date. We will apply to the ASX within seven days of the date of this Prospectus for Official Quotation of the New Shares.

This Prospectus is a transaction-specific prospectus for an offer of 'continuously quoted securities' (as defined in the Corporations Act) and has been issued pursuant to section 713 of the Corporations Act. This Prospectus does not contain the same level of disclosure as an initial public offering prospectus. In making statements in this Prospectus, we have had regard to the fact that we are a 'disclosing entity' for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known by you and professional advisers whom you may consult. You must read this Prospectus in conjunction with publicly available information we have disclosed to the ASX.

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Entitlement Offer.

The distribution of this Prospectus in jurisdictions outside Australia, New Zealand and Singapore (including electronic copies) may be restricted by law. If you come into possession of this Prospectus you should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer. Lodgement of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of such laws.

### Investors in New Zealand

New Shares being offered under this Prospectus are also being offered to Shareholders with registered addresses in New Zealand in reliance on the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008. This Prospectus is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### Investors in Singapore

This Prospectus has not been registered and will not be registered as a prospectus with the Monetary Authority of Singapore (**MAS**). This Prospectus is not a prospectus as defined in the Securities and Futures Act (Chapter 289) of Singapore (**SFA**). Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply.

This Prospectus and any other document or material in connection with the offer or sale of the New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor (as defined in section 4A of the SFA (**Institutional Investor**)) pursuant to section 274 of the SFA;
- (b) to a relevant person (as defined in section 275(2) of the SFA) (**Singapore Relevant Person**) pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and in accordance with the conditions specified in section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Unless otherwise permitted under the SFA, where the New Shares are subscribed for by a person pursuant to section 274 or 275 of the SFA, such New Shares shall not be transferable for six months after that person has subscribed for the New Shares, except:

- (a) to another person who is an Institutional Investor or a Singapore Relevant Person; or
- (b) pursuant to section 275(1A) of the SFA.

Unless otherwise permitted under the SFA, where the New Shares are initially acquired in Singapore pursuant to an offer made in reliance on an exemption under Section 275 of the SFA by:

- (a) a corporation referred to in section 276(3) of the SFA (a **Relevant Corporation**), the securities of the Relevant Corporation shall not be transferred within six months after the Relevant Corporation has acquired any New Shares unless the transfer is in accordance with the conditions of section 276(3) of the SFA; and
- (b) a trust referred to in section 276(4) of the SFA (a **Relevant Trust**), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within six months after any New Shares have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of section 276(4) of the SFA.

### **Seek Professional Advice**

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial situation and particular needs. It is important that you read this Prospectus in its entirety before deciding to invest and, if in any doubt, consult your professional adviser before deciding whether to accept the Entitlement Offer or to participate in the Shortfall Offer. In considering the Company's prospects you should consider the risk factors that could affect the Company's performance in light of your personal circumstances (including financial and taxation issues) and seek professional guidance from your stockbroker, solicitor, accountant or other professional financial adviser before deciding whether to invest. SECTION 6 contains a non-exhaustive list of risk factors that investors should consider in respect of the Entitlement Offer and the Shortfall Offer.

The New Shares carry no guarantee with respect to return on capital investment or the future value of the New Shares or other Shares.

Revenues and expenditures disclosed in this Prospectus are exclusive of the amount of GST unless otherwise disclosed.

### **Privacy**

The Company collects information about each person who lodges an Entitlement and Acceptance Form for the purposes of processing the application and, if it is successful, administering the New Shares and Shortfall.

Lodgement of an Entitlement and Acceptance Form constitutes an agreement that the Company may use the information in that form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies, agents, contractors, and third party service providers (including mailing houses), the ASX, ASIC and other regulatory bodies and in any way required by Australian law or regulatory bodies. This includes the requirement that information about Shareholders, including their name, address and details of Shares or Options held, must be recorded in the Company's public register, even after a Shareholder ceases to hold Shares or Options. The Company will also use this information to facilitate distribution payments and corporate communications.

If you do not provide the correct information required on the Entitlement and Acceptance Form the Company may not be able to issue you with your Entitlement.

**Defined Words**

Certain words and terms used in this Prospectus have defined meanings which are set out in SECTION 10.

In this Prospectus, the words 'we', 'our' and 'us' refer to the Company. The words 'you' and 'your' refer to Eligible Shareholders.

**Forward-looking Statements**

This Prospectus contains forward-looking statements which are identified by terminology such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. For further information on the risks, uncertainties and assumptions which may cause our actual results to differ from the forward-looking statements contained in this Prospectus, please refer to SECTION 6.

Subject to the requirements of the Listing Rules and applicable law, the Company does not undertake to publicly release the result of any revisions of any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus.

**TABLE OF CONTENTS**

IMPORTANT INFORMATION	2
TABLE OF CONTENTS AND TIMETABLE	6
SECTION 1. CORPORATE DIRECTORY	7
SECTION 2. DETAILS OF THE ENTITLEMENT OFFER	8
SECTION 3. BACKGROUND TO MINING IN FRANCE	15
SECTION 4. INVESTMENT HIGHLIGHTS	17
SECTION 5. PURPOSE AND EFFECT OF THE ENTITLEMENT OFFER	31
SECTION 6. RISKS	38
SECTION 7. RIGHTS ATTACHING TO SHARES	47
SECTION 8. ADDITIONAL INFORMATION	50
SECTION 9. DIRECTORS' CONSENTS	63
SECTION 10. DEFINITIONS	64

**TIMETABLE**

<b>Event</b>	<b>Date</b>
Lodgement of Prospectus with ASIC	Friday, 13 May 2016
Notice to Optionholders+	Friday, 13 May 2016
Lodgement of Appendix 3B	Friday, 13 May 2016
Notice to Shareholders	Monday, 16 May 2016
Shares quoted on an ex basis - Entitlement commence trading	Tuesday, 17 May 2016
Record Date for determining Entitlements	Wednesday, 18 May 2016
Opening date and despatch of Prospectus to Shareholders	Monday, 23 May 2016
Entitlement trading ends	Friday, 3 June 2016
New Shares quoted on a deferred settlement basis	Monday, 6 June 2016
Closing Date of Entitlement Offer – 5.00pm AEST	Friday, 10 June 2016
Notify ASX of under subscriptions	Thursday, 16 June 2016
Despatch date	Monday, 20 June 2016

**Notes:**

+ Optionholders must be advised by this date of the Entitlement Offer and their inability to participate unless they exercise their Options prior to the Record Date.

This timetable is indicative only and we reserve the right to vary it at any time without providing you with prior notice, subject to the Listing Rules and the Corporations Act.

**SECTION 1. CORPORATE DIRECTORY****Directors**

Patrick Elliott (Non-Executive Chairman)  
Gregory Jones (Managing Director)  
Jack Testard (Executive Director)  
Kwan Chee Seng (Non-Executive Director)  
Foo Fatt Kah (Non-Executive Director)  
Michael Moore (Non-Executive Director)

**Company Secretary**

Ivo Polovineo

**Registered Office**

Level 1  
80 Chandos Street  
St Leonards NSW 2065

**Contact Details**

Variscan Mines Limited  
Telephone: (02) 9906 5220  
Facsimile: (02) 9906 5233  
Website: [www.variscan.com.au](http://www.variscan.com.au)  
Email: [info@variscan.com.au](mailto:info@variscan.com.au)

**Auditors**

HLB Mann Judd  
Level 19  
207 Kent Street  
Sydney NSW 2000

**Solicitors**

Gadens  
Level 16  
77 Castlereagh Street  
Sydney NSW 2000

**Share Registry**

Boardroom Pty Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000  
PO Box 3993, Sydney NSW 2001  
Telephone: (02) 9290 9600  
Facsimile: (02) 9279 0664  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**ASX Code**

VAR

## **SECTION 2. DETAILS OF THE ENTITLEMENT OFFER**

### **2.1 The Entitlement Offer**

By this Prospectus we offer a renounceable pro rata issue of New Shares to Eligible Shareholders on the basis of one New Share for every five Shares held by Eligible Shareholders on the Record Date. Each New Share has an offer price of \$0.018.

Optionholders, who exercise their Options prior to the Record Date, are entitled to participate in the Entitlement Offer.

The New Shares offered pursuant to this Prospectus will rank equally with existing Shares on issue.

The maximum number of New Shares to be issued under the Entitlement Offer is approximately 86,325,973 (if no Options are exercised prior to the Record Date). If some or all of the Options are exercised prior to the Record Date, this will increase the maximum number of New Shares to be issued under the Entitlement Offer.

The maximum amount to be raised by the Entitlement Offer is approximately \$1,553,867 before costs (if no Options are exercised prior to the Record Date). Please refer to Section 5.1 for details of the purpose of the Entitlement Offer and Section 5.4 for details of how we intend to use the amount raised by the Entitlement Offer.

In the calculation of Entitlements, fractions will be rounded down to the nearest whole number.

This Entitlement Offer follows the completion of a \$1 million capital raising by way of a private placement announced by the Company on 9 May 2016 (see ASX announcement dated 9 May 2016). This capital raising involved the Company issuing 55,555,556 new fully paid ordinary Shares in the Company to sophisticated and professional investors at an issue price of \$0.018 (**Placement**). It is expected that the new Shares issued under the Placement are expected to commence trading on the ASX on 18 May 2016.

### **2.2 The Offer Price**

The offer price of \$0.018 per New Share represents a 33% discount to the closing market price of the Shares on 4 May 2016, being the last day on which Shares were traded prior to the announcement of the Entitlement Offer. This offer price represents an 18% discount to the volume weighted average price (VWAP) over the last ten trading days on which the Shares traded to 4 May 2016.

### **2.3 The Shortfall Offer**

Any New Shares under the Entitlement Offer that are not applied for will become Shortfall offered under the Shortfall Offer. The Shortfall Offer is a separate offer under the Prospectus.

Eligible Shareholders may apply for any Shortfall by completing the relevant Shortfall section in the Entitlement and Acceptance Form and sending it to the Company's Share Registry (refer to Section 2.5) with payment by cheque or BPAY® transfer on the same terms as in Section 2.5.

Application for Shortfall accompanied by Application Money does not guarantee the allotment of any Shortfall. All Application Money in relation to which Shortfall is not allocated will be returned without interest.

It is your responsibility to ensure that you will not breach the takeovers provisions in the Corporations Act by applying for Shortfall.

The Shortfall will be issued within three months of the Closing Date. The Company reserves the right to issue Shortfall at its discretion, including as between Eligible Shareholders. The Shortfall will not be issued at a price less than \$0.018 per New Share.

The Company intends to allocate Shortfall in accordance with the following priorities:

- (a) first priority will be given to Eligible Shareholders that have subscribed for their full Entitlement, provided that the issue of the Shortfall to an Eligible Shareholder would not be in breach of the Corporations Act or the Listing Rules; and
- (b) second priority will be given to unrelated parties to the Company applying for Shortfall who are sophisticated, professional or institutional investors, including parties introduced by the Underwriter.

The Underwriter has been engaged to manage any remaining Shortfall.

Some Eligible Shareholders will not be able to subscribe for Shortfall due to constraints in the Listing Rules and the Corporations Act. In particular, related parties, such as Directors of the Company will not be able to subscribe for Shortfall without the approval of the Shareholders. If you are unsure whether you are restricted from participating in the Shortfall Offer you should seek legal and financial advice.

If you wish to apply for Shortfall, please refer to Section 2.6.

## **2.4 Risks Relating to New Shares**

The Company is listed on the ASX. Consequently, share market conditions may affect the price of Shares regardless of operating performance. Many factors will affect the price of the New Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally. In particular, you should be aware that mineral exploration by its nature is a high risk endeavour and accordingly there is a significant risk that our proposed exploration programmes will not result in exploration success.

Our current focus on our French projects carries specific risks, such as currency and commodity price fluctuations, and potential changes to mining and exploration law and regulation. There is also some uncertainty of process or outcome in relation to government authorisation and community response.

Please refer to SECTION 6 for further details of the risks associated with the Entitlement Offer.

## **2.5 Application, Allotment and Allocation of the Entitlement Offer**

To subscribe to the Entitlement Offer, you must complete the accompanying personalised Entitlement and Acceptance Form in accordance with the instructions set out in the Entitlement and Acceptance Form. You may take up your Entitlement either in whole or in part. If you do not wish to take up any part of your Entitlement, you are not required to take any action. The part of your Entitlement that you do not take up will form part of the Shortfall Offer.

Please pay by cheque or by BPAY®. If you pay by:

- (a) cheque, you should make the cheque payable to "Variscan Mines Limited" and crossed "Not Negotiable";
- (b) BPAY®, payment should be made in accordance with the instructions set out on the Entitlement and Acceptance Form using the reference number shown on the form. If you make your payment by BPAY® you do not need to complete and return the Entitlement and Acceptance Form. Your BPAY® payment cannot be withdrawn.

Your payment must be in Australian currency. The amount payable on application will be deemed not to have been received until cleared funds are received. Completed Entitlement and Acceptance Forms (and, if paying by cheque a cheque for the Application Money) must be mailed to the postal address, or delivered by hand to the delivery address set out below:

#### **POSTAL DELIVERY**

Variscan Mines Limited  
C/-Boardroom Pty Ltd  
GPO Box 3993  
SYDNEY NSW 2001

#### **HAND DELIVERY**

Variscan Mines Limited  
C/-Boardroom Pty Ltd  
Level 7  
207 Kent Street  
SYDNEY NSW 2000

All acceptances must be received by 5:00pm (AEST) on the Closing Date, being 10 June 2016.

A completed and lodged Entitlement and Acceptance Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Entitlement and Acceptance Form. The Directors' (or their delegates') decision whether to treat an application as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

If we receive your Entitlement and Acceptance Form after 5.00pm (AEST) on 10 June 2016, the Directors may, at their discretion, accept or reject your application.

We will allot and issue your New Shares as soon as practicable after the date of this Prospectus and otherwise in accordance with the Listing Rules. We will also despatch holding statements in relation to your New Shares as soon as practicable after the date of this Prospectus.

## **2.6 Participation in the Shortfall Offer**

As noted above in Section 2.3, we will make the Shortfall Offer to Eligible Shareholders within three months of the Closing Date of the Entitlement Offer. If you wish to participate in the Shortfall Offer, you should complete the part of the accompanying Entitlement and Acceptance Form relating to the Shortfall in accordance with the instructions set out in the form and return it to us so that we receive the form by 5.00pm (AEST) on the Closing Date of 10 June 2016. Importantly, as noted in Section 2.3, the Directors reserve the right to make the Shortfall Offer to sophisticated, professional and institutional investors and, as such, an indication that you wish to participate in the Shortfall Offer does not guarantee that you will receive any Shortfall.

Directors of the Company (including the Company's substantial shareholder, Mr Kwan) will not be eligible to participate in the Shortfall Offer without the approval of Shareholders.

## **2.7 Dealing with your Entitlement**

### **(a) Taking up all of your Entitlement**

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for New Shares in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form together with your Application Money in accordance with Section 2.5 to reach the Company's Share Registry no later than 5.00pm (AEST) on the Closing Date.

### **(b) If you wish to sell all of your Entitlement**

Complete the section marked "Instructions to Stockbroker" on the back of the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance

with the instructions contained on the form and lodge it with your stockbroker as soon as possible.

Entitlements trading will commence on ASX on 23 May 2016. Sale of your Entitlement must be completed by 3 June 2016 when Entitlement trading is expected to cease.

(c) **If you wish to take up part of your Entitlement and sell the balance**

Please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept (being equal to or less than the number specified on the Entitlement and Acceptance Form) and complete the section marked "Instructions to Stockbroker" on the back of the form in respect of that part of your Entitlement you wish to sell.

Forward the form to your stockbroker together with your cheque for the total amount payable, or follow the procedure for BPAY®, in respect of the New Shares accepted. Your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the Company's Share Registry, by 5.00 pm (AEST) on the Closing Date.

Entitlements trading will commence on the ASX on 23 May 2016. Sale of your Entitlements must be completed by 3 June 2016 when Entitlements trading is expected to cease.

(d) **If you wish to transfer your Entitlement other than on ASX**

You may transfer all or part of your Entitlement to another person other than on the ASX provided that the purchaser is not an Ineligible Shareholder or would not be an Ineligible Shareholder if the purchaser was the registered holder of Shares.

