



3 April 2017

Dear Option Holder,

EXPIRY OF LISTED OPTIONS

You are the registered holder of options (the **Options**) in Variscan Mines Limited (ASX: VAR) (**Variscan** or the **Company**). These options were issued to shareholders who participated in the May 2015 Rights Issue, or which have been subsequently issued or acquired on market since that time.

The Options will expire at 5.00pm (AEDT) on Thursday, 4 May 2017.

Of the 130,682,738 options issued under the May 2015 Rights Issue, to date a total of 60,225,872 options have been exercised of which 59,294,807 were exercised by Directors of your Company.

As an option holder you have three choices as follows:

1. Exercise all or a portion of your options

You may complete the enclosed 'Application for Shares on Exercise of Options' form in full, sign it and send it to Boardroom Pty Limited by post. Exercise of options will be completed and processed in accordance with the Terms of Options set out on the back of the Application Form. Payment must be made by Cheque, payable to Variscan Mines Limited.

2. Sell all or a portion of your options

The Options are listed (ASX:VARO) and may be traded on the ASX. The last traded price for VARO was \$0.013 on 30 March 2017. Your options will cease trading at close of trade on Friday, 28 April 2017 (last day of quotation).

3. Do Nothing

If you choose to do nothing, your Options will expire at 5.00pm (AEDT) on Thursday, 4 May 2017 and have no value.

Additional Information required by the ASX Listing Rules

In accordance with the ASX Listing Rules, the Company advises the following:

- (a) The name of the option holder is contained on the enclosed personalised 'Application for Shares on Exercise of Options'.
- (b) The number of Options held, and the number of fully paid ordinary shares in the Company to be issued on the conversion of the Options is contained in the enclosed personalised 'Application for Shares on Exercise of Options' for the option holder.
- (c) The exercise price for the Options is \$0.015.
- (d) The due date for payment of the exercise price is on or before 5pm (AEDT) on Thursday, 4 May 2017.
- (e) If payment is not received by 5pm (AEDT) on Thursday, 4 May 2017, then your Options will expire with no value and no further entitlement will exist.

- (f) Official quotation of Options on the ASX will cease at the close of trading on Friday, 28 April 2017.
- (g) The last traded price for Variscan shares was \$0.02 on 30 March 2017.
- (h) The highest and lowest market price for Variscan shares during the 3 months immediately before the notice is as follows
 - Highest: \$0.026 on 1 March 2017
 - Lowest: \$0.014 on 17 January 2017
- (i) The board confirms that there is no underwriting agreement in place for the exercise of the Options.

Further Information

The board encourages you to consider your choices as an Option holder and to take the action that best suits your individual circumstances. If you require more information on how to exercise your Options, please contact Boardroom Pty Limited on 1300 737 760. If you are unsure whether to take up your Options, please contact your stockbroker, financial advisor or other professional advisor.

Yours faithfully,

A handwritten signature in black ink that reads "Pat Elliott". The signature is written in a cursive style with a horizontal line underneath the name.

Pat Elliott
Chairman

Application for Shares on Exercise of Options

Sample

Number of Options Held:

I/We being the registered holders of Variscan Mines Limited Options (expiring 4 May 2017) each to acquire one Fully Paid Share in Variscan Mines Limited hereby give notice of the exercise of Options and attach hereto my/our cheque payable to **"VARISCAN MINES LIMITED"** at \$0.015 per Option in payment of such exercise.

I/We agree to my/our name/s being placed on the Register of Members in respect to the number of Shares allotted and to be bound by the Constitution of the Company.

Number of Options Held:

Multiplied by the exercise price of \$0.015
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Total Payment Due:

Accordingly, I/We enclose a cheque for the sum of A\$_____ being the correct amount for the exercise of _____ Options.

Please Sign Here:

Shareholder 1 (Individual)

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Sole Director & Sole Company Secretary

Joint Shareholder 2 (Individual)

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Director

Joint Shareholder 3 (Individual)

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Director / Company Secretary

Business Telephone No. () _____ Date _____

Terms of Options

- (a) Each New Option is exercisable at \$0.015 (**Exercise Price**). An Optionholder, upon payment of the Exercise Price, is entitled to receive one Converted Share for each New Option exercised (subject to possible adjustments referred to in (h) below).
- (b) New 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. New Options may be exercised at any one time or times within two years from the issue date (**Exercise Period**). New Options not exercised within the Exercise Period will lapse.
- (c) The minimum number of New Options exercisable at any time is 1,000. If Optionholders holding less than 1,000 New Options determine to exercise their New Options, they must exercise all these options.
- (d) The Company will apply for Official Quotation of the New Options. The Company will also apply for Official Quotation of Converted Shares which will participate equally in all respects with other Shares, and will qualify for dividends declared after the date of their allotment.
- (e) New Options are freely transferable.
- (f) An Optionholder may not participate in any further rights issues in respect of Shares unless the Optionholder receives Converted Shares before the record date for determining entitlements to that rights issue. The Company must give notice to the Optionholder of any upcoming rights issue before the record date for determining entitlements to that rights issue in accordance with the ASX Listing Rules.
- (g) If there is a bonus issue to Shareholders, an Optionholder will receive Options proportionate to the number of Shares they would have received under the bonus issue if they had Converted Shares prior to the record date for that bonus issue.
- (h) If the Company makes a rights issue (other than a bonus issue), the exercise price of New 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 New Option;
 - O = the old exercise price of the New Option;
 - E = the number of Converted Shares;
 - P = the average closing sale price per Share (weighted by reference to volume) recorded on the 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 per Share under the pro-rata rights issue;
 - D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
 - N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share
- (i) If the issued capital of the Company is reorganised, New Options will be reorganised to the extent necessary to comply with Listing Rules.