



# **VARISCAN MINES LIMITED**

**ACN 003 254 395**

---

## **NOTICE OF ANNUAL GENERAL MEETING**

### **EXPLANATORY MEMORANDUM**

#### **PROXY FORM**

---

**Date of Meeting**

27 November 2014

**Time of Meeting**

3.30 pm (Sydney time)

**Place of Meeting**

BDO East Coast Partnership, Level 11, 1 Margaret Street, Sydney, NSW

This Notice of Meeting and Explanatory Memorandum should be read in their entirety. If you do not understand these documents or are in any doubt as to how to deal with them, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.



## NOTICE OF ANNUAL GENERAL MEETING

### **VARISCAN MINES LIMITED**

**ACN 003 254 395**

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting (AGM) of the members of Variscan Mines (the "Company") will be held at the, BDO East Coast Partnership, Level 11, 1 Margaret Street, Sydney NSW on Thursday 27 November 2014 commencing at 3.30 pm (Sydney time).

The business to be considered at the meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum, which contains information in relation to each of the Resolutions. A Proxy Form also accompanies this Notice of Meeting.

#### **ORDINARY BUSINESS**

##### **2014 Financial Statements**

To receive the Reports of the Directors and Auditors, and the Financial Report for the year ended 30 June 2014.

##### **Resolution 1 - Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report of the Company for the year ended 30 June 2014 be adopted."*

##### **Resolution 2 – Re-Election of Mr Patrick Elliott as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Patrick Elliott, having retired as a director of the Company pursuant to clause 71 of the Company's Constitution and, being eligible and having offered himself for re-election, be re-elected as a director of the Company."*

##### **Resolution 3 – Election of Dr Jack Testard as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Jack Testard, having retired as a director of the Company pursuant to clause 69 of the Company's Constitution and, being eligible, having offered himself for re-election, be elected as a director of the Company."*

##### **Resolution 4 – Grant of Options to Managing Director, Gregory Jones**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 4,000,000 options to Greg Jones (or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice."*

##### **Resolution 5 – Grant of Options to Executive Director, Jack Testard**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 2,000,000 options to Jack Testard (or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice."*



## NOTICE OF ANNUAL GENERAL MEETING

### **Resolution 6 – Grant of Options to Non-Executive Director, Patrick Elliott**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 1,000,000 options to Pat Elliott (or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.”*

### **Resolution 7 – Grant of Options to Non-Executive Director, Kwan Chee Seng**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 1,000,000 options to Kwan Chee Seng (or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.”*

### **Resolution 8 – Grant of Options to Non-Executive Director, Foo Fat Kah**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 1,000,000 options to Foo Fat Kah (or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.”*

### **Resolution 9 – Grant of Options to Non-Executive Director, Alan Breen**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval is given for the grant of 1,000,000 options to Alan Breen or his nominee) for nil consideration with an exercise price of 7 cents each, expiring 3 years after the date of issue and otherwise on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.”*

## **SPECIAL BUSINESS**

### **Resolution 10 – Issue of Shares up to an additional 10% of the Company’s Issued Capital**

To consider, and if thought fit, to pass the following as a **special resolution**:

*“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities up to an additional 10% of the issued capital of the Company (at the time of issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum which is attached to and forms part of this Notice.”*

## **BY ORDER OF THE BOARD**

**Ivo Polovineo**

Company Secretary Date: 29 September 2014



## NOTICE OF ANNUAL GENERAL MEETING

---

### IMPORTANT INFORMATION

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting, and should be read in conjunction with this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and the Explanatory Memorandum.

### Voting Exclusions

#### Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- (d) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

If a shareholder wishes to nominate the Chairman as their proxy for the purpose of Resolution 1 the shareholder can direct the Chairman to vote by marking one of the boxes for Resolution 1 on the Proxy Form. If a shareholder appoints the Chairman as proxy or the Chairman of the meeting is appointed as proxy by default but the shareholder does not mark a voting box for Resolution 1, the shareholder will be taken to have expressly authorised the Chairman of the meeting to exercise the proxy in respect of Resolution 1 even though the item is connected with the remuneration of Key Management Personnel.

The Chairman intends to vote all available proxies in favour of Resolution 1.