If you wish to transfer all of your Entitlement to another person other than on the ASX, forward a completed standard renunciation and acceptance form (obtainable from the Company's Share Registry) and the applicable transferee's cheque or BPAY® for the New Shares they wish to subscribe for to the Company's Share Registry by no later than 5.00pm (AEST) on the Closing Date.

If you wish to transfer only part of your Entitlement to another person other than on the ASX, but also want to take up some or all of the balance of your Entitlement, you will need to take the steps described above in relation to the Entitlements you wish to transfer and complete the accompanying Entitlement and Acceptance Form in respect of the Entitlement you wish to take up. You will need to lodge the Entitlement and Acceptance Form in accordance with the procedure in Section 2.5.

If the Share Registry receives both a completed renunciation and acceptance form and a completed Entitlement and Acceptance Form in respect of the same Entitlements, the renunciation will be given priority to the acceptance.

(e) **Entitlements not taken up**

If you are an Eligible Shareholder and do not wish to accept all (or part) of your Entitlement, you are not obliged to do anything. If you do nothing, you will receive no benefit or New Shares, your Entitlement will become Shortfall and will be offered as part of the Shortfall Offer.

If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the accompanying Entitlement and Acceptance Form.

The number of existing Shares you hold as at the Record Date and the rights attached to those existing Shares will not change if you choose not to accept any of your Entitlement.

Your Entitlement may have value and accordingly you should consider renouncing (selling) your Entitlement rights, rather than allowing them to lapse. Any Entitlements that lapse will form part of the Shortfall Offer. See Section 2.3 for more information on the Shortfall Offer.

## **2.8 ASX Official Quotation**

We will apply to the ASX within seven days after the date of this Prospectus for Official Quotation of the New Shares.

If the ASX does not grant permission for Official Quotation of the New Shares within three months of the date of this Prospectus, or such longer period as is permitted by the Corporations Act, we will not allot or issue any New Shares (unless ASIC grants to the Company an exemption permitting the allotment and issue). In this case, we will refund all Application Money, though any interest earned on Application Money will remain with the Company.

The fact that the ASX may grant Official Quotation to the New Shares is not an indication of the merits of the Company or the New Shares.

## **2.9 CHES**

The Company participates in CHES. CHES is operated by ASX Settlement in accordance with the Listing Rules and the ASX Settlement Operating Rules.

If you have a CHES sponsorship agreement with your stockbroker, you will be sent a CHES statement. The CHES statement will set out your holding of Shares and Options (including New Shares issued under this Prospectus), provide details of your holder identification number, and provide the participant identification number of the sponsor.

If you are not broker-sponsored, your New Shares will be registered on the Issuer Sponsored Subregister by default. If you are registered on the Issuer Sponsored Subregister, your statement will be despatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

CHES statements and Issuer Sponsored statements will routinely be sent out to Shareholders and Optionholders at the end of any calendar month during which the balances of their holdings change. Shareholders and Optionholders may request a statement at any other time, however, a charge may be payable for additional statements.

We will not be issuing share certificates in respect of the New Shares.

## **2.10 Ineligible Shareholders**

This Entitlement Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for us to comply with the securities laws of overseas jurisdictions having regard to the number of Ineligible Shareholders, the number and value of New Shares that these Ineligible Shareholders would be offered and the cost of determining and complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Entitlement Offer is not being extended, and New Shares will not be issued, to Ineligible Shareholders.

If you reside in New Zealand or Singapore, you should consult your professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable you to exercise your Entitlements under the Entitlement Offer.

In compliance with Listing Rule 7.7.1 and sections 9A and 615 of the Corporations Act, the Company has appointed the Underwriter as an ASIC-approved nominee, to arrange for the

sale of the Entitlements pursuant to section 615(c) of the Corporations Act which would have been granted to Ineligible Shareholders.

The Company will issue the Entitlements to the New Shares that would otherwise have been issued to Ineligible Shareholders (had they been Eligible Shareholders) to the Underwriter. The Underwriter will not be subscribing for the New Shares but will dispose of the Entitlements at any price necessary to any buyer it procures at its discretion.

The Underwriter will have the absolute and sole discretion to determine the timing and the price at which the Entitlements are sold and the manner in which any sale is made. The price at which the Entitlements are sold (which may be nominal) will depend on various factors, including market conditions. To the maximum extent permitted by law, neither the Company nor the Underwriter will be liable for a failure to sell Entitlements at any particular price.

The net proceeds of sale of Entitlements (if any, after the payment of costs) will be remitted to the Company for distribution to the Ineligible Shareholders for whose benefit the Entitlements have been sold in proportion to the number of New Shares they would have been entitled to under the Entitlement Offer had they been Eligible Shareholders (after deducting brokerage and other expenses).

If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding the sale of the Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

#### **2.11 Taxation**

You should seek and rely upon independent taxation advice regarding your investment in the Company as the taxation consequences will depend on your particular circumstances.

#### **2.12 Ranking**

The New Shares offered pursuant to this Prospectus will rank equally with existing Shares on issue. Details on the rights and liabilities attaching to New Shares are set out in SECTION 7.

#### **2.13 Renounceable**

Entitlements are renounceable. Section 2.7 sets out how you are able to deal with your Entitlement.

#### **2.14 No Minimum Subscription**

There is no minimum subscription for the Entitlement Offer.

#### **2.15 Shortfall**

If you do not wish to take up any part of your Entitlement under this Entitlement Offer you may deal with your rights as set out in Section 2.7. That part of your Entitlement not taken up will form part of the Shortfall Offer and will be dealt with in accordance with Section 2.3.

#### **2.16 Underwriting**

The Entitlement Offer is underwritten by the Underwriter up to an amount of \$496,647 which, together with the proceeds received in connection with the exercise of the respective Entitlements held by Mr Kwan Chee Seng and Dr Foo Fatt Kah (both of whom have indicated in writing that they will each take up their full Entitlement), provides the Company with certainty of proceeds in the amount of \$1,000,000.

Proceeds received in connection with the exercise by Mr Kwan Chee Seng and Dr Foo Fatt Kah of their respective Entitlements will be excluded from the calculation of the underwritten amount. For details on the Underwriting Agreement please refer to Section 8.2.

**2.17 Expenses of the Entitlement Offer**

We estimate the cost associated with the Entitlement Offer including advisory fees, legal fees, printing fees and other costs incurred in preparing and distributing this Prospectus, to be approximately \$198,772.

Please refer to Section 8.14 for further details of the expenses of the Entitlement Offer.

**2.18 Withdrawal of Prospectus**

The Directors may at any time decide to withdraw this Prospectus.

**2.19 Enquiries**

If you have any questions regarding the Entitlement Offer, or any of the documents referred to in this Prospectus, please contact us by telephone on (02) 9906 5220.

### SECTION 3. BACKGROUND TO MINING IN FRANCE

The mining regime in France is governed by the French Mining Code 2011 together with Decree 2006-648 and Decree 2006-649 of June 2, 2006. A new Mining Code is under discussion.

The current approach to obtaining a mining title begins with a bidding process for exploration permits, known as *permis exclusif de recherche* (**PER**) in which the bidders are required to demonstrate they have the necessary financial and technical capabilities to undertake the project. There are also public enquiry and environmental impact requirements that must be met. Applications for PERs are lengthy and may take years to be approved. Following the granting of a PER, which may contain its own conditions imposed by the Minister in charge of mining, further conditions and requirements may be imposed by local authorities under work authorisations or declarations, which must be obtained for each project undertaken by the company within the defined area of the PER.

PERs are for a maximum initial term of five years, though they may be renewed twice, often automatically, for the same term without requiring the holder to compete in a further bidding process. On each renewal it is necessary for the holder of a PER to relinquish a significant surface area of the PER. It is also required to maintain the requisite financial and technical capabilities that resulted in the initial grant of the PER. The PER holder is required to inform the Minister in charge of mining whenever these financial or technical capabilities significantly change (including where there is a significant change in shareholding) and such changes can result in loss of, or changes to the conditions of, a PER.

PERs only allow the holder to explore and map an area, though they may dispose of any minerals extracted during this process as they see fit. Commercial exploitation of the minerals requires a mining concession which is granted by decree issued with the Council of State's advice (**Concession**).

Concessions may be granted for an initial term of up to 50 years and may be extended by terms of up to 25 years. They may be subject to a range of conditions and limitations. They can be assigned and leased but not mortgaged and assignment of permits requires ministerial notification and can be opposed by the Minister. Work authorisations or declarations are also required for work conducted under Concessions.

The commencement of mining under a Concession is conditional on the preparation and acceptance of an environmental impact study and public enquiry under the Environment Code. There is a presumption of liability of the explorer or operator, or holder of a mining title, based on the "polluter pays" principle.

Both PERs and Concessions require the holder to reach access and compensation arrangements with the underlying landowner, depending on the disturbance the exploration work causes to the landowner. Compensation is based on standard scales fixed by the local chamber of agriculture. A further authorisation from prefecture authorities, called a prefectural decree, may also be needed in order to operate, depending on the nature and importance of the exploration's work proposed.

This current regime which came into force in 2011 was under review in recent years, and from 2012 to 2013 the then Minister in charge of mining proposed draft legislation which would significantly change the mining regulatory and taxation regime. The Minister decided in March 2015 an examination of the project, which is still under review. This new regime may never come into force, following a change of Minister; however it has not been formally abandoned and could be resurrected.

Significant changes proposed in the draft legislation included:

- a contentious introduction of judicial rulings to validate administrative decisions, including in relation to the grant of mining exploitation titles;
- deemed approval of mining titles where the administering body has not responded to the application within three months of filing;

- establishment of a High Council of Mines and transferral of work authorisation/declaration grants and other powers from local authorities to the ministerial level;
- changes to environmental requirements, including requirements to comply with processes similar to construction permits;
- extension of the liability of mine operators to 'indirect' damage; and
- introduction of a post-mine solidarity fund to provide compensation for damage resulting from risks for which the responsible person is not required to provide compensation.

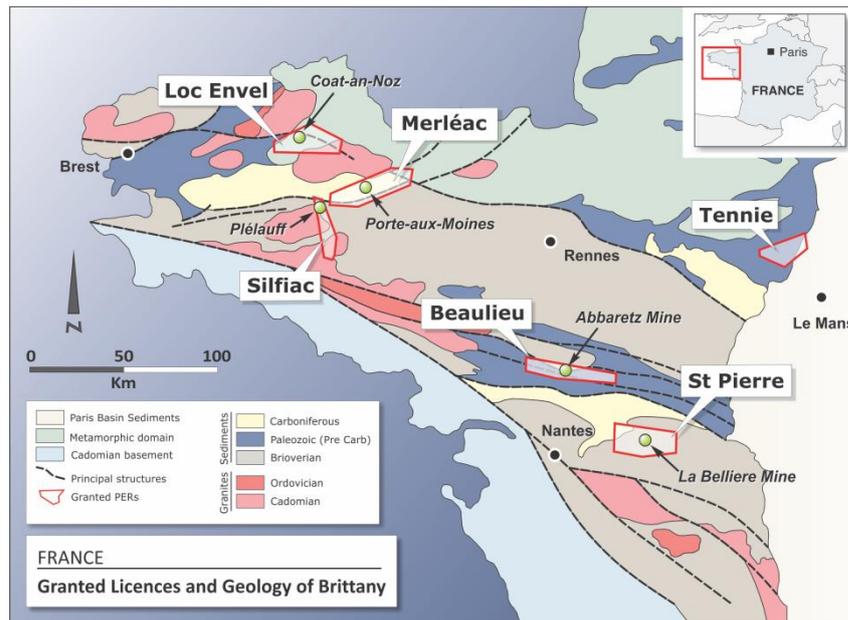
For more information regarding our mining operations in France and Australia see SECTION 4.

## SECTION 4. INVESTMENT HIGHLIGHTS

### 4.1 France

Variscan is one of the most active ASX listed junior resource companies in western Europe. The Company has targeted Europe for mineral deposits due to its favourable geology, strong mineral endowment, good infrastructure and relatively modest sovereign risk.

Variscan commenced activities in France in 2010 and was granted its first French exploration licence (**PER**) in June 2013. To date the Company has received approvals for six licences and two others well advanced within the approvals process.



**Figure 1 - Location of the Variscan PERs**

In the opinion of the Directors, each of the licences has good potential for short term resource generation and/or major new discoveries. The Company has deliberately targeted more advanced project areas containing previously defined mineralised zones or evidence of substantial old mine workings (Table 1) to help fast track the discovery of economic deposits.

**Table 1 – summary characteristics of French exploration licences**

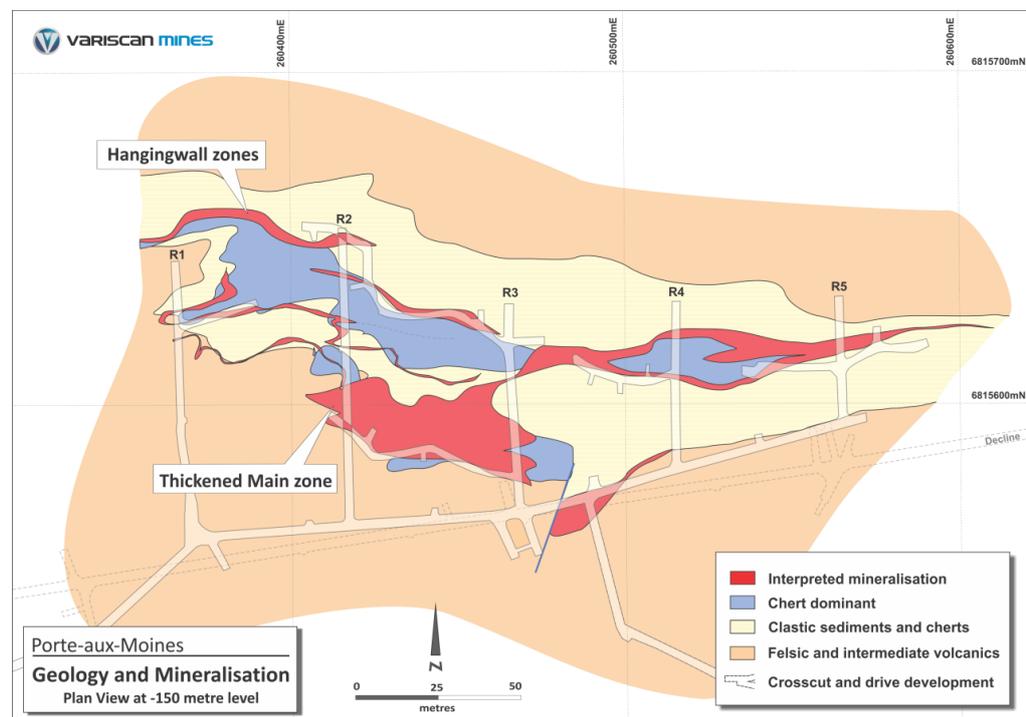
Project	Area (km <sup>2</sup> )	Commodity	Significant old mines	High grades in exploration	Pre-JORC Resource
Merléac	411	Zn, Pb, Cu, Ag, Au		✓	✓
Silfiac	173	Zn, Pb, Ag, Ge		✓	✓
Tennie	205	Zn, Pb, Cu, Au	✓		
Beaulieu	278	Sn, W	✓		✓
Loc Envel	336	W, Cu		✓	✓
St Pierre	386	Au	✓	✓	
Applications	42	W, Cu, Au	✓	✓	✓
	166	W	✓		

(a) **Merléac**

The Merléac PER covers an area of 411 square kilometres over the eastern end of the Châteaulin Basin, a sequence of volcanics and sedimentary rocks containing a number of volcanogenic massive sulphide (**VMS**) deposits including the advanced Porte-aux-Moines (**PAM**) zinc-lead-copper-silver-gold deposit which lies near the centre of the licence about 100 kilometres west of Rennes, Brittany (Figure 1).

**The Porte-aux-Moines Deposit**

Porte-aux-Moines was discovered by the **BRGM** (Bureau de Recherches Géologiques et Minières - the French geological survey) in 1975. Over the ensuing decade the group completed almost 10 kilometres of core drilling and just under two kilometres of underground development defining significant high grade zinc-lead-copper-silver mineralisation up to 20 metres thick over a strike length of about 250 metres from near surface to a depth of about 300 metres (Figures 2 and 3).



**Figure 2 – Plan view of Porte-aux-Moines deposit showing interpreted mineralised zones and underground development completed by the BRGM**

**Recent Work at PAM**

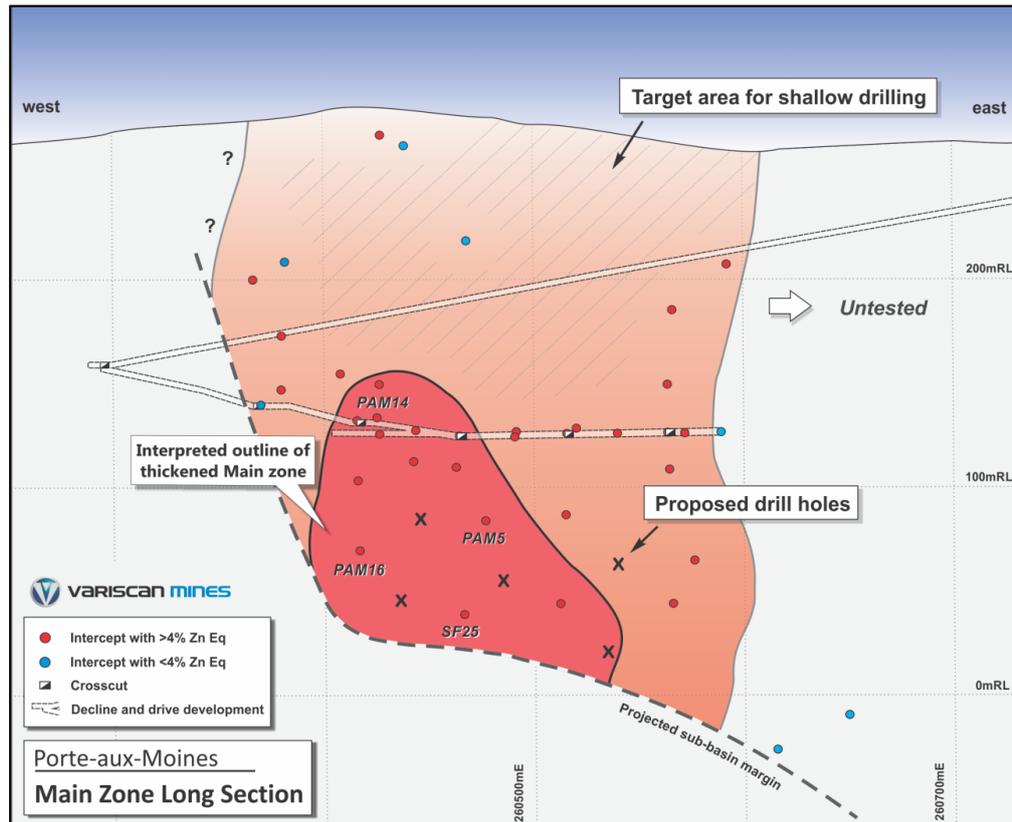
Variscan previously sampled the three remaining preserved surface core holes drilled into PAM announcing a number of outstanding, high grade, zinc-dominant, polymetallic intersections (see ASX announcements dated 19 May, 20 and 29 July 2015). In November, 2015 the Company received a comprehensive two gigabyte dataset from the BRGM containing scanned copies of all available technical information generated by the BRGM exploration work at PAM including drill hole logs, assays, mine development, mapping data and metallurgical work.

Variscan has now completed converting the majority of the drill and development data to electronic formats and has generated a revised mineralisation model for this deposit (Figure 2). Wireframes of the interpreted high grade mineralisation envelopes have been completed and have been sent to QG Australia Pty Ltd, an independent consultancy group to undertake a Resource estimation of PAM to 2012 JORC standards. This work is expected to be completed in late May.

## PAM Drill Targets

Although mineralisation within the deposit has been comparatively well defined by the large number of surface and underground drill holes (plus underground development), Variscan has identified areas within the deposit which justify additional surface drilling to potentially expand tonnages and increase the volume of Indicated Resource that could be defined.

The targets for near-term drilling are within the Main and Hangingwall zones, notably towards the interpreted base and eastern extension of the high grade, thickened Main zone (Figures 2 and 3) where former coarse-spaced drilling by the BRGM intersected high grade mineralisation (often >15% Zn Eq\*) (see ASX announcement 14 December 2015), in some holes with estimated true widths in excess of 20 metres.



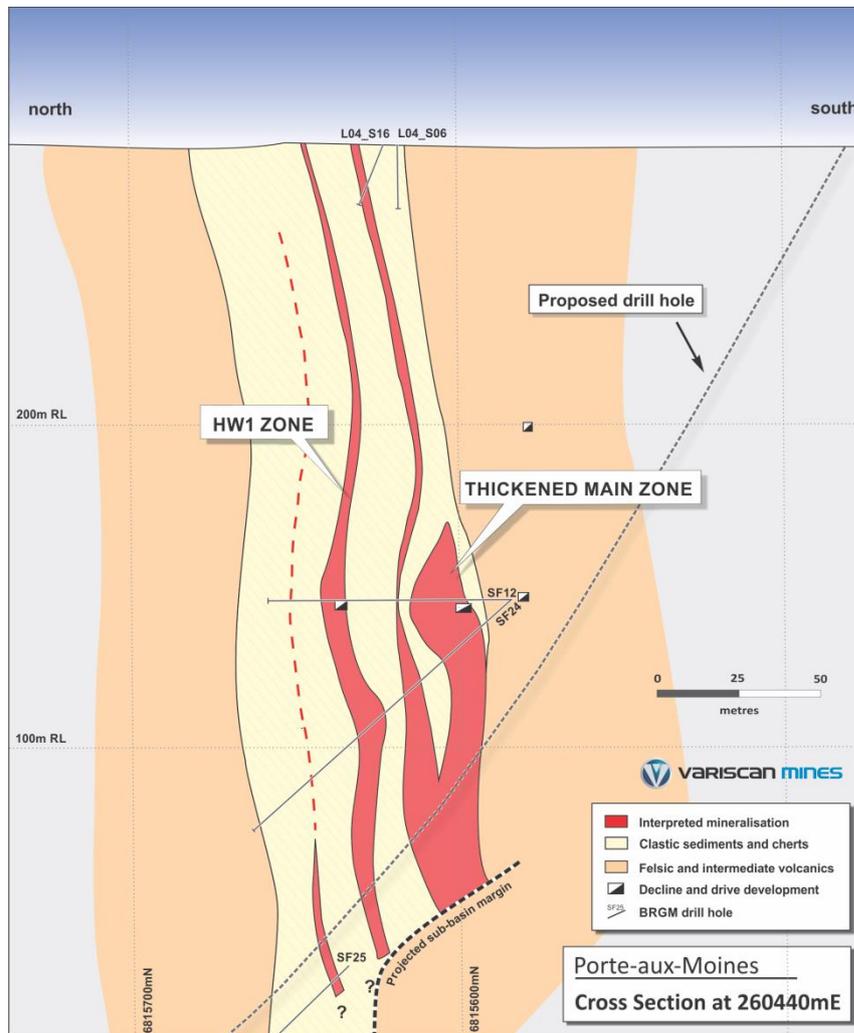
**Figure 3 - Vertical long section at PAM of the Main surface showing the interpreted thickened zone and flanking mineralisation. Proposed deeper drilling pierce points shown as well as the target area for shallow drilling (hatched)**

Examples of these drill holes include -

- PAM5 - 31.0 metres @ 10.4% zinc, 2.1% lead, 1.2% copper, 105.5 g/t silver, 1.0 g/t gold (21.1% Zn Eq\*) - estimated true width 21 metres
- PAM14 - 27.0 metres @ 14.0% zinc, 3.3% lead, 0.8% copper, 161.4 g/t silver, 0.8 g/t gold (25.7% Zn Eq\*) - estimated true width 18 metres
- PAM16 - 34.5 metres @ 5.3% zinc, 0.9% lead, 1.2% copper, 86.0 g/t silver, 0.9 g/t gold (14% Zn Eq\*) - estimated true width 23 metres
- SF25 - 18.8 metres @ 7.0% zinc, 1.7% lead, 2.1% copper, 125.1 g/t silver (15.7% Zn Eq\*) - estimated true width 16 metres

Deeper drilling (at least 2-3 holes) is planned to test this area and confirm the geological interpretation during the French summer period (Figures 3 and 4), once programme designs are finalised, local approvals gained and access agreements signed.

In addition, drilling may also test the thinner, but shallower section of the Main zone close to the surface which has had little exploration in the past (Figure 3 - hatched area). The Directors are of the opinion that there is good potential in this area to expand the Resource above the level of the former underground development.



**Figure 4 - Cross section through PAM at 260440mE showing interpreted mineralised zones (at 4% Zn Eq cut-off) and proposed deeper core drilling**

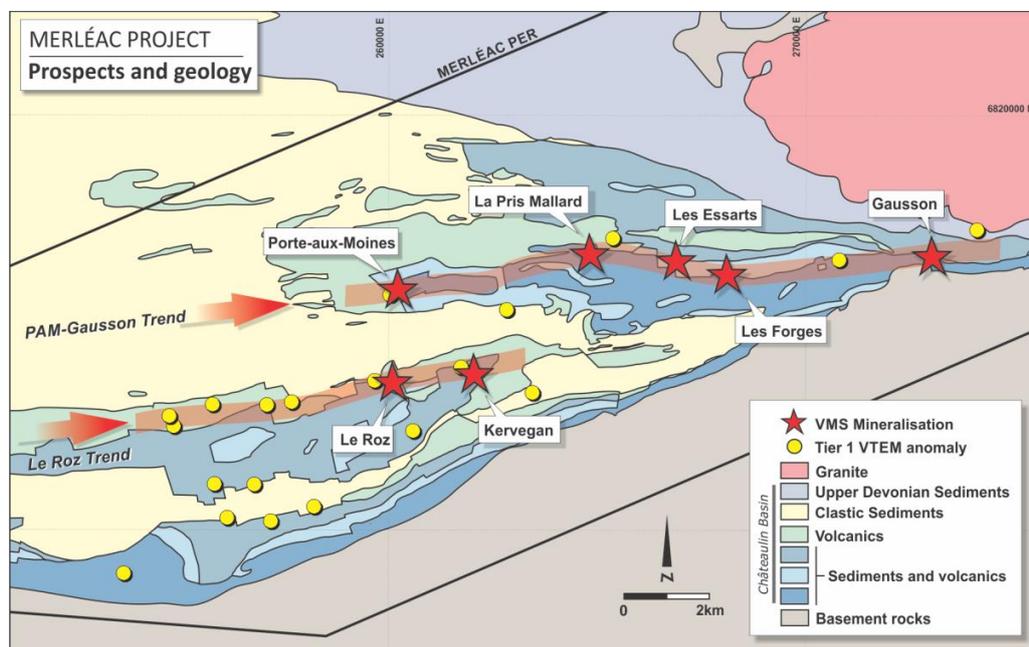
### Merléac Exploration

Within Merléac, the Company has commenced follow-up exploration of the VTEM and geochemical targets generated during 2015 (see ASX announcements dated 5 February and 28 September 2015) as well as review of previous exploration work. The results have been highly encouraging, providing strong evidence that additional new VMS deposits will be discovered within the same rock sequences that host PAM (see ASX announcement dated 28 April 2016).

Two main trends (PAM-Gausson and Le Roz) over a total strike length of 22 kilometres hosting seven centres of base metal mineralisation have been defined, with highly geochemically anomalous rock chip/grab results recorded in new sampling. At some prospects these assays are in proximity to strong VTEM anomalies defined from last year's survey, interpreted to be possible buried VMS deposits.

## 1. Pam - Gausson Trend

This extensive east-west striking zone is the most important defined to date and stretches approximately 15 kilometres from PAM to the Gausson prospect in the east. Five main 'camps' of VMS mineralisation have been defined within sediments and volcanics along the general PAM VMS deposition horizon (Figure 5).



**Figure 5 – Key VMS prospects within the Le Roz and PAM-Gausson mineralised trends. Summary of BRGM geology.**

### La Pris Mallard Prospect

This prospect also includes a "Tier 1" VTEM anomaly located about 5 kilometres east of PAM. Previous BRGM work included shallow percussion and core drilling which recorded base metal sulphides and strong sericite-quartz-pyrite altered volcanics just west-south-west of the strong VTEM anomaly.

Variscan recently collected rock chip/grab samples from gossanous material representing oxidised semi-massive and massive sulphide and stockwork sulphide-veined material. Individual assays of up to 6.1% lead, 800ppm zinc and 1840ppm copper were recorded (Table 2), confirming this as a likely centre of VMS mineralisation.

**Table 2 - Maximum values recorded in surface geochemistry (XRF and ALS assays)**

Prospect	Zinc (ppm)	Lead (ppm)	Copper (ppm)	Silver* (ppm)	Gold* (ppb)
La Pris Mallard	800	60,900	1,840	9	50
Les Essarts	1,521	2,304	1,031	3	3,670
Les Forges	1,986	318	638	1	260
Gausson	1,000	2,000	917	NSA	90
Le Roz	942	1,472	1,106		
Kervegan	396	168	396		

\* ALS assays only reported

### **Les Essarts Prospect**

This advanced prospect is approximately 700 metres in strike length and was drilled to a shallow depth by the BRGM during the 1970's. The drilling recorded a number of zinc-lead-copper intersections of stratiform VMS mineralisation including -

- 1.25 metres @ 7.0% zinc, 3.04% lead, 0.22% copper from 80 metres in LSS2
- metre @ 5.49% zinc, 2.72% lead and 0.26% copper from 66 metres in LSS3

The BRGM work has clearly identified another centre of VMS mineralisation broadly analogous to PAM.

Sampling by the Company of iron-rich float has recorded strongly anomalous values including up to 3.67g/t gold (see Announcement dated 5 February 2015). This will be one of the priority targets for additional Variscan exploration work.

### **Les Forges Prospect**

The prospect lies approximately 1.2 kilometres east of Les Essarts. Previous work by Variscan included sampling of a group of old iron workings that mined gossanous material displaying box-work textures after base metal sulphides.

Highly elevated results up to 1986ppm zinc, 318ppm lead, 638ppm copper and 260ppb gold were recorded over a strike length of about 700 metres, again believed located within the same rock package that hosts PAM.

### **Gausson Prospect**

Former work by the BRGM included shallow drilling to the southwest of a strong VTEM anomaly, intersecting low grade stockwork copper mineralisation.

Recent Variscan rock chip and float sampling (including the VTEM target) returned elevated surface values, believed associated with VMS mineralisation, up to 875ppm zinc, 1991ppm lead, 917ppm copper and 90ppb gold.

## **2. Le Roz Trend**

This newly defined trend lies approximately two kilometres south of the PAM deposit and has been defined on the basis of a string of strong VTEM anomalies (Figure 5). To date Variscan has assessed two of the seven 'Tier 1' VTEM anomalies that have been defined over a strike distance of around seven kilometres. Both anomalies, Le Roz and Kervegan do not appear to have been explored previously and are favourably located within the interpreted folded repeat of the PAM mineralised rock sequence.

Base metal geochemistry at both prospects is elevated, particularly at Le Roz (Table 2), indicating the likely presence of base metal sulphides.

### **(b) Saint Pierre**

The St Pierre PER covers 386 square kilometres over an important gold district believed to have been the third largest gold producer in France. Within the PER, the La Bellière gold mine is recorded to have produced about 334,000 ounces of gold (plus silver) from 1906 to 1952, up to a maximum depth of 170 metres intermittently over a strike length of about 1.6 kilometres (Figure 7).

During 2014/2015 exploration within the licence included a broad programme of rock chip and float sampling which generated a number of high grade results up to 159g/t gold across five main areas of interest. Follow-up detailed soil sampling has been completed at selected prospects, with additional analysis of historical mine and exploration work.

Two areas for drilling have been defined at Ville Tirard and Belleville (Figure 6) to the west and south of the St Pierre township where a proposed combination of shallow traverse RC and core diamond drilling will test these high quality targets.