#### Resolution 4 to 9

The Company will disregard any votes in respect of each of these resolutions if they are cast by or on behalf of a person who is named in the relevant resolution or an associate of that named person as set out below:

- Resolution 4 – Gregory Jones
- Resolution 5 – Jack Testard
- Resolution 6 – Patrick Elliott
- Resolution 7 – Kwan Chee Seng
- Resolution 8 – Foo Fat Kah
- Resolution 9 – Alan Breen



## NOTICE OF ANNUAL GENERAL MEETING

---

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 10**

The Company will disregard any votes cast on Resolution 10 by:

- (a) A person who may participate in the proposed issue of shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of shares, if the resolution is passed; and
- (b) Any associate of those persons.

However, the Company need not disregard any vote by any such persons on Resolution 4 if:

- (d) It is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- (e) It is cast by the person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

### **Proxies**

- (a) Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative;
- (b) Each shareholder has a right to appoint one or two proxies;
- (c) A proxy need not be a shareholder of the Company;
- (d) If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution;
- (e) Where a shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise;
- (f) If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands;
- (g) A proxy must be signed by the Shareholder or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with the Company's Constitution and the Corporations Act.



## NOTICE OF ANNUAL GENERAL MEETING

---

- (h) To be effective, proxy forms must be received by the Company's share registry (Boardroom Pty Limited) no later than 48 hours before the commencement of the Annual General Meeting, that is no later than 3.30pm Sydney time on 25 November 2014. Any proxy form received after that time will not be valid for the scheduled meeting.

### **Hand Delivery**

Boardroom Pty Limited  
Level 7,  
207 Kent St  
SYDNEY NSW 2000

### **By Mail**

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

### **By Facsimile**

(02) 9290 9655

### **Record date**

The Company has determined, in accordance with regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth), that the holders of shares of the Company recorded in the Company's register as at 7pm (Sydney time) on 25 November 2014 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

### **Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.



## EXPLANATORY MEMORANDUM

This Explanatory Memorandum sets out information in connection with the business to be considered at the 2014 Variscan Mines Limited Annual General Meeting.

### ORDINARY BUSINESS

#### Financial Report

This item of business relates to the receipt and adoption of the Company's Financial Report for the year ended 30 June 2014. The 2014 Annual Report can be accessed on the Company's website at [www.variscan.com.au](http://www.variscan.com.au).

#### Resolution 1

##### Adoption of Remuneration Report

The Remuneration Report is a section of the Directors Report contained in the 2014 Annual Report. It is a requirement of the Corporations Act that the Report be provided to shareholders and voted upon by a vote which is advisory only and does not bind the Directors or the Company. However, if 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGM's, shareholders will be required to vote at the second of those AGM's on a resolution that another meeting be held within 90 days at which all of the Company's Directors who are subject to a re-election requirement must go up for re-election. At the 2013 AGM, 9.1% of votes were cast against approval of the Remuneration Report.

The Remuneration Report:

- explains the Board's policies relating to remuneration of directors, secretaries and executives of the Company;
- discusses the relationship between such policies and the Company's performance;
- provides details of any performance conditions attached to such remuneration; and
- sets out remuneration details for each director and certain named executives.

#### Resolution 2

##### Re-election of Director - Mr Patrick Elliott

Pursuant to clause 71 of the Constitution and Listing Rule 14.4, at each annual general meeting of the Company one third of all the Directors must retire from office and, being eligible, may be re-elected.

Accordingly, Mr Elliott retires from the Board and offers himself for re-election.

The Company provides the following information concerning Mr Breen:

##### Biographical details

Mr Elliott 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.

##### Details of relationships between Mr Elliott and the Company

Mr Elliott is the non-executive Chairman of the Company.

##### Details of relationships between Mr Elliott and the Directors of the Company

Not applicable.

##### Other directorships held

Mr Elliott is Chairman of Argonaut Resources NL and a director of Global Geoscience Limited and Cuesta Coal Limited.

##### The term of office already served by Mr Elliott

Mr Elliott was appointed a Director of the Company on 22 December 2008.

##### Directors' Recommendation

The Directors (other than Mr Elliott) do not have an interest in the outcome of Resolution 2 and recommend that all Shareholders vote in favour of Resolution 2.

#### Resolution 3

##### Election of Director – Dr Jack Testard

Pursuant to clause 69 of the Company's Constitution the directors may at any time appoint any person as a director. That person shall hold office until the end of the next following annual general meeting and shall be eligible for election at that meeting.