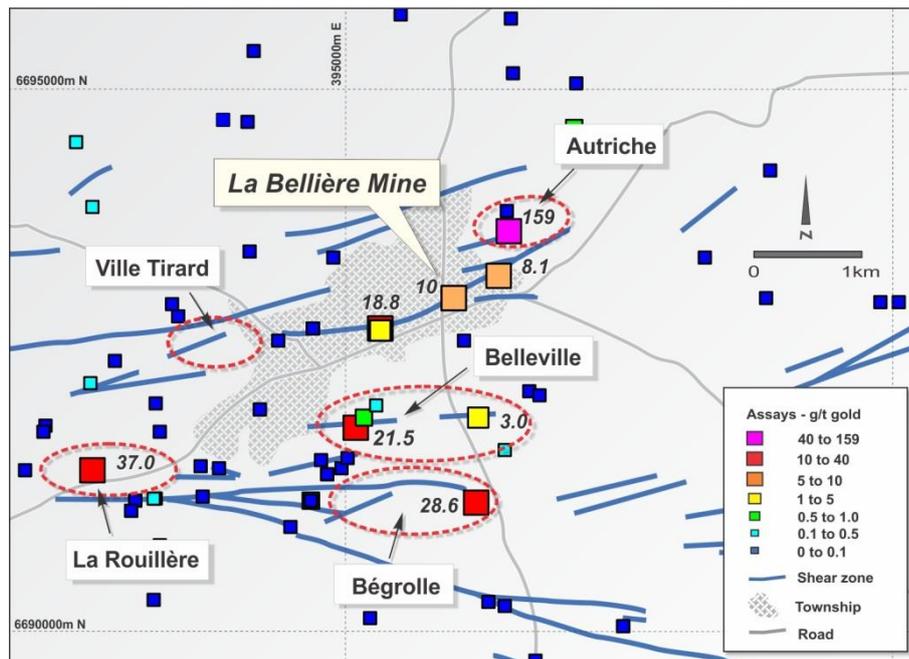
### Belleville

Initial work by Variscan at the Belleville prospect included prospect scale rock chip and grab sampling which generated high grade samples up to 21.5g/t gold from quartz-rich float in the centre of the prospect (Figure 6) (see ASX announcement dated 16 February 2015).

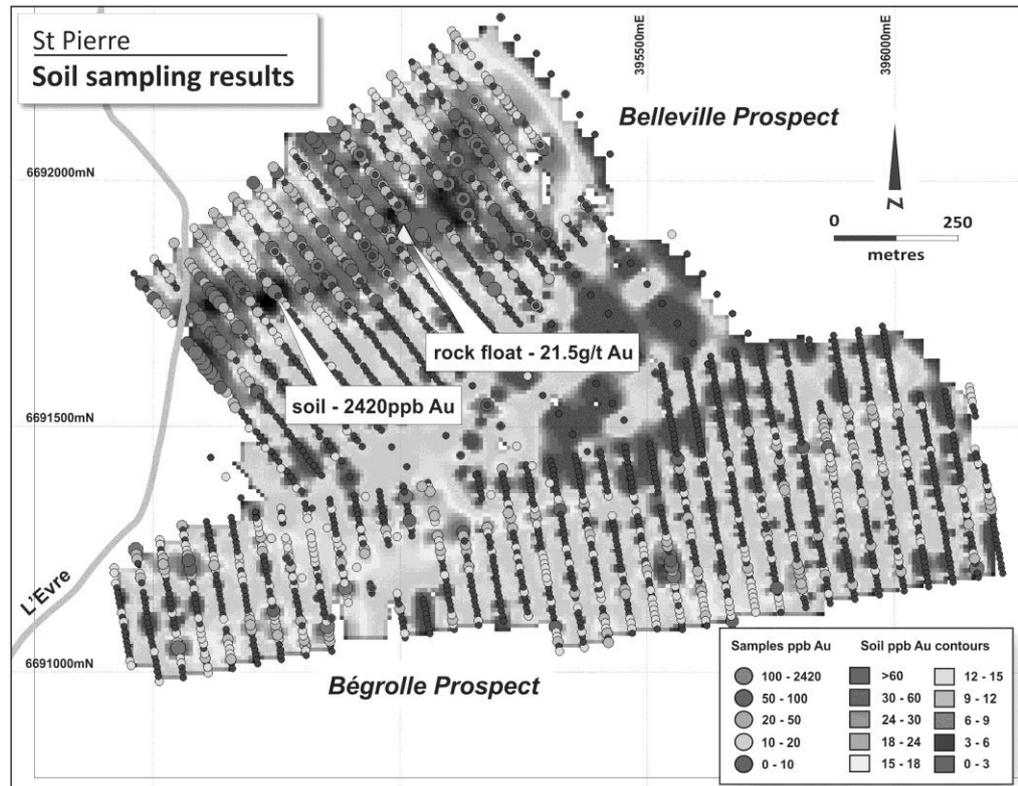
Detailed follow-up sampling in two programmes defined an 900 x 400 metre zone of strongly anomalous gold values up to 2.4g/t gold (or 2420ppb gold) in soils displaying a similar gross orientation to the gold bearing shear structure at the La Bellière Mine (see ASX announcement dated 2 June 2015 and September 2015 Quarterly) (Figure 7).

Former BRGM exploration in this area included shallow percussion drilling (generally around 40-50 metres deep) which, from available data, appears to have tested only the northern fringe of the anomaly and has intersected gold-bearing zones.

Two traverses of inclined shallow RC drilling have been planned to test the anomaly across the interpreted east-north-east striking shear zone. This will commence once final local approvals and access agreements are signed and a rig mobilised to site, planned for mid-year.



**Figure 6: Rock chip / float sampling results, mapped shear zones and key prospect locations**

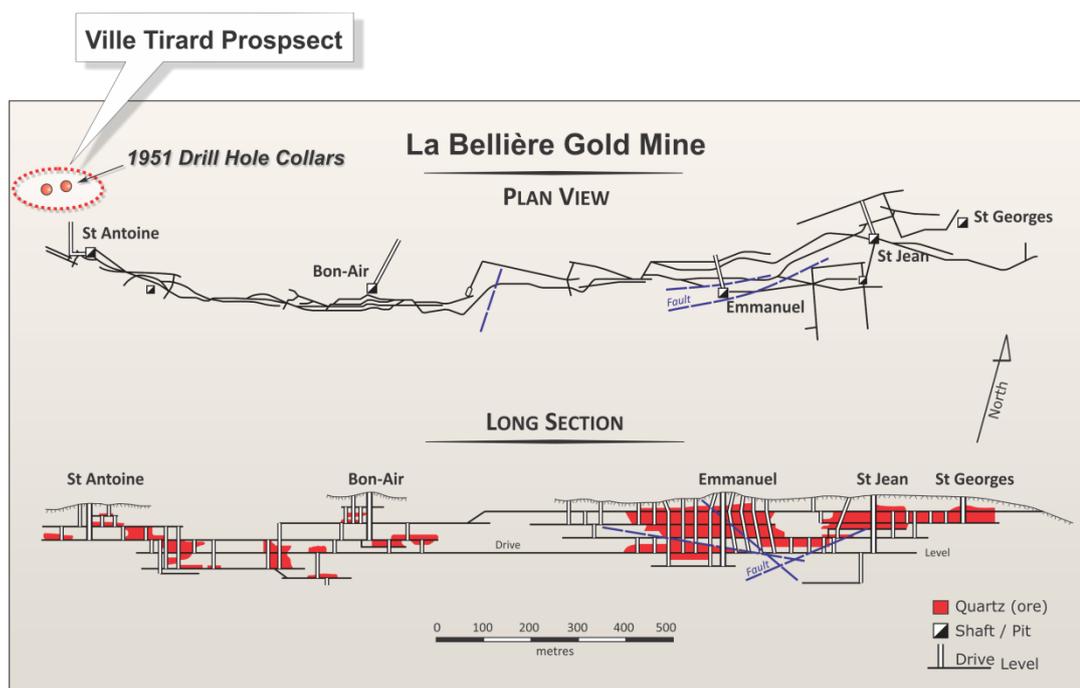


**Figure 7: Belleville / Bégrolle gold prospects at St Pierre showing soil sampling completed to date and strong anomalism defined**

#### Ville Tirard

During the final years of mining in the St Pierre region, two inclined drill holes (circa 1951) approximately 40 and 60 metres deep are recorded to have been drilled below outcropping mineralisation at the western end of the main La Bellière shear system approximately 200 metres north of the old St Antonie gold mine (Figure 8).

In reports held by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) both holes are recorded to have intersected broad zones (estimated >15-20 metres true width) of gold mineralisation with individual assays between 0.5 to 33g/t gold, averaging in the range of 3-4 g/t Au.



**Figure 8 - Approximate location of Ville Tirard prospect and drill collars from 1951 drilling projected onto the plan view of La Bellière gold mine workings**

Given the age of the drilling, the precise position of the collars is uncertain, so Variscan plans to drill two shallowly inclined core holes, each to about 150 metres, to cross the projected position of the shear and to intersect the mineralisation.

(c) **Other Licences**

**Beaulieu Tin Project**

This licence covers France's largest hard rock tin district around the Abbaretz tin mine about 40 kilometres north of the port city of Nantes.

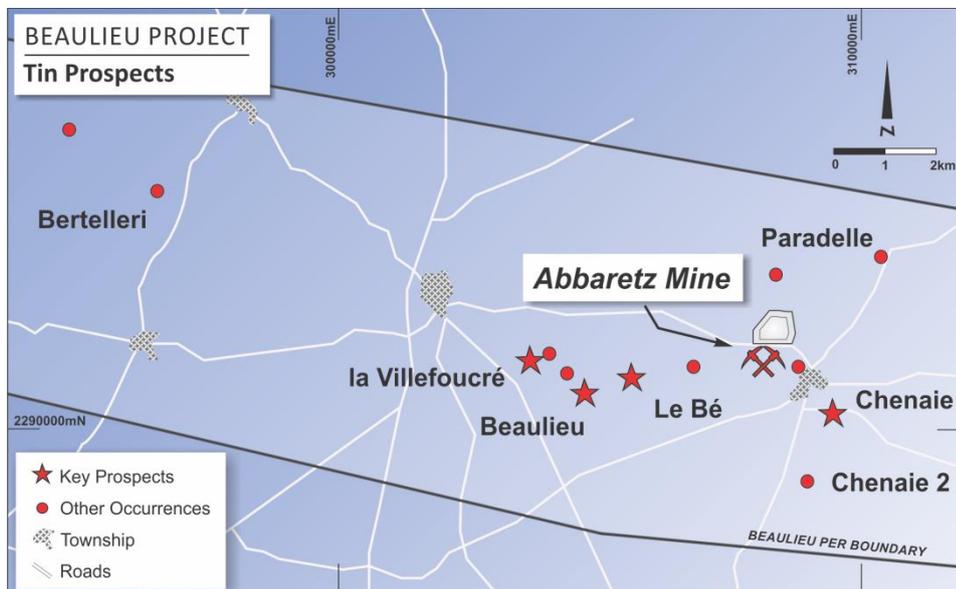
Tin is believed to have been mined from the region since 1200BC and it was one of the major production sources for the Roman Empire. Most tin mining was conducted over a 100 kilometre strike length with the most prolific part a 20 kilometre section around the Abbaretz deposit which is covered by the Beaulieu licence.

From 1951-57 approximately 2,700 tonnes of tin is recorded to have been mined at Abbaretz from an open pit 650 metres long and up to 70 metres deep.

From the 1950s to the 1970s substantial exploration in the region defined numerous prospects along the Abbaretz belt. Within the licence, a number of vein-style tin prospects have been defined (Figure 9). These include -

- (i) **Abbaretz** - tin mineralisation is controlled by an east-west oriented, anastomosing shear-vein array dipping 30-45° to the south. Tin-bearing veins up to 4 metres in width were mined, often containing coarse grained cassiterite. The system is open at depth.
- (ii) **Beaulieu** - a large zone of tin mineralisation (700 x 150 x 50 metres) has been outlined by previous work 4.5 kilometres west of Abbaretz. Substantial drilling as well as shallow underground development was completed defining a tin-bearing vein array within an altered leucogranite and allowed the calculation of a non-JORC resource. This project will be one of the first drill targets for Variscan.

- (iii) **Chenaie** - 700 metres southeast of Abbaretz work by the BRGM during 1969-70 defined a zone of tin-bearing quartz veins directly above a strong resistivity anomaly suggesting close proximity of the mineralizing granite.
- (iv) **Others** - a number of other tin occurrences not yet systematically explored are known in the area including Le Bé (quartz-tourmaline veins) and la Villefoucré (granitic cupola).



**Figure 9: Prospect locations within the western half of the Beaulieu PER.**

The Company considers the exploration potential for economic tin deposits within the licence to be very good and has commenced work including soil sampling and the compilation of the large volume of data that has been generated since mining commenced in the 1920s. Immediate priority targets include the Beaulieu and Chenaie prospects where former work by the BRGM generated pre-JORC resource estimates.

### Silfiac Project

Silfiac was granted in September 2015 and was selected to cover high grade, zinc-lead-silver-germanium vein systems had previously been discovered by the BRGM to the south-west of Merleac. The licence covers 173 square kilometres over a set of north-north-west oriented shears which host the veins within metamorphosed sediments and an intrusive granodiorite complex.

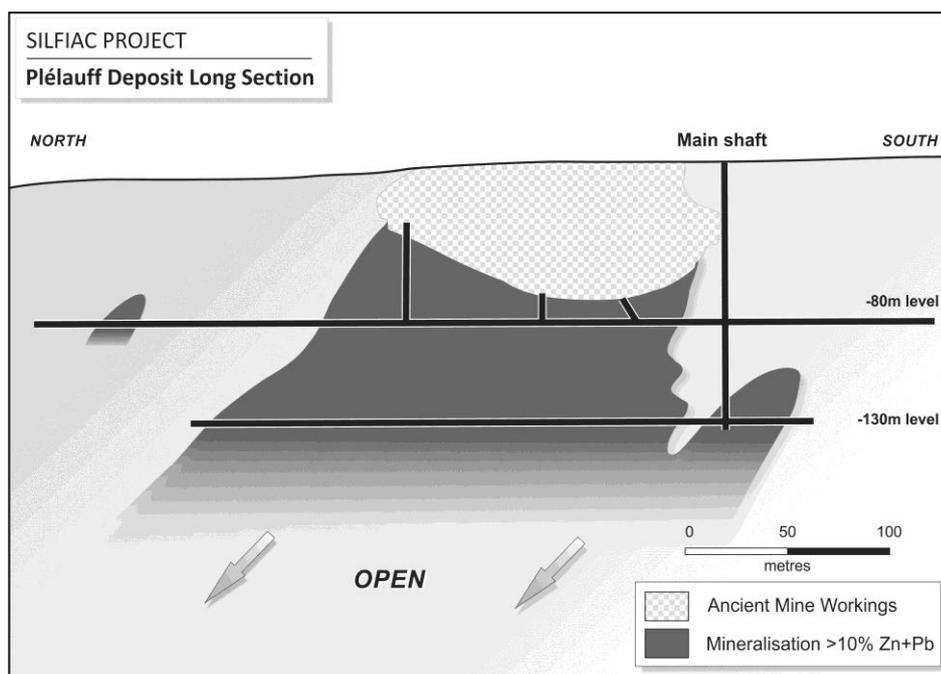
These veins are considered attractive exploration targets by the Company as -

- (i) They display very close geologic and depositional event similarities to the Saint Salvy deposit, mined by Pennaroya between 1975 and 1990, and located in the Massif Central, France. This mine produced a total of 2.8Mt of ore at a grade of 11.7% zinc, 150 g/t germanium and 38 g/t silver, and
- (ii) They lie within a short trucking radius (approx. 25 kilometres) of the zinc-rich Porte-aux-Moines VMS deposit (Figure 1), the focus of Variscan's recent exploration work.

The most important deposit defined to date is the high grade Plélauff zinc-lead-silver-germanium deposit believed to have been mined around the 8th Century. The BRGM explored Plélauff via substantial underground mine development from 1961 to 1963, strike driving and systematically sampling and mapping the deposit on two levels 80 and 130 metres below the surface (Figure 10).

This work -

- Successfully defined continuous, high grade zinc-lead-silver-germanium (>10% zinc+lead) mineralisation averaging between 2.5 to 4 metres thick,
- Defined the main lode over a strike length of 230 metres on the lower level and indicated that mineralisation is increasing in strike length at depth (Figure 10),
- Intersected a further zone of mineralisation at the southern end of the 130m level which may link with the main zone of depth, and
- Indicated that the base metal sulphides (galena and sphalerite) contained significant silver, germanium and cadmium, potentially important future byproducts.