The Company provides the following information concerning Dr Testard:

##### Biographical details

Dr Testard was appointed as an Executive Director of the Company on 14 May 2014. He 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.

Dr Testard 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).

##### Details of relationships between the Candidate and the Company

Dr Testard is an executive Director of the Company



## EXPLANATORY MEMORANDUM

### **Details of relationships between the Candidate and Directors of the Company**

Not applicable

### **Other directorships held**

Nil

### **The term of office already served by Dr Testard**

Dr Testard joined the Board on 14 May 2014.

The Directors (other than Dr Testard) do not have an interest in the outcome of Resolution 3 and recommend that shareholders vote in favour of Resolution 3.

### **RESOLUTIONS 4 TO 9 – GRANT OF OPTIONS TO NON-EXECUTIVE DIRECTORS**

In accordance with Resolutions 4 to 9 the Company proposes to grant a total of 10,000,000 options to Directors as follows:

Gregory Jones	4,000,000
Jack Testard	2,000,000
Patrick Elliott	1,000,000
Kwan Chee Seng	1,000,000
Foo Fat Kah	1,000,000
Alan Breen	1,000,000

The options are proposed to be issued for nil consideration at an exercise of 7 cents each with an expiry date 3 years after the date of issue. Each option will entitle the optionholder to one ordinary fully paid share when exercised.

Further terms and conditions of the options are set out in the schedule to this Explanatory Memorandum.

The grant of options is designed to incentivise the Directors by participating in the future growth and prosperity of the Company through share ownership and in recognition of the contribution made to the Company by the Directors and their ongoing responsibility.

Shareholder approval of the grant of options is being sought for all purposes including for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

### **Shareholder Approval under Chapter 2E of the Corporations Act**

Resolutions 4 to 9 seek shareholder approval under Chapter 2E of the Corporations Act.

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless an exception applies or shareholder approval is obtained. The financial benefit must be given to the related party

within 15 months after shareholder approval is obtained.

Section 228 of the Corporations Act defines “related party” widely and includes a director of a public company and specified members of the director’s family. Section 229 of the Corporation Act also defines “financial benefit” widely and for the purpose of Resolutions 4 to 9 includes a public company granting options to a director.

### **Requirements under section 219 of the Corporations Act for the grant of Options to the Non-Executive Directors**

In accordance with section 219 of the Corporations Act, the following information is given to shareholders:

If Resolutions 4 to 9 are passed, they will permit the Company giving of a financial benefit to the following persons:

Gregory Jones  
Jack Testard  
Patrick Elliott  
Kwan Chee Seng  
Foo Fat Kah  
Alan Breen

All of whom, are Directors, and are related parties of the Company.

The nature of the financial benefit is the grant of the number of Options set out above for nil consideration, exercisable at 7 cents and an expiry date of 29 September 2017. The Options will vest immediately.

### **Other information**

If the Company’s Shares are trading on ASX at a higher price than the exercise price of the Options at the time of exercise, the effect will be to give an immediate financial benefit to the Directors at the time the Options are exercised.

The Directors do not make any recommendation on Resolutions 4 to 9 because of their personal interest in the subject matter of the Resolutions.

All other information reasonably required by members for the purposes of Chapter 2E of the Corporations Act is set out below.

### **Additional Information regarding Resolutions 4 to 9 for the purpose of Chapter 2E of the Corporations Act**

#### **Reasons for grant of Options under the Plan**

The Company has been fortunate to attract a highly regarded management team, and given the relatively small size of the Company it is important that the Company retain its key people and, in particular, its leadership.

Under the Company’s current circumstances, the Directors consider that the proposed grant of the Options is appropriate in order to retain those key



## EXPLANATORY MEMORANDUM

people, ensure that the remuneration being offered is competitive and to provide an incentive to the Directors to continue to play a key and integral role in the future benefit of the Company and therefore increased shareholder value.

The Directors note that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) provide that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interests with the interests of other security holders. While the Corporate Governance Principles and Recommendations suggest that non-executive directors should not generally receive options with performance hurdles attached or performance rights, it is noted that there are no such hurdles attached to the Options the subject of Resolutions 4 to 8.