**Figure 10: Long section of the Plélauff zinc-lead-silver-germanium deposit as defined in underground development by the BRGM.**

The exploration potential to expand Plélauff is considered to be excellent as it remains open at depth, with no drilling completed in or around the deposit.

Elsewhere within the Plélauff shear, additional mineralised dilational jogs can be expected and thus the Company believes that the scope for the discovery of unexplored and blind ore shoots within the Plélauff structure is high.

In relation to the grant of the Silfiac PER, stakeholders with an interest in the area the subject of the PER, have objected to the grant and have requested a judicial review of administrative action.

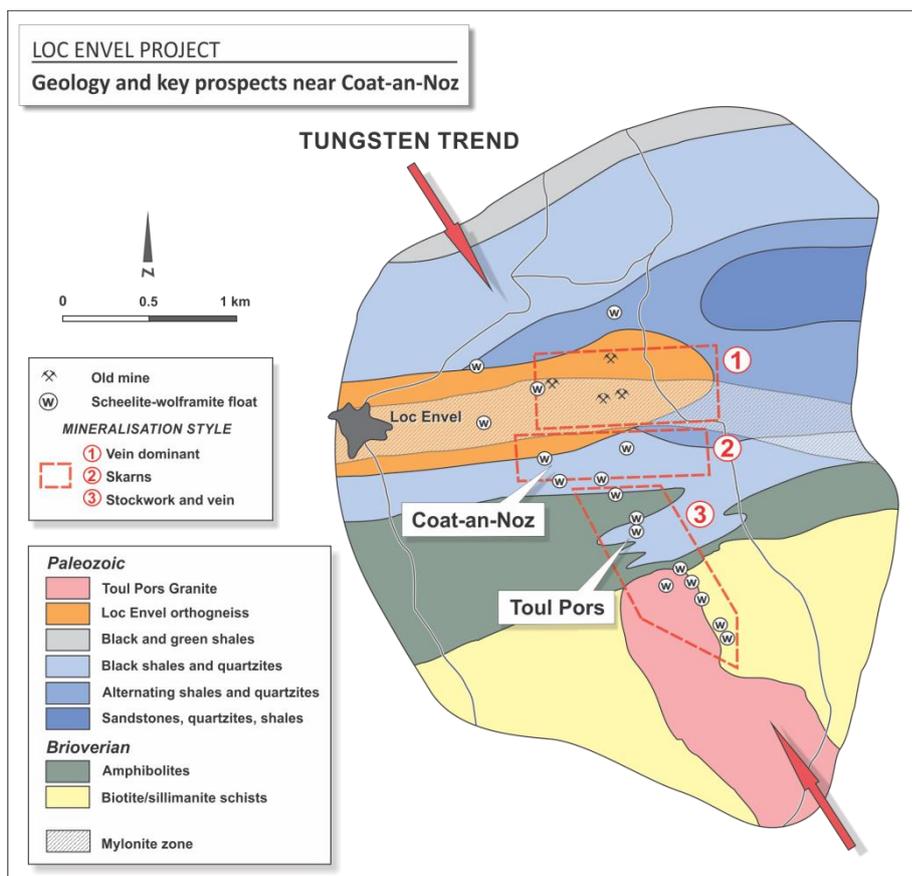
### **Loc Envel Project**

The Loc Envel licence covers an area of 336 square kilometres in northwest Brittany over a region believed to have good potential for high grade tungsten-copper deposits.

Work has identified several potentially commercial styles of deposits within the licence closely associated with several small trondhjemite intrusives. The most significant deposit defined to date is Coat-an-Noz where scheelite-bearing skarns have been defined over a two kilometre strike length in exploration carried out from 1960 to 1977 by the BRGM and SNEAP (Société National Elf Aquitaine Petroliers).

Although data from this exploration is yet to be accessed and evaluated, diamond drilling from the Coat-an-Noz prospect (Figure 11) is reported to have generated high

grade tungsten (+copper) intercepts within the laterally continuous skarn system and enabled SNEAP to calculate a non-JORC resource.



**Figure 11: Geology and main prospect areas near Coat-an-Noz**

Further evidence of the prospectivity of the area is provided at the Toul Pors prospect where exploration work including trenching and short (100 metre) core holes has identified a large stockwork of quartz-tungsten-molybdenite bearing veins hosted by amphibolites within the cupola of the Toul Pors granite (Figure 11).

### Tennie Project

The Tennie PER covers 205 square kilometres of the eastern section of a Palaeozoic sedimentary package which hosts the Rouez copper-gold-lead-zinc-silver deposit owned by the French energy group, TOTAL. Rouez is considered to be possibly either VMS or a hybrid SEDEX type and shares a number of geological similarities to deposits such as Rio Tinto and Aljustrel within the Iberian Pyrite Belt of Spain and Portugal.

In late 2013 Variscan commenced an auger soil geochemical survey within the PER which is believed to be the first significant mineral exploration programme conducted in France for some years. The initial programme involved shallow hand auger drilling on a 200 x 200 metre grid over the fertile Brioverian rocks, to penetrate the thin transported loess horizon that blankets the area and thus may hide potential mineral deposits.

To date Variscan has completed 3,825 shallow auger holes over accessible areas within the PER. Although results are still being interpreted, two large areas of coincident, subtle zinc/lead anomalism have been defined towards the northeast and northwest boundaries of the PER. Both anomalies appear developed close to the boundary of the Brioverian sedimentary sequence and may be associated either with VMS/SEDEX type mineralisation, similar to that found at Rouez or vein style, hydrothermally emplaced sulphide mineralisation common in other parts of Brittany.

Follow-up work to ascertain the style and significance of the base metal anomalism is planned.

(d) **Future French Projects**

Variscan has two further applications for exploration licences in France within the approvals process, each with good potential for short term resource generation and/or major new discoveries. One of these has reached an advanced stage in the approvals process.

## 4.2 Australia

Variscan has a small number of residual grass-roots exploration properties within Australia, all under joint venture with other resource companies. Work on these has been subdued for the last few years.

## 4.3 Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies.

(a) **Eastern Iron Limited**

Eastern Iron Limited (ASX: EFE) holds the Nowa Nowa iron project located near Bairnsdale in eastern Victoria, 270 kilometres east of Melbourne. The company has completed a mine study for an 800,000tpa operation exporting coarse grained magnetite product, which confirmed a low capital cost and robust margins over the projected life of the mine. However, due to the drop in iron ore prices, the company has suspended any further significant activity on the project until the iron market returns to more buoyant, stable conditions.

Subsequent to the approval of Eastern Iron shareholders, in 2015 a \$2 million share placement was completed to a Chinese company, Fortune Future Holdings. The purpose of the investment by Fortune is to use the Company as a vehicle to secure major near-development or operating mining projects in Australia and elsewhere. The company has commenced actively reviewing opportunities and will be assisted in the acquisition and development phase by companies related to Fortune.

(b) **Silver City Minerals Limited**

Silver City Minerals Limited (ASX: SCI) continued its well-funded programme of exploration within its extensive portfolio of tenements around Broken Hill, NSW.

Silver City has recently commenced a large programme of shallow RAB drill holes over a number of base metal targets (Acacia Vale, Razorback West and Yalcowinna West) as well as shallow RC drilling of the Stephens Trig prospect to test potentially open-pitminable mineralisation up-plunge from high grade intersections generated in historic drilling.

(c) **Thomson Resources Ltd**

Thomson Resources Ltd. (ASX: TMZ) holds significant exploration licences for base and precious metal targets in the Lachlan and Thomson Fold Belts of NSW.

Recently, Thomson recorded exceptional, high grade tin results from three drill programs completed at its Bygoo Tin project, north of the Ardlethan tin mine in central NSW, Australia. The headline result of 35m at 2.1% Sn from 44m depth is one of the best tin intersections recorded in mainland Australia for many decades. The newly discovered greisen mineralisation is open in all directions and has potential for easy processing and a clean concentrate.

Follow up drilling is planned during 2016.

#### **4.4 Financing**

In order to progress its various projects, the Company will need to secure further funding as it deems necessary. Such funding may be equity or debt funding, or may involve the divestment of one or more tenements. The Company may also look to identify potential joint venture partners with the appropriate background and skills to assist the Company in further exploring and developing its projects.

#### **Competent Persons Statement**

*The information in SECTION 4 of this Prospectus that relates to Investment Highlights is based on information compiled by Greg Jones, BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director and full-time employee of Variscan and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.*

## **SECTION 5. PURPOSE AND EFFECT OF THE ENTITLEMENT OFFER**

### **5.1 Purpose of the Entitlement Offer**

The primary purpose of the Entitlement Offer is to raise up to approximately \$1,553,867 before costs.

Variscan intends to use these funds to continue with its successful strategy of identifying and applying for advanced projects in Europe (notably France) and initiating exploration work to discover economic deposits.

Refer to Section 5.4 for further detail on the proposed used of funds.

### **5.2 Effect of the Entitlement Offer**

The principal effect of the Entitlement Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the Company's cash reserves by \$1,355,095 (after deducting the estimated expenses of the Entitlement Offer);
- (b) increase the number of Shares on issue to 517,995,853 comprising 431,629,863 Shares on issue as at the date of this Prospectus and 86,325,973 New Shares.

The Entitlement Offer may also have an effect on the relevant interest in voting Shares in the Company held by the Company's substantial shareholder, Mr Kwan Chee Seng. Please refer to Section 5.6 for further details.

### **5.3 Pro Forma Statements of Financial Position**

Set out below is:

- (a) an audit-reviewed Statement of Financial Position of the Company as at 31 December 2015;
- (b) 'Proforma A' Statement of Financial Position; and
- (c) 'Proforma B' Statement of Financial Position.

Proforma A and Proforma B assume the completion of the subscription under the Entitlement Offer as though it had taken place on 31 December 2015 as it would be affected by the following outcomes:

- (a) Proforma A – where the Entitlement Offer is fully subscribed; and
- (b) Proforma B – where the Entitlement Offer is subscribed to the Confirmed Commitment Amount only.

#### **Proforma A**

- (a) The receipt of funds of \$1,553,867 from the Entitlement Offer resulting in the issue of 86,325,973 New Shares at \$0.018 each, representing a \$1,553,867 increase in contributed equity of the Company; and
- (b) the costs of the Entitlement Offer, being approximately \$198,772, being a reduction to contributed equity.

**Proforma B**

- (a) The receipt of funds of \$553,510 from the Entitlement Offer resulting in the issue of 30,750,555 New Shares at \$0.018 each, representing a \$553,510 increase in contributed equity of the Company; and
- (b) the costs of the Entitlement Offer being approximately \$198,772 being a reduction to contributed equity.

The unaudited Proforma Statements of Financial Position have been prepared to provide Shareholders with information on the assets and liabilities of the Company. The Pro-forma Statements of Financial Position, whilst prepared on the basis of the accounting policies normally adopted by us, do not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements, nor have they been reviewed by our auditor.

+	Audit-reviewed 31 December 2015 A\$	Proforma A Assuming Entitlement Offer fully subscribed 31 December 2015 A\$	Proforma B Assuming Confirmed Commitment Amount only 31 December 2015
<b>Current assets</b>			
Cash and cash equivalents	1,388,947	2,744,042	1,743,685
Receivables	280,295	280,295	280,295
<b>Total current assets</b>	<b>1,669,242</b>	<b>3,024,337</b>	<b>2,023,980</b>
<b>Non-current assets</b>			
Investments – available for sale	1,126,623	1,126,623	1,126,623
Investment in associates	792,857	792,857	792,857
Receivables	24,171	24,171	24,141
Property, plant and equipment	258,259	258,259	258,259
Exploration and evaluation assets	2,995,858	2,995,858	2,995,858
Deferred tax asset	277,244	277,244	277,244
<b>Total non-current assets</b>	<b>5,475,012</b>	<b>5,475,012</b>	<b>5,475,012</b>
<b>Total assets</b>	<b>7,144,254</b>	<b>8,499,349</b>	<b>7,498,992</b>
<b>Current liabilities</b>			
Trade and other payables	312,095	312,095	312,095
Provisions	117,449	117,449	117,449
<b>Total current liabilities</b>	<b>429,544</b>	<b>429,544</b>	<b>429,544</b>
<b>Non-current liabilities</b>			
Provisions	54,509	54,509	54,509
<b>Total non-current liabilities</b>	<b>54,509</b>	<b>54,509</b>	<b>54,509</b>
<b>Total liabilities</b>	<b>484,053</b>	<b>484,053</b>	<b>484,053</b>
<b>Net assets</b>	<b>6,660,201</b>	<b>8,015,296</b>	<b>7,014,939</b>
<b>Equity</b>			
Contributed equity	17,942,769	19,297,864	18,297,507
Reserves	605,381	605,381	605,381
Accumulated losses	(11,887,949)	(11,887,949)	(11,887,949)
<b>Total equity</b>	<b>6,660,201</b>	<b>8,015,296</b>	<b>7,014,939</b>

+ On 9 May 2016 the Company announced a placement which raised further \$1,000,000 which is not reflected in the above Proformas.

#### 5.4 Use of Funds

The proceeds from the Entitlement Offer, after expenses, will be approximately \$1,355,095 (assuming that the Entitlement Offer is fully subscribed and no Options are exercised prior to the Record Date). These funds will be put towards augmenting the Company's general working capital, as described below.

Proceeds of the Entitlement Offer will contribute towards further identifying and applying for advanced projects in France and initiating exploration work to discover economic deposits in that region. Specifically, proceeds of the Entitlement Offer will be used to:

- Drill the Porte-aux-Moines zinc-lead-copper-silver-gold VMS deposit within the Merléac project, notably the thick and high grade lens of the Main Zone and possibly the shallow sections of the deposit.
- Drill the Ville Tirard and Belleville gold prospects within the St Pierre Gold Project.
- Continue the exploration and evaluation of the numerous VMS targets hosted within the Le Roz and PAM-Gausson trends at Merléac in preparation for drill testing.
- Continue soil sampling over key prospects at the St Pierre Gold Project to define further drill targets.
- Continue its evaluation and exploration work over its other licences, notably towards a drill programme at the Beaulieu Tin Project.
- Progress the two current PER applications to successful grant.
- Continue project generation activities in France.
- General working capital to be used in Variscan's exploration business.

The proceeds of the Entitlement Offer are planned to be used as follows (assuming full subscription in respect of the Entitlement Offer and no Options are exercised prior to the Record Date):

<b>Use of Funds<sup>+</sup></b>	<b>Full Subscriptions</b>	<b>Percentage of funds raised</b>
Ongoing exploration operations	\$850,000	54%
Search for new projects	\$83,867	6%
Working capital	\$420,000	27%
Expenses of the Entitlement Offer*	\$200,000	13%
<b>Net Proceeds</b>	<b>\$1,553,867</b>	<b>100%</b>

<sup>+</sup> There is an additional \$1 million raised by the Company via a placement announced on 9 May 2016, not reflected in the table above that is planned to be used as follows:

Ongoing exploration operations	\$450,000
Working capital	\$470,000
Placement costs	\$80,000
<b>Net Proceeds</b>	<b>\$1,000,000</b>

\* Please refer to 8.14 for further details of the expenses of the Entitlement Offer.

The above tables are a statement of the Directors' current intention as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above tables may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Directors reserve the right to alter the way the funds are applied.

In the event that the Entitlement Offer is not fully subscribed, the Directors intend to scale back the use of funds detailed above.

## 5.5 Effect on Capital Structure

The following table shows the possible effects of the Entitlement Offer on the capital structure of the Company under a number of different scenarios.

	Before Entitlement Offer	After Entitlement Offer		
		Confirmed Commitment Amount	50% of non-Director Entitlements	All Entitlements
New Shares	-	30,750,570	58,119,019	86,325,973
Existing Shares	431,629,863	431,629,863	431,629,863	431,629,863
Existing Listed Options	130,655,138	130,655,138	130,655,138	130,655,138
Existing Unlisted Options	57,447,830	57,447,830	57,447,830	57,447,830
<b>Total Shares</b>	431,629,863	462,380,433	489,748,882	517,995,853
<b>Total Options</b>	188,102,968	188,102,968	188,102,968	188,102,968
Amount raised		\$553,510	\$1,046,142	\$1,553,867

In this table:

- (a) the 'After Entitlement Offer' columns refer to a situation in which:
- (i) for the 'Confirmed Commitment Amount' column – all the Directors holding Shares who are Eligible Shareholders subscribe for their full Entitlement and no other Eligible Shareholders subscribe for any of their Entitlement;
  - (ii) for the '50% of non-Director Entitlements' column – all the Directors holding Shares who are Eligible Shareholders subscribe for their full Entitlement, and 50% of all other Entitlements are subscribed for by remaining Eligible Shareholders;
  - (iii) for the 'All Entitlements' column – all Entitlements are fully subscribed by Eligible Shareholders; and
  - (iv) for all columns – no Options are exercised prior to the Record Date.
- (b) the 'Amount raised' row refers to the amount the Company's cash reserves would increase by as a result of the Entitlement Offer (after deducting the estimated expenses of the Entitlement Offer);
- (c) the 'Total Shares' row includes existing Shares and New Shares;
- (d) the 'Total Options' row includes existing Unlisted Options and Listed Options.

Details of Unlisted Options and Listed Options on issue are set out in Section 8.8.

## 5.6 Effect on Control

There are two Shareholders who hold a relevant interest in 5% or more of the Shares on issue at the date of this Prospectus. Set out below are their respective interests in the Company's issued Share capital:

- Mr Kwan Chee Seng currently holds 28.55% of the Company's issued Share capital. Mr Kwan is also a Director of the Company; and
- Acorn Capital Limited currently holds 7.55% of the Company's issued Share capital.

Mr Kwan has indicated in writing that he will take up his full Entitlement.

The relevant interest of Mr Kwan will vary depending upon the take-up of Entitlements by Eligible Shareholders and the subsequent placing of the Shortfall. If the Entitlement Offer is fully subscribed (including the sale of Entitlements of Ineligible Shareholders by the nominee approved by ASIC) there will be no change in Mr Kwan's relevant interest in the Company as a result of this Entitlement Offer. Set out below are examples of the effect that the Entitlement Offer could have on Mr Kwan's relevant interest in the Company.

### (a) Example 1

Where Mr Kwan takes up his full Entitlement and:

- (i) no other Shareholders take up their Entitlement;
- (ii) no Options are exercised before the Record Date; and
- (iii) no New Shares are issued under the Shortfall Offer,

Mr Kwan's shareholding in the Company has the potential to increase to 32.40% of the Company's issued Share capital.

### (b) Example 2

All Directors who currently hold Shares, other than Mr Jack Testard who is not an Eligible Shareholder, have expressed their intention to take up their full entitlement. Where all the Directors that are Eligible Shareholders take up their full Entitlement and:

- (i) no other Shareholders take up their Entitlement;
- (ii) no Options are exercised before the Record Date; and
- (iii) no other New Shares are issued under the Shortfall Offer,

Mr Kwan's shareholding in the Company has the potential to increase to approximately 31.98% of the Company's issued Share capital.

### (c) Example 3

The table below shows how Mr Kwan's relevant interest will be affected based on Eligible Shareholders taking up their Entitlement. The following assumptions are also made for the purposes of the table below:

- (i) no Options are exercised before the Record Date;
- (ii) no other New Shares are issued under the Shortfall Offer; and
- (iii) all eligible Directors take up their Entitlement.

<b>% of Eligible Shareholders who take up their full Entitlement (plus 100% of eligible Directors)</b>	<b>Mr Kwan's relevant interest</b>
25%	31.06%
50%	30.19%
75%	29.37%

## (d) Example 4

Where Mr Kwan takes up his full Entitlement and exercises the Options he holds in accordance with their terms and:

- (i) no other Shareholders take up their Entitlement;
- (ii) no other Options are exercised before or after Record Date;
- (iii) no other New Shares are issued under the Shortfall Offer; and
- (iv) no other Shares in the Company are issued,

Mr Kwan's shareholding in the Company has the potential to increase to approximately 43.23% of the Company's issued Share capital (assuming all necessary approvals have been obtained).

**5.7 Dilution effect**

The potential dilution effect of the Entitlement Offer on a Shareholder who does not subscribe for any New Shares under the offer (assuming the Entitlement Offer is fully issued) is 16.67%.

For instance:

- (a) if a Shareholder holds 100,000 Shares (representing 0.0232% shareholding) prior to the Entitlement Offer, however elects not to subscribe for any New Shares under the Entitlement Offer, then assuming all New Shares offered are fully issued, that shareholder would hold 0.0193% following the Entitlement Offer;
- (b) similarly, if a Shareholder holds 250,000 Shares (representing 0.0579% shareholding) prior to the Entitlement Offer, however elects not to subscribe for any New Shares under the Entitlement Offer, then assuming the New Shares offered are fully issued, that Shareholder would hold 0.0482% following the Entitlement Offer.

## SECTION 6. RISKS

The Entitlement Offer should be considered speculative because of the nature of, amongst other things, our business activities. Consequently, we strongly recommend that you consider the risk factors set out in this SECTION 6, together with information contained elsewhere in this Prospectus, and that you consult your stockbroker, solicitor, accountant or other professional adviser before deciding whether to take up your Entitlement.

We set out below a number of specific risks which relate directly to the Company, as well as certain industry and general risks, many of which are largely beyond the control of the Company or its Directors. We consider that the risks set out in this SECTION 6 may have a material impact on the financial performance of the Company and, specifically, the market price of the Shares.

The following is a summary of material risks. The list is not exhaustive and you should read it in conjunction with specific matters we have referred to in previous announcements and reports.

### 6.1 Risks Relating to New Shares

The Company is listed on the ASX. You should note that if the New Shares are granted Official Quotation, they will be listed securities for the purposes of the Listing Rules and Corporations Act. Consequently, share market conditions may affect the price of the New Shares regardless of operating performance. Specifically, local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally may affect the price of the New Shares.

### 6.2 Specific Risks

#### (a) French projects

In France Variscan's wholly owned French subsidiary, Variscan Mines SAS currently has six granted exclusive research permits (*permis exclusif de recherche* or **PER**). The Company currently has two other licenses within the approvals process, which are at an advanced stage in that process. The Tennie PER, granted to the Company in June 2013, is believed to be the first new mineral exploration licence granted in France for more than two decades.

Variscan has incorporated Variscan Mines SAS, established and equipped an office in Orleans, France, and employed a team of experienced French geologists to assist in the work.

The French authorities have to date been supportive of Variscan's exploration under the PERs, however the French minerals mining industry has not operated for a number of years. The current Mining Code was introduced in 2011 and is largely untested in relation to issues that may arise. This in itself poses risk due to the uncertainty of process or outcome in relation to government authorisation and community response.

Possible exploration risks with respect to the Company's French projects include:

- **Sovereign risks:** The sovereign risks of operating in France are moderate. There is a robust legal and governmental system and an apparent intention to encourage mining investment by the Ministry of the Industry since 2012. Risk may arise from the application of restrictive practices that inhibit viable exploration and mining activities of the Company.
- **Government and trade partner policy:** Changes in government, monetary policy, taxation and other laws both in relation to France and key European Union members or policies may have a significant effect on the outlook for the Company's French projects.

- **Renewal risks:** PER (exploration permits) are granted for a maximum period of five years. Two renewals are possible before the Company is required to again go through the full bidding process for the same permit. There is a risk that after five years the Company's PERs may not be renewed.
- **Relinquishment risks:** If a PER is renewed after five years, half the surface area defined in the PER must be relinquished. On the second renewal a quarter of the remaining surface area must be relinquished.
- **Financial and technical requirements:** Variscan Mines SAS is required to maintain its financial and technical capabilities in light of which the permit was granted. Variscan Mines SAS is required to inform the Minister in charge of mining if there is any significant change in its financial or technical capabilities which may result in the revocation of a PER, including changes to its (and therefore Variscan's) shareholding.
- **Third party guarantee:** A guarantee is required for holders of non-hydrocarbon mining titles and deposits. This must be issued by a third party financial institution and be enough to cover the cost of restoration of the land. If the government imposed guarantee requirements are excessive this may result in excessive cost or delay in sourcing a third party guarantor. This requirement has not been imposed on the PERs held by Variscan Mines SAS, however, if and when Variscan Mines SAS applies for a mining Concession in the future, a third party guarantee may be imposed.
- **Limits to transferring or assigning PER interests:** Transfers of PER interests are permitted in whole or part, but must be notified to the Minister in charge of mines, who may oppose the transfer within two months of notification. Assignment requires that the person obtaining the rights under the PER must fulfil all the conditions required to obtain a PER. The assignment application is filed with the Minister in charge of mining and if no response is received in 15 months the assignment is deemed rejected.
- **Works authorisations required:** PER grants are subject to local authority authorisation and further conditions may be imposed. This creates legal uncertainty for PER holders who must apply for authorisation for each exploration project they wish to carry out. Works authorisations may not be granted for up to three years after an application for a PER causing delays and uncertainty. To date, however, Variscan Mines SAS has received rapid approvals for all exploration programs at each of its granted PERs from local authorities.
- **Public consultation risk:** Exploitation of mining deposits requires a Concession which is granted by decree after a public consultation. If there is community dissent this could delay or limit access to mining Concessions.
- **Exploitation risks:** Application for a Concession, for a commercial mining operation, is restricted in scope to the deposits mentioned in the PER. Concessions can be limited in scope and duration and may contain general and specific conditions. The initial term of a Concession cannot exceed 50 years.
- **Exploitation renewal:** Renewals of mining concessions require a decree. They may be renewed several times for a period up to 25 years. Any renewal process carries a risk that the conditions of renewal will not be met and the permit will not be renewed which would adversely affect the Company.
- **Reliance on third party information:** The Company's PER documentation is partially reliant on records from the old mining area, former exploration conducted by the BRGM (the French government geological survey), and information from other sources such as universities. There is a risk where

using information obtained by third parties that it is not reliably or accurately obtained. Reliance on inaccurate information could have an adverse effect on the Company's operations and the trading price of Shares.

- **State-owned competition risk:** The French government has a state owned energy company, Areva which is currently involved in uranium mining. There was speculation regarding the establishment of a State-owned mining company that would prospect for resources such as gold, lithium and germanium, in France and overseas in 2012 that would use the traditional name of "*Compagnie nationale des mines de France*" (**CMF**). It was unclear whether CMF would apply for licences alone or create partnerships with other entities. The Company may be adversely affected should CMF become a competitor of the Company.
- **New laws proposed:** The current Mining Code is in the process of being redrafted. The new laws may be more environmentally protective and pose higher barriers to Concessions (to be called *permis d'exploitation*) and exploration permits (to be called *permis d'exploration*). It proposes numerous significant changes, including to the administration of work authorisations, to the role of public participation, to the bodies supervising and implementation mining regulation (a High Council for Mines and judicial clearance of the authorisations granted under the Mining Code), and in relation to environmental protection and liability. The scope and effect of this new regime may have a significant impact on the operations of the Company in France.
- **Liability:** Liability for any legal entity running a mining operation in France results from any damage caused by mining works. This is true regardless of whether the mining operation was conducted in a competent manner and regardless of any fault, as long as it is proven the damage is a direct consequence of the mining works. There is a presumption of liability against the operator or explorer. This liability is not limited by the physical boundaries of the permit, or its duration. Liability can include environmental damage, (including to water quality) or serious harm to human health. Draft legislation proposed in 2012 extended the scope of this liability to include indirect as well as direct damage. This legislation has not, and may not ever, come into force but has not been formally abandoned. There is an exception to liability available where the damage can be shown to have a 'foreign cause', however the scope of the Company's liability is extremely broad and enduring. This will be a significant ongoing risk for the Company, even after mining operations in the area have ceased.
- **Access to the land:** The PERs, Concessions and the prefectural permits to operate on land are granted without the consent of the landowner. A landowner may therefore try to prevent the Company from accessing the land despite being aware of the Company's rights to access and operate on that land under the license or permit. This can result in litigation and consequently result in cost and extended delays, which can adversely affect the expediency of the Company's operations and financial position.
- **Legal proceedings:** The PERs and Concessions may be subject to litigation from local individuals and organisations requesting to the administrative courts for cancellation of PERs granted by the French State. This can result consequently in costs and extended delays which can adversely affect the expediency of the Company's operations and financial position. There is one administrative action pending in relation to the Silfiac PER. For further details, please refer to section 4.1(c).

For more detailed information about the French projects see SECTION 3.

**(b) Material contracts**

The Company operates a number of joint venture operations in eastern Australia, including in relation to the following tenements:

- Exploration Licence 8078 – Yalcowinna
- Exploration Licence 6404 – Mundi Plains JV
- Exploration Licence 8075 – Wilyama
- Exploration Licence 6363 – Hillston
- Exploration Licences 7257 and 7469 – Woodlawn South (royalty interest only)
- Exploration Licence 4512 – Trundle (royalty interest only)
- Exploration Licences 7746 and 7931 – Achilles and Chiron
- Exploration Licence 4509 – Junction Dam
- Exploration Licence 5360 – Callabonna

The Company relies on its respective joint venture partners to comply with their obligations. In the event of a failure of, or breach of agreement by, a joint venture partner the Company's business activities and operating results may be adversely affected.

**(c) Exploration costs**

The exploration costs of the Company are premised upon a number of assumptions and estimates as regards the method and timing of exploration. These assumptions and estimates are, by their nature, speculative and subject to a number of uncertainties. Consequently, we do not give any assurance that the cost estimates and the underlying assumptions will be realised in practice, which may adversely affect the Company's viability.

**(d) Exploration success**

There is a significant risk that our proposed exploration programmes will not result in exploration success. Mineral exploration by its nature is a high risk endeavour. The Company's exploration programmes, or any other projects that we may acquire in the future, may not result in the discovery of a commercially viable economic mineral deposit. Our key management personnel and Directors will however make every effort to maximise the potential success of our exploration programmes.

The success of our exploration programmes is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable ore reserves;
- (ii) successful conclusions to bankable feasibility studies;
- (iii) access to adequate capital for project development;
- (iv) the design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (v) securing and maintaining title to tenements;

- (vi) obtaining consents and approvals necessary for the conduct of exploration and mining;
- (vii) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees;
- (viii) adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues; and
- (ix) other risk factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices may affect successful project development and mining operations.

(e) **Ability to exploit successful discoveries**

Even if an apparently viable deposit is identified, there is no guarantee that we can economically exploit it. That is, it may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which we have an interest because such exploitation may require further intensive capital input as well as further licences, mining concessions and clearances from relevant authorities. We note that it may or may not be possible for such conditions to be satisfied.

(f) **Compulsory work obligations**

Tenements in Australia in which the Company has an interest are subject to compulsory work or expenditure obligations for each permit year which must be met in order to keep the permit in good standing. The Company's financial performance may be adversely impacted if these compulsory work obligations are increased or varied.

Significantly, failure to meet compulsory obligations may lead to a forfeiture of the tenement.

Similarly, in France, a failure to comply with conditions of PERs, mining concessions or work authorisations may result in a forfeiture of the relevant mining interest (PER or Concession). These conditions can be varied and may be in addition to frequent reporting and administrative obligations.

(g) **Loss of key management personnel**

Our success largely depends upon key management personnel for the strategic management of the Company as well as upon other management and technical personnel for the daily operation of the Company. Consequently, there is a possibility that we will be adversely affected, particularly in respect of the rate at which our exploration programmes and tenements are developed or prioritised, if one or more of our key management personnel cease their employment.

(h) **Native title in Australia**

Any native title claims which wholly or partially cover the Company's tenements in Australia may impact upon the planning and implementation of our future exploration programmes. The potential also exists for further native title claims to be lodged over any existing or future tenement area. Native title claims have the potential to cause significant delays to exploration and, by extension, the profitability of the Company.

State legislation (*National Parks & Wildlife Act 1974* in New South Wales and the *Aboriginal Heritage Act 1988* in South Australia) protect Aboriginal places or objects and sites. The *Aboriginal and Torres Strait Islander Heritage Act 1984* (Cth) protects significant Aboriginal sites and heritage objects nationally.

The *Native Title Act 1993* (Cth) codifies and regulates the native title rights of traditional landowners with a maintained traditional connection to that land nationally. New South Wales and South Australia adopted this legislation by the *Native Title (New South Wales) Act 1994* and the *Native Title (South Australia) (Validation and Confirmation) Amendment Act 2000*.