### Dilution effect on existing members' interests

If all of the Options to be granted pursuant to Resolutions 4 to 9 are exercised, the effect will be to dilute the interests of existing shareholders. The table below sets out the impact on the number of Shares and Options on an undiluted and fully diluted basis:

	Number of Shares
Shares on issue at date of this notice	175,737,592
Add Options already on issue (upon exercise)	24,290,000
<b>Total potential issued capital</b>	<b>200,027,592</b>
Options to be granted to Directors	10,000,000
<b>Potential issued capital fully diluted</b>	<b>157,967,864</b>
Dilution effect	5.00%

If all the Options are exercised, a further 10,000,000 Shares will be on issue and \$700,000 (based on an exercise price of \$0.07 per Share) will be raised by the Company.

### Trading History

The market price of the Company's Shares during the period the Options are issued and unexercised may be one factor in determining whether or not the Directors will exercise the Options. The Company's Shares may be trading on the ASX at a price which is higher than the exercise price of the Options. In these circumstances, if the Directors then sell the Shares arising from the exercise of the Options, they would realise an immediate profit.

As at 29 September 2014, being the day before the date of this Notice of Meeting, the Company's closing share price was \$0.04. The highest, lowest and last recorded market price of the Company's shares quoted

on ASX during the 12 month period to 26 September 2014 (being the day immediately before the date of this Notice) were:

Lowest	\$0.03
Highest	\$0.055
Last	\$0.04

### Effect on Earnings

A-IFRS requires the Company to expense options granted to directors with the expense being transferred to an Options Expense Reserve. The amount to be expensed and transferred to the Options Expense Reserve in relation to Resolutions 4 to 9 is estimated at \$91,000 for the financial year ended 30 June 2015. This amount will be transferred from the Option Expense Reserve to Issued Capital on the exercise of the Options. If the Options lapse, the amount will remain as Options Expense Reserve.

### Valuation of Options

The Options to be granted have been valued using the Black, Scholes, Merton methodology with binomial variation, as recommended in the Accounting Standard AASB 2 "Share Based Payments".

The valuation methodology calculated the average value of the Options in relation to Resolutions 4 to 9 at \$0.0091 per option with a total value of \$91,000. This valuation assumes an exercise price of \$0.07. In calculating the Option valuation the following inputs were used in the Binomial methodology:

Exercise Price	\$0.07
Expected Life	3 years
Volatility	60.1620%
Risk free rate (3 year Government Bond Rate)	2.52%
Base share price	\$0.04

### Directors Remuneration and Equity holdings in the Company

In addition to the Options proposed to be granted, effective 1 July 2014, Mr Jones will receive \$280,642 per annum pursuant to his employment agreement with Company, Dr Testard will receive the equivalent of Euro 65,532 per annum pursuant to his employment agreement with Company, the Chairman (Mr Elliott) will receive Directors fees of \$50,000 per annum and Non-Executive Directors (Messrs Kwan, Foo and Breen,) will each receive \$40,000 per annum.

The Directors are entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.



## EXPLANATORY MEMORANDUM

The current Share and Option holdings of the Directors and their associates are as follows:

Director	Shares Directly and Indirectly Held	Options
G Jones	2,505,000	5,550,000
J Testard	200,000	1,500,000
P Elliott	2,352,345	1,600,000
CS Kwan	52,396,526	2,000,000
FK Foo	1,403,000	1,600,000
A Breen	-	-

### 1) Further Information

Apart from the information set out in this Explanatory Statement there is no other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interests to pass Resolutions 4 to 9.

#### **Information required by the ASX Listing Rules for Resolutions 4 to 9**

Listing Rule 10.11 requires shareholder approval for an issue of equity securities to a related party. Approval is therefore being sought for the proposed grant of Options to Directors.

Listing Rule 10.13 requires this Notice of Meeting to include the following specified information in relation to the Options to be granted to Directors:

- a) The maximum number of securities to be issued to the Directors is 6,000,000 Options. The allocation of the Options and valuations are as follows:

Director	Number of Options	Valuation of Options
G Jones	4,000,000	\$36,400
J Testard	2,000,000	\$18,200
P Elliott	1,000,000	\$9,100
CS Kwan	1,000,000	\$9,100
FK Foo	1,000,000	\$9,100
A Breen	1,000,000	\$9,100

- b) No funds will be raised by the grant of the options as they are being granted for no consideration.
- c) The Company intends to grant the Options to Directors as soon as practicable after the date of the Annual General Meeting but in any event, no later than one month after the date of the Meeting.