Currently, Variscan is aware of the following native title claims in relation to its Australian tenements:

EL No.	Name	Other Party	National Native Title Tribunal No.
EL 6404	Mundi Plains	Joint venture with Teck Australia Pty Ltd	NC1997/032 Barkandji Traditional Owners #8 – not determined
EL 6363	Hillston	joint venture with Perilya Limited	NC1997/032 Barkandji Traditional Owners #8 – not determined
EL 7746	Achilles	Joint venture with Kidman Resources Limited	Ngemba, Ngiyampaa, Wangaaypuwan and Wayilwan native title determination application NC2012/001 – not determined
EL 7931	Chiron	Joint venture with Kidman Resources Limited	no native title claim
EL 4509	Junction Dam		SC2012/001 registered application – no determination
EL 5360	Callabonna	Joint venture with Red Metal Limited	SCD2014/003 Claim has been determined - no native title exists on the EL areas

However, these protections also extend to unregistered titles and sites. There is no way of quantifying the impact of native title matters if they arise and they may result in delays or difficulties in accessing land and obtaining necessary permits, compensation payable to native title rights holders, conditions imposed as a result of negotiations with or conditional consent from native title rights holders, or a limitation or cessation of mining activity in certain areas.

(i) **Aboriginal significant sites**

We are required by Commonwealth and State legislation to identify and protect sites of significance to Aboriginal custom and tradition.

It is possible that one or more sites of significance will exist in one or more of our prospective tenements. If any such sites are identified it may have the potential to halt exploration activities and impact upon the planning and implementation of future exploration programmes in circumstances where a declaration is made for the protection and preservation of the site or object. A halt to exploration activities on certain tenements may adversely affect the profitability of the Company.

(j) **Sites of significance in France**

Restrictions may be imposed by authorities on the Company's tenements in France where there is a possibility of the operation affecting an area of environmental, historical or community significance.

**(k) Financial risks**

We may have difficulty in obtaining future equity or debt funding to support exploration programmes, evaluation and development of our tenements.

Our ability to raise further equity or debt, or to divest part of our interest in a tenement, and the terms of such transactions will vary according to a number of factors, including the success of exploration results and the future development of the tenements, stock market conditions and prices for commodities.

Should it subsequently be established that a mining production operation is technically, environmentally and economically viable, we will require substantial additional financing to establish mining operations and production facilities. We may not be able to raise the additional finances that may be required for future activities. Commodity prices, environmental regulations, environmental rehabilitation or restitution obligations, revenues, taxes, transportation costs, capital expenditures, operating expenses and technical aspects are all factors which will impact on the amount of additional capital that may be required.

Additional financing may not be available on terms acceptable to us, or at all. Significantly, any additional equity financing or the exercising of Options, may dilute your existing shareholdings and debt financing, if available, may restrict financing and future activities. If we fail to obtain additional financing, as needed, we may have to reduce the scope of our operations or anticipated expansion, forfeit our interest in some or all of our tenements, incur financial penalties and/ or reduce or terminate our operations.

**(l) Litigation**

We may be exposed to potential legal and other claims or disputes in the future which could adversely affect the Company's financial performance through damages payments and harm to reputation. Importantly though, we are not presently involved in any litigation and are not aware of any legal proceedings pending or threatened against the Company, other than the action disclosed in section 4.1(c) of the prospectus.

**(m) Insurance risks**

Insurance against all risks associated with mining exploration and production is not always available and, where available, the costs can be prohibitive. We have insured our operations in accordance with industry practice. However, in certain circumstances, our insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a materially adverse effect on our business, financial condition and results.

**6.3 Industry Risks****(a) Environmental**

Mining and exploration has become subject to increasing environmental responsibility and liability in Australia and is largely untested on this scale in France. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. Exploration work will be carried out in a way that causes a minimum impact on the environment. Consistent with this, we may be required, in some cases, to undertake baseline environmental studies prior to certain exploration or mining activities, so that the environmental impact can be monitored and, as far as possible, minimised.

While we are not presently aware of any endangered species of fauna and flora within any of our tenements, no baseline environmental studies have been undertaken to

date, and discovery of such could prevent further work in certain areas. The discovery of any endangered species of fauna and flora may impact upon our ability to freely explore our tenements.

(b) **Commodity prices**

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which the Company has an interest. Specifically, changes in the price of tin, tungsten, copper, lead, zinc, gold and silver as well as changes in the Australian dollar, the European dollar (Euro) or other currencies relevant to our operation or trade may have an effect on the Company.

(c) **Competition risk**

The industry in which we are involved is subject to domestic and global competition. Although we will undertake all reasonable due diligence in our business decisions and operations, we will have no influence or control over the activities or actions of our competitors, which activities or actions may positively or negatively affect the operating and financial performance of our business.

(d) **Access to Land**

These issues as they apply specifically to France are addressed in Section 6.2(a). There are risks associated with landowner rights, including Native Title and significant Aboriginal sites in Australia (addressed in Sections 6.2(h) and 6.2(i)), which can prevent access, exploration and mining operations on a site. Any disruption to access, exploration and operations are likely to have an adverse effect on the operating and financial performance of the business.

## 6.4 General Risks

(a) **Share market and commodity price volatility**

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) movements in, or outlook on, interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity prices;
- (v) changes in investor sentiment towards particular market sectors; and
- (vi) the demand for, and supply of, capital.

Such factors may impact the price of the Shares currently on issue as well as the New Shares if granted Official Quotation.

(b) **Economic factors**

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. Our future possible revenues and Share price can be affected by these factors, which are beyond the control of the Company and its Directors.

(c) **Government**

Changes in government, monetary policies, taxation, regulation and other laws can have a significant influence on the outlook for companies and the returns to investors. These factors are beyond the control of the Company and its Directors.

(d) **Taxation**

The acquisition and disposal of Shares may have tax consequences which are contingent upon the circumstances of individual Shareholders. To the maximum extent permitted by law, the Company, its officers and our advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for the New Shares.

## **6.5 Speculative Investment**

The above list of risk factors should not to be taken as an exhaustive list of the risks faced by us or you as an investor in the Company. The above factors, and others not specifically referred to above, may materially affect the Company's future financial performance and the value of the New Shares. Therefore, the New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

You should consider an investment in the Company as speculative and should consult your professional advisers before deciding whether to apply for the Entitlement.

## **SECTION 7. RIGHTS ATTACHING TO SHARES**

### **7.1 Rights Attaching to New Shares**

New Shares will rank equally with the existing Shares.

The rights and liabilities attaching to Shares are set out in the Constitution and are regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and general law. A copy of the Constitution is available for inspection at our registered office during normal business hours.

The following is a summary of the rights and liabilities attaching to Shares:

#### **(a) General meetings**

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

The Directors may convene a general meeting whenever they think fit. The Constitution does not permit Shareholders to call a general meeting, although Shareholders may call a general meeting in accordance with the provisions of the Corporations Act.

A notice of general meeting must be given in accordance with the Corporations Act and must specify the place, date and time of the meeting, the general nature of the business to be transacted at the meeting, information regarding a Shareholder's right to appoint a proxy, and if a special resolution is to be proposed at the meeting, set out an intention to propose the special resolution and the text of the special resolution.

The quorum for a meeting of the Shareholders is three Shareholders and the quorum must be present at all times during the meeting.

#### **(b) Voting**

Subject to any rights or restrictions for the time being attached to any class of Shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting every Shareholder present in person or by a representative has one vote on a show of hands and every Shareholder present in person or by a representative, proxy or attorney has one vote per Share on a poll. A Shareholder holding a partly paid Share is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the Share. A Shareholder is not entitled to vote unless all calls and other sums presently payable by the Shareholder in respect of Shares have been paid. Where there are two or more joint Shareholders and more than one of them is present at a meeting and tenders a vote in respect of the Share (whether in person or by proxy or attorney), the Company will count only the vote cast by the Shareholder whose name appears before the other(s) in the Company's register.

#### **(c) Issues of further Shares**

Subject to the Corporations Act and Listing Rules, and without prejudice to any special rights attached to shares in a special class of shares, the Directors may at any time, on behalf of the Company, issue Shares to any person on the terms and with the rights that the Directors decide.

(d) **Variation of rights**

At present, the Shares are the only class of shares on issue in the capital of the Company. The rights attached to the shares in any class may be altered only by special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

(e) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and the Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act.

The Company must not prevent, delay or in any way interfere with the registration of a proper transfer under the ASX Settlement Operating Rules. However, the Company may decline to register a transfer of Shares in the circumstances described in the Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of Shares when required by law, the Listing Rules or the ASX Settlement Operating Rules.

(f) **Partly paid Shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and the Listing Rules, issue partly paid Shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

(g) **Dividends**

The Company in general meeting may declare a dividend if the Directors have recommended a dividend and a dividend shall not exceed the amount recommended by the Directors. The Directors may declare and authorise the payment to the Shareholders of such interim dividends as appear to the Directors to be justified by the Company's profits. Significantly, though, except as permitted by the Corporations Act, no dividend is payable to any member otherwise than out of the profits of the Company.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends are apportioned and paid proportionately to the amounts paid or credited as paid-up on the shares.

(h) **Winding up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

(i) **Dividend reinvestment plans**

The Shareholders, in general meeting, or the Directors may establish a plan under which (among other things) a Shareholder may elect to reinvest dividends payable to them by way of subscription for Shares.

## SECTION 8. ADDITIONAL INFORMATION

### 8.1 Material Contracts

The Company has not entered into any material contracts prior to the date of this Prospectus other than those previously announced to the ASX except for:

- (a) As described above under 6.2(b).
- (b) A contract with Patersons Securities Limited ACN 008 896 311 to act as nominee for Ineligible Shareholders in accordance with section 615 of the Corporations Act and Listing Rule 7.7.
- (c) The Underwriting Agreement, details of which are set out in Section 8.2 below.

### 8.2 Underwriting arrangements

Pursuant to the Underwriting Agreement, the Underwriter has been appointed to exclusively manage the Entitlement Offer and has agreed to underwrite the Entitlement Offer up to an amount of \$496,647 (representing 27,591,489 New Shares) (**Underwritten Amount**). Proceeds received in connection with the exercise by Mr Kwan Chee Seng and Dr Foo Fatt Kah of their respective Entitlements will be excluded from the calculation of the Underwritten Amount.

The Underwriter may procure any person to sub-underwrite such portion of the New Shares as the Underwriter in its absolute discretion thinks fit. Any sub-underwriting fees will be paid by the Underwriter out of the fees described below.

The company has agreed to pay the Underwriter on completion of the Entitlement Offer:

- a management fee of 1.0% of the total gross amount raised in relation to the Entitlement Offer;
- an underwriting/selling fee of 5% of the total gross amount raised in relation to the Entitlement Offer, which amount shall not include any proceeds received in connection with the exercise by Mr Kwan Chee Seng and Dr Foo Fatt Kah of their respective Entitlements; and
- a Lead Manager fee of \$60,000 (of which the Company has allocated \$36,000 to the Entitlement Offer, with the balance being pro-rated to the Placement).

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this nature.

The Underwriter may terminate the Underwriting Agreement on the occurrence of certain events, including (but not limited to):

- (a) (Indices fall): any of the All Ordinaries Index or the S&P/ASX Small Resources Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Agreement;
- (b) (Share Price): the Shares of the Company that trade on the ASX under the ASX code of "VAR" close at a price that is less than \$0.018;
- (c) (No Official Quotation): Official Quotation has not been granted for all New Shares by the Shortfall Notice Deadline Date (as defined) or, having been granted, is subsequently withdrawn, withheld or qualified;

- (d) (Non compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information required by section 713 (or sections 710, 711 and 716) of the Corporations Act;
- (e) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 (or sections 710, 711 and 716) of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (f) (Restriction on allotment): the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (g) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (h) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (i) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (j) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (k) (Hostilities): there is an outbreak of material hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Japan, the United Kingdom, the United States of America, the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (l) (Termination Events): any of the following events occurs:
  - (i) (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) (Contravention of constitution or Act): a contravention by the Company or any subsidiary of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) (Adverse change): an event occurs which gives rise to a Material Adverse Effect (as defined) or any adverse change or any development including a

prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any subsidiary including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (v) (Error in Due Diligence Results): it transpires that any of the Due Diligence Results (as defined) or any part of the Verification Material (as defined) was false, misleading or deceptive in any material respect or that there was a material omission from them;
- (vi) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (vii) (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Entitlement Offer, the Issue (as defined) or the Prospectus;
- (viii) (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue (as define) or the affairs of the Company or any subsidiary is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) (Official Quotation qualified): the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation" in the Underwriting Agreement;
- (x) (Change in Act or policy): there is introduced into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) (Prescribed Occurrence): a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs;
- (xii) (Suspension of debt payments): the Company suspends payment of its debts generally;
- (xiii) (Event of Insolvency): an Event of Insolvency(as defined) occurs in respect of the Company or any subsidiary;
- (xiv) (Judgment against a Relevant Company): a judgment in an amount exceeding \$25,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 7 days;
- (xv) (Litigation): material litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any subsidiary, other than any claims foreshadowed in the Prospectus;
- (xvi) (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Entitlement Offer without the prior written consent of the Underwriter;
- (xvii) (Change in shareholdings): there is a material change in the major or controlling shareholdings of Company or any subsidiary or a takeover offer or

scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any subsidiary;

- (xviii) (Timetable): there is a delay in any specified date in the timetable in connection with the Entitlement Offer which is greater than 3 Business Days, without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed);
- (xix) (Force Majeure): a Force Majeure (as defined) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) (Certain resolutions passed): the Company or any subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) (Capital Structure): the Company or any subsidiary alters its capital structure in any manner not contemplated by the Prospectus;
- (xxii) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any subsidiary;
- (xxiii) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America, the European Union or other international financial markets; or
- (xxiv) (Suspension): the Company is removed from the Official List or the Shares become suspended from Official Quotation and that suspension is not lifted within 24 hours following such suspension.

### 8.3 Litigation

Other than the action referred to in section 4.1(c)), as at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any other legal proceedings pending or threatened against the Company or themselves.

### 8.4 Share Trading History

The highest and lowest recorded closing market sale prices of the Shares quoted on the ASX during the three month period immediately prior to the date of this Prospectus and the last closing market sale price of the Shares on the ASX on 12 May 2016 prior to the date of the announcement of the Entitlement Offer is set out below.

	Date	Price
Highest	18 March 2016	\$0.033
Lowest	2 March 2016	\$0.019
Last day of trading	12 May 2016	\$0.021

## 8.5 Board and Management

As noted in SECTION 1, the Board consists of:

(a) **Patrick Elliott, BCom, MBA - CPA Chairman**

Patrick was appointed a Director of the Company on 22 December 2008 and is a company director specialising in the resources sector with over 40 years' experience in investment and corporate management. His early career was at Consolidated Gold Fields Australia Limited and covered investment analysis and management, minerals marketing (copper, tin, rutile and zircon). In 1979 he went into investment banking and became Head of Corporate Finance for Morgan Grenfell Australia Limited in 1982. Patrick subsequently became Managing Director of Natcorp Investments Ltd in 1986 which owned a number of manufacturing businesses. After its takeover he became an active early stage venture capital investor with an emphasis on resources.

Patrick is Chairman of Argonaut Resources NL and Chairman of Cap-XX Limited (Australian company listed on AIM). He is also a director of a number of privately owned companies.

(b) **Gregory Jones, BSc (Hons 1), MAusIMM, MAIG - Managing Director**

Greg was appointed Chief Executive Officer of the Company on 1 January 2009 and Managing Director from 20 April 2009. He is a geologist with over 35 years of exploration and operational experience gained in a broad range of metalliferous commodities both within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Limited and his experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

Greg was awarded the Institute Medal for academic excellence whilst at university and is credited with several economic discoveries including the Blair nickel and the Orion gold deposits in Western Australia.

(c) **Jack Testard - Executive Director**

Jack was appointed a Director of the Company on 14 May 2014. Jack is a French geologist with over 40 years of experience in Europe, Africa, CIS countries, Turkey, Saudi Arabia and Guyana. Jack was formerly Head of the Minerals Resources Division of the BRGM (Bureau de Recherches Géologiques et Minières - the French Geological Survey), President of GIP GEODERIS and Manager of the Ovacik gold mine in Turkey under Normandy La Source. Dr Testard is President of Variscan Mines SAS, the wholly owned French subsidiary of Variscan Mines Limited, based out of Orleans, France.

Jack is currently President of the French Chamber of Mines, Treasurer of the Federation of Minerals and Non Ferrous Metals (FEDEM) and a Director of the Société de l'Industrie Minérale (SIM).

(d) **Kwan Chee Seng - Non-Executive Director**

Chee Seng was appointed a Director of the Company on 17 February 2009. Chee Seng has investments in the renewable sustainable energy, base metal resources and the biotechnology businesses. He has extensive experience in senior management and in business.

In March 2009, Chee Seng launched his fund management business with the incorporation of Luminor Capital Pte Ltd and Luminor Pacific Fund 1 Ltd (**Fund 1**). Recently he has launched Luminor Pacific Fund 2 Ltd (**Fund 2**). The Fund 1 and

Fund 2 have been approved by the Economic Development Board of Singapore under the Global Investor Program.

In December 2012, Chee Seng acquired a major shareholder stake in Singapore listed GRP Limited, and in March 2013 he was appointed Executive Director of GRP. He has previously served as Non-Executive Director of Singapore listed companies Van der Horst Energy Limited (from March 2008 to November 2011) and Viking Offshore and Marine Ltd (from mid-2009 to end 2010).

(e) **Dr Foo Fatt Kah, MB, BCh, BAO, MBA - Non-Executive Director**

Dr Foo was appointed a Director of the Company on 7 October 2009. Dr Foo has over 20 years' experience in the investment banking, fund management and advisory businesses spanning Europe and Asia. He was previously Head of Asian Equities for SG Securities Asia (the Asian Investment Banking business for Societe Generale) covering 10 Asian countries ex-Japan. Since 2004 Dr Foo has been active as an investor and advisor, overseeing investments in Resources, Energy and Healthcare.

Dr Foo is qualified in Medicine (MB, B Ch, BAO) and Business Administration (M.B.A.) from the Queen's University, United Kingdom, with further continuing education qualifications from Insead on Economic Value Added (EVA) and International Project Management. He has experience with listed companies in Singapore, being previously Executive Director of CyberVillage Holdings Ltd and currently Lead Independent Director of PEC Ltd.

(f) **Michael Moore, BEng (Hons), MAusIMM, MAICD - Non-Executive Director**

Michael is a mining engineer from the Camborne School of Mines with over 15 years operational and executive management experience across a diverse range of commodities in Australia, West Africa and France. He has previously held senior and executive management roles with a number of companies including Rock Australia Mining & Civil Pty Ltd, Carnegie PLC and, more recently, with ASX listed Montezuma Mining Company Ltd where he was CEO. Michael's experience includes mine feasibility studies and mine operations, important in supporting Variscan's strategy to successfully advance its French projects towards production.

Michael has previously been a director of Carnegie Minerals Gambia Ltd and Cordier Mines SAS (France).

Michael was appointed as a Non-Executive Director on 4 August 2015.

(g) **Ivo Polovineo, FIPA - Company Secretary**

Ivo Polovineo was appointed Company Secretary of the Company on 31 December 2010. Ivo has over 30 years' experience in corporate accounting, finance and company secretarial work for a diverse range of companies. He has spent the past 20 years in senior management roles in the resources sector including seven years as Company Secretary (and five years as CFO) of Sino Gold Mining Limited (a former ASX 100 company) until December 2009. Ivo is currently also Company Secretary of Thomson Resources Ltd, Silver City Minerals Ltd, Lynas Corporation Ltd and KBL Mining Limited.

## 8.6 Interests of Directors

Except as disclosed below or elsewhere in this Prospectus, no Director has, or had, within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or with the Entitlement Offer; or

(c) the Entitlement Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

(d) to induce him or her to become, or to qualify him or her as, a Director; or

(e) for services rendered by him or her in connection with the formation or promotion of the Company or the Entitlement Offer.

The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are:

Director	Shares		Options		Remuneration <sup>1</sup>
	Direct	Indirect	Direct	Indirect	
P Elliott	-	6,138,155	2,000,000	3,136,460	\$50,000
G Jones	-	7,794,360	-	10,139,999	\$281,284
J Testard	200,000	-	3,400,000	-	\$90,671
CS Kwan	-	123,211,244	2,500,000	70,035,368	\$36,000
FK Foo	3,273,666	13,335,427	3,870,666	7,247,682	\$36,000
M Moore	-	-	-	1,000,000	\$36,000

**Notes:**

- Contracted annual Directors' remuneration for the financial year ended 30 June 2015, except for Michael Moore, who was appointed after 30 June 2015.

Each Director who holds Shares and who is an Eligible Shareholder may, at their discretion, take up their Entitlement. Each Director holding Shares that is an Eligible Shareholder has indicated that it is their present intention to subscribe for their full Entitlement. However, Jack Testard will not be participating as he is not an Eligible Shareholder.

## 8.7 Interests of Experts and Advisers

Except as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds at the date of this Prospectus, or has held at any time during the last two years prior to the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or with the Entitlement Offer; or
- the Entitlement Offer,

nor has anyone paid, or agreed to pay, any amount or given, or agreed to give, any benefit to any such person in connection with the promotion or formation of the Company or with the Entitlement Offer.

Gadens has acted as solicitors to the Company providing general advice to the Company and assisting in the preparation of this Prospectus. The Company estimates it will pay Gadens a fee of \$44,000 for these services. During the two year period preceding the lodgement of this Prospectus with ASIC, the Company has paid Gadens \$52,650 for the provision of legal services.

## 8.8 Listed Options and Unlisted Options

### (a) Unlisted Options

As at the date of this Prospectus, the Company has 57,447,830 Unlisted Options outstanding, consisting of:

No. shares under option	Exercise price of Option	Expiry date of Options
15,650,000	\$0.07	4 Dec 2017
8,700,000	\$0.05	3 Dec 2018
3,750,000	\$0.05	3 Dec 2018
29,347,830	\$0.05	29 Jan 2018
<b>57,447,830</b>		

### (b) Listed Options

As at the date of this Prospectus, the Company has 130,655,138 Listed Options outstanding, consisting of:

No. shares under option	Exercise price of Option	Expiry date of Options
130,655,138	\$0.015	4 May 2017

## 8.9 Consents

Each of the parties referred to below:

- (a) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties (unless expressly stated to the contrary in this Section 8.9);
- (b) has had no involvement in the preparation of this Prospectus (unless expressly stated to the contrary in this Section 8.9);
- (c) has not authorised or caused the issue of this Prospectus; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 8.9.

Gadens has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus as the legal advisers to the Company in the form and context in which it is named.

Boardroom Pty Limited ACN 003 209 836 has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named.

HLB Mann Judd has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus as auditor in the form and context in which it is named.

Patersons Securities Limited ACN 008 896 311 has given, and at the date hereof has not withdrawn, its written consent to be named in this Prospectus in the form and context in which it is named.

Copies of the consents referred to above are available for inspection, without charge, at the registered office of the Company during office hours.

There are other persons referred to in this Prospectus who have not made statements included in this Prospectus (including by incorporation by reference). There are no statements made in this Prospectus on the basis of any statements made by these persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

#### **8.10 Nature of this Prospectus**

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and the information reasonably necessary to make an informed assessment of:

- (a) the effect of the Entitlement Offer on the Company; and
- (b) the rights and liabilities attaching to the New Shares.

You must read the Prospectus in conjunction with the publicly available information in relation to the Company which has been notified to the ASX. This Prospectus does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. You should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company.

#### **8.11 Continuous Disclosure and Documents Available for Inspection**

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act. As such we are subject to regular reporting and disclosure obligations which require us to disclose to the ASX any information which we are aware of, or become aware of, concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at the ASX during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, an ASIC office.

The New Shares are shares that are in the same class as the Shares of the Company that are and have been quoted on the ASX at all times in the three months before the date of this Prospectus.

We will provide a copy of each of the following documents, free of charge, to any person who asks for it, during the application period for this Prospectus:

- (a) the Company's annual financial report for the financial year ended 30 June 2015 (being the last annual financial report lodged with ASIC in relation to the Company before the issue of this Prospectus);
- (b) the Company's half-year results for the period ending 31 December 2015; and
- (c) all continuous disclosure notices given by the Company after the lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Prospectus with ASIC being:

<b>Date</b>	<b>Description</b>
11/05/2016	Appendix 3B
09/05/2016	\$2.5 million capital raising to commence drilling
05/05/2016	Trading Halt
02/05/2016	Drilling To Test Gold Targets With Up To 21.5g/t Au
29/04/2016	Quarterly Cashflow Report
29/04/2016	Quarterly Activities Report
28/04/2016	Highly Elevated Surface Assays From Merleac Zinc Project
26/04/2016	Porte-Au-Moines Zinc Deposit Update
14/03/2016	Half Year Financial Report
09/02/2016	Letter to Shareholders
02/02/2016	Change of Director's Interest Notice
29/01/2016	Appendix 3B - Unlisted options
29/01/2016	Results of General Meeting
27/01/2016	Quarterly Cashflow Report
27/01/2016	Quarterly Activities Report
15/01/2016	s708 Notice and Appendix 3B
30/12/2015	Change of Directors' Interest Notices
30/12/2015	Completion of SPP and Appendix 3B
23/12/2015	Notice of General Meeting/Proxy Form
15/12/2015	Change in substantial holding for TMZ
14/12/2015	High Grade Zinc Results at Porte-Aux-Moines
11/12/2015	Becoming a substantial holder
03/12/2015	Change of Directors' Interest Notices
03/12/2015	Appendix 3B - Unlisted Options
03/12/2015	Change in substantial holding
02/12/2015	Share Purchase Plan Offer Documents
01/12/2015	Issue of Placement Shares and Appendix 3B

27/11/2015	Share Purchase Plan Update
26/11/2015	Expiry of Unlisted Options
25/11/2015	Results of AGM
25/11/2015	Managing Director's Presentation to AGM
25/11/2015	Chairman's Address to AGM
25/11/2015	Variscan Raises \$1.35 million in Placement and Launches SPP
23/11/2015	Trading Halt
10/11/2015	Variscan Presentation at IMARC
02/11/2015	Expiry of Unlisted Options
30/10/2015	Quarterly Cashflow Report
30/10/2015	Quarterly Activities Report
26/10/2015	Notice of Annual General Meeting/Proxy Form
20/10/2015	Appendix 4G and Corporate Governance Statement
20/10/2015	Annual Report to shareholders
16/10/2015	Variscan secures two new Exploration Licences
30/09/2015	Full Year Statutory Accounts

If you require any further information in relation to the Company, it is recommended that you take advantage of the ability to inspect or obtain copies of disclosures made by the Company as referred to above.

### 8.12 Corporate Governance

The Board is responsible for the corporate governance of the Company and strives for high standards in this regard. The Board draws on relevant best practice principles, particularly those issued by the ASX Corporate Governance Council, to monitor the business and affairs of the Company on your behalf. Whilst the Board attempts to adhere to the principles proposed by the ASX, it is mindful that there may be some instances where compliance is not practicable for a company of our size.

### 8.13 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please contact us and we will send you either a hard copy or a further electronic copy of the Prospectus free of charge.

We reserve the right not to accept an Entitlement and Acceptance Form from any Shareholder if we have reason to believe that when that Shareholder accessed the electronic version of the Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

**8.14 Expenses of the Entitlement Offer**

The estimated expenses connected with the Entitlement Offer, which are payable by the Company, are as follows:

ASIC lodgement fee	\$2,552
ASX fees	\$6,916
Gadens fees	\$44,000
Share Registrar	\$18,733
Underwriter fees	\$114,471
Nominee fees	\$1,100
Marketing	\$11,000
<b>Total</b>	<b>\$198,772</b>

**SECTION 9. DIRECTORS' CONSENTS**

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent prior to lodgement of this Prospectus.

Dated 13 May 2016

**Greg Jones**  
Managing Director  
Variscan Mines Limited

**SECTION 10. DEFINITIONS**

**A\$** or **\$** means an Australian dollar unless otherwise stated.

**AEST** means Australian Eastern Standard Time.

**Application Money** means money received from Shareholders in respect of the Entitlement Offer.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Settlement** means ASX Settlement Pty Limited.

**ASX Settlement Operating Rules** means the settlement rules of ASX Settlement.

**Board** means the board of Directors as constituted from time to time, unless the context indicates otherwise.

**BRGM** means the Bureau de Recherches Géologiques et Minières, being a public industrial and commercial institution conducting geological surveys and reporting to various French government ministries.

**CHESS** means ASX Clearing House Electronic Subregister System.

**Closing Date** means 10 June 2016.

**Company** or **Variscan** means Variscan Mines Limited ACN 003 254 395.

**Concession** means a French mining exploitation licence granted by decree issued by the Council of State.

**Confirmed Commitment Amount** means the subscription for securities expected under the Entitlement Offer by Eligible Shareholders described in Section 5.5(a)(i), being full subscription of all Entitlements by the Directors who are Eligible Shareholders only, and no subscription of Entitlements by any other Eligible Shareholder. There is no formal minimum subscription for the Entitlement Offer.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** mean the directors of the Company in office at the date of this Prospectus.

**EL** means exploration licence.

**Eligible Shareholder** means a Shareholder on the register of members of the Company on the Record Date and who is not an Ineligible Shareholder.

**Entitlement** means the entitlement of an Eligible Shareholder to subscribe for one New Share for every five Shares held by Eligible Shareholders on the Record Date.

**Entitlement Offer** means the offer made under this Prospectus in respect of a pro-rata issue of Shares at an offer price of \$0.018 per New Share on the basis of one New Share for every five Shares held by Eligible Shareholders on the Record Date.

**Entitlement and Acceptance Form** means the Entitlement and acceptance form either attached to or accompanying this Prospectus.

**GST** means any tax, levy, charge or impost implemented or administered under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (**Act**) or an act of the Parliament of the Commonwealth of Australia substantially in the form of, or which has a similar effect to, the Act.

**Ineligible Shareholder** a person will be an Ineligible Shareholder if they are a Shareholder and have an address registered on the Company share register which is not in Australia, New Zealand or Singapore.

**Institutional Investor** means an institutional investor as defined in Section 4A of the SFA.

**JORC** means the Joint Ore Reserves Committee.

**Listed Options** means ASX listed Options.

**Listing Rules** means the official listing rules of the ASX.

**MAS** means Monetary Authority of Singapore.

**New Shares** means a Share offered for subscription on the basis of, and under the terms of, the Entitlement Offer.

**Official Quotation** means official quotation by the ASX in accordance with the Listing Rules.

**Option** means an option to purchase a Share at a given price within a specified time, and includes the Unlisted Options and the Listed Options.

**Optionholder** means a holder of an Unlisted Option, a Listed Option or a combination of Listed Options and Unlisted Options.

**PER** means an exploration permit in France, known as *permis exclusif de recherche*, described in SECTION 3.

**Placement** means the private placement completed by the Company on 9 May 2016, described in section 2.1.

**Prospectus** means the prospectus constituted by this document.

**Record Date** means 18 May 2016.

**Relevant Corporation** means a corporation referred to in Section 276(3) of the SFA.

**Relevant Trust** means a trust referred to in Section 276(4) of the SFA.

**Section** refers to a section in this Prospectus.

**SFA** means the Securities and Futures Act of Singapore.

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

**Shareholder** means a holder of a Share.

**Share Registry** means Boardroom Pty Ltd ACN 003 209 836.

**Shortfall** means those New Shares under the Entitlement Offer not applied for by Eligible Shareholders under their Entitlement by the Closing Date and offered under the Shortfall Offer.

**Shortfall Offer** means the offer described in Section 2.3 in respect of the Shortfall.

**Underwriter** means Patersons Securities Limited ACN 008 896 311 in their capacity as underwriter and lead manager to the Entitlement Offer.

**Underwriting Agreement** means the underwriting agreement between the Company and the Underwriter dated 12 May 2016.

**Unlisted Options** means the 57,447,830 unlisted Options on issue in the Company as at the date of this Prospectus.

**VMS** means volcanogenic massive sulphide.

**We, us** or **our** means Variscan Mines Limited ACN 003 254 395.

**You** or **your** means the Eligible Shareholder that is a recipient of this Prospectus.