The non-participating directors in each of resolutions 4 to 9 recommend that shareholders vote in favour of resolutions 4 to 9 as the grant of options is designed to incentivise the Directors by participating in the future growth and prosperity of the Company through share ownership and in recognition of the contribution made to the Company by the Directors and their ongoing responsibility.

Where a director is participating in one of the resolutions 4 to 9 they do not make a recommendation in respect of that resolution due to their personal interest in the matter being considered.

### SPECIAL BUSINESS

#### **Resolution 10 - Issue of Shares up to an additional 10% of the Company's Issued Capital**

Listing Rule 7.1A enables an eligible entity to seek shareholder approval to issue Equity Securities up to 10% of its issued share capital over a 12-month period commencing from the Annual General Meeting where shareholder approval is received. The 10% issue capacity allowed under Listing Rule 7.1A ("7.1A 10% Capacity") is in addition to the Company's 15% annual placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 7.1A 10% Capacity.

The exact number of Equity Securities to be issued under the 7.1A 10% Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

#### **a) Listing Rule 7.1A**

##### Shareholder approval required

The ability to issue Equity Securities under Listing Rule 7.1A is subject to shareholder approval by way of special resolution at an Annual General Meeting.

##### Class of equity securities issued

Any Equity Securities issued under the 7.1A 10% Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one quoted classes of Equity Securities being fully paid ordinary Shares; and

##### Calculating 7.1A 10% Capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting may issue or agree to issue during the period of the approval a number of Equity Securities calculated in accordance with the following formula:

$$(AxD)-E$$



## EXPLANATORY MEMORANDUM

Where:

**A** is the number of Shares on issue 12 months before the date of issue or agreement:

- **Plus** the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- **Plus** the number of partly paid Shares that became fully paid in the 12 months;
- **Plus** the number of fully paid Shares issued in the 12 months with approval of holders of

Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

**Less** the number of fully paid Shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% issue capacity.*

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

### Effect of Listing Rule 7.1 with 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% issue capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 175,287,592 Shares and therefore will have a capacity to issue:

- (i) 26,293,138 Equity Securities under Listing Rule 7.1; and
- (ii) Subject to shareholder approval being sought under this Resolution 7, 17,528,759 Equity Securities under Listing Rule 7.1A

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

### Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class of Equity Securities were recorded immediately before:

- The date on which the price at which the Equity Securities are to be issued is agreed; or
- If the Equity Securities are not issued within 5 Trading Days of the date referred to above, the date on which the Equity Securities are issued.

### Approval Validity Period

Shareholder approval of the 7.1A 10% Capacity under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- The date that is 12 months after the date of the Annual General Meeting at which the approved is obtained; or
- The date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

### **b) Specific Information required by Listing Rule 7.3A**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trading in that class of Equity Securities were recorded immediately before:

- (i) The date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 7.1A 10% Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

- (i) The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The following table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary



## EXPLANATORY MEMORANDUM

securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- Two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and not under the 15% placement capacity under Listing Rule 7.1.
- The issue of Equity Securities under the 7.1A 10% Capacity consists only of Shares.
- The issue price is \$0.04 being the closing price of the Shares on ASX on 26 September 2014.
- The Company will only issue and allot the Equity Securities during 12-months following the approval of Resolution 4. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under
- Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

Variable 'A' in Listing Rule 7.1A2		Issue Price Assumptions		
		Less: 50% \$0.02	Base \$0.04	Plus: 100% \$0.8
<b>Current 175,737,592</b>	10% issue	17,573,759	17,573,759	17,573,759
	Funds raised	\$351,475	\$702,950	\$1,405,900
<b>Plus 50% 263,606,638</b>	10% issue	26,360,663	26,360,663	26,360,663
	Funds raised	\$527,213	\$1,054,426	\$2,108,853
<b>Plus 100% 351,475,184</b>	10% issue	35,147,518	35,147,518	35,147,518
	Funds raised	\$702,950	\$1,405,900	\$2,811,801

The table has been prepared on the following assumptions

- The Company issues the maximum number of Equity Securities available under the 7.1A 10% Capacity.
- No Options are exercised which have converted into Shares before the date of issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 7.1A 10% Capacity, based on that Shareholder's holding at the date of the Meeting.

The Company may seek to issue the Equity Securities for the following purposes:

- Non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- Cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any



## EXPLANATORY MEMORANDUM

proposed issue pursuant to the 7.1A 10% Capacity. The identity of the allottees of Equity

Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- The methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing securities holders can participate;
- The effect of the issue of the Equity Securities on the control of the Company;
- The financial situation and solvency of the Company; and
- Advice from corporate, financial and broking advisers (if applicable).

The allottees under the 7.1A 10% Capacity have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 7.1A 10% Capacity will be the vendors of the new resources assets of investments.

The company did not issue any Equity Securities in the 12 – months preceding the Annual General Meeting.

The Company previously obtained Shareholder approval under Listing Rule 7.1A on 28 November 2013.

A voting exclusion statement is included in this Notice of Meeting. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

### GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

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

**Board** means the board of Directors;

**Closely Related Party** of a member of the Key Management Personnel means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;

- c) a dependant of the member or of the member's spouse;
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- e) a company the member controls; or
- f) a person prescribed by the *Corporations Regulations 2001* (Cth);

**Company** means Variscan Mines Limited ACN 003 254 395;

**Constitution** means the constitution of the Company;

**Corporations Act** means *Corporations Act 2001* (Cth);

**Directors** means the directors of the Company;

**Equity Securities** has the meaning given to that term in the ASX Listing Rules;

**Explanatory Memorandum** means the explanatory memorandum attached to and forming part of the Notice;

**Key Management Personnel** has the same meaning as in the accounting standards (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

**Listing Rules** means the ASX Listing Rules as published by the ASX from time to time;

**Meeting** means the meeting of Shareholders convened by the Notice of Annual General Meeting;

**Notice or Notice of Annual General Meeting** means the notice of annual general meeting to which this Explanatory Memorandum is attached;

**Options** means an option to acquire a Share;

**Remuneration Report** means the report set out in the Directors' Report section of the Company's 2014 Annual Report detailing the remuneration of the Company's Directors;

**Resolution** means each resolution to be considered at the Meeting as set out in this Notice;

**Share** means a fully paid share in the issued share capital of the Company; and

**Shareholder** means a holder of Shares in the Company who is eligible to attend the Meeting.



## EXPLANATORY MEMORANDUM

### SCHEDULE

#### TERMS AND CONDITIONS OF OPTIONS

- The options held by the optionholder are exercisable in whole or in part at any time during the exercise period. Options not exercised before the expiry of the exercise period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
  - (i) elect to be registered as the new holder of the options;
  - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
  - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:
$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$
Where:
  - A = the new exercise price of the option;
  - O = the old exercise price of the option;
  - E = the number of underlying ordinary shares into which one option is exercisable;
  - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex-rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a security under the pro rata issue;
  - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
  - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.



Variscan Mines Limited

**All Correspondence to:**

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3.30 pm (Sydney Time) on Tuesday 25 November 2014.**

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **3.30 pm (Sydney Time) on Tuesday, 25 November 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Variscan Mines Limited**

ABN 16 003 254 395

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Variscan Mines Limited (Company)** and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **BDO East Coast Partnership, Level 11, 1 Margaret Street, Sydney NSW on Thursday 27 November 2014 commencing at 3.30 pm (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

**Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters and Resolutions 4,5,6,7,8 and 9:** If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1,4,5,6,7,8 and 9, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these resolution even though Resolution 1 is connected with the remuneration of a member of key management personnel for Variscan Mines Limited. The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1,4,5,6,7,8 and 9). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

**Ordinary Business**

		For	Against	Abstain*
Resolution 1	<b>Adopt the Remuneration Report</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	<b>Re-elect Mr Patrick Elliott as a Director</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	<b>Elect Mr Jack Testard as a Director</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	<b>Grant of Options to Gregory Jones</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	<b>Grant of Options to Jack Testard</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	<b>Grant of Options to Patrick Elliott</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	<b>Grant of Options to Kwan Chee Seng</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	<b>Grant of Options to Foo Fat Kah</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	<b>Grant of Options to Alan Breen</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Special Business</b>				
Resolution 10	<b>Issue of Shares up to an additional 10% of Issued Capital</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SHAREHOLDERS**

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3




Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2014