



ENTITLEMENT OFFER OF SHARES

Variscan Mines Limited (“**Variscan**” or “**Company**”) (ASX: VAR) refers to the ASX announcement on 9 May 2016 relating to the capital raising consisting of a Placement and a Rights Issue to raise approximately \$2.5 million before costs. The Company has advised that it has secured A\$1 million from institutional and sophisticated investors through a share placement of 55,555,556 shares to be issued at 1.8 cents per share, representing an 18% discount to the 10 day VWAP immediately preceding the Company’s trading halt on 5 May 2016.

The Company is now pleased to advise the details of a pro-rata renounceable issue of new ordinary shares (“**New Shares**”) at an offer price of \$0.018 (“**Offer Price**”) per New Share. This offer is for one New Share for every five fully paid ordinary shares in the Company (**Shares**) held by eligible shareholders (“**Entitlement Offer**”).

It is expected that the Entitlement Offer will raise up to \$1.55 million before offer costs which, together with the Placement proceeds, the Company intends using the funds raised to expand its exploration programmes over its high quality exploration licences in France and continue with its successful strategy of identifying and securing advanced projects.

Specifically, Variscan is seeking to use the funds 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.

Significant support has been received from the Company’s major shareholders and Directors, Mr Kwan Chee Seng, and Dr Foo Fatt Kah, who have committed to take up their Rights Entitlement equating to circa \$503,000 or 37.2% of the Issue. The Rights Issue is also to be underwritten by a further \$496,647 by Patersons Securities Limited (**Patersons**). Directors Pat Elliott and Greg Jones have also confirmed their intentions to take up their rights entitlements.

Entitlement Offer

Under the proposed Entitlement Offer, eligible shareholders will be invited to subscribe for one New Share for every five Shares held at 7.00pm on 18 May 2016 (**Record Date**) at an Offer Price of \$0.018 per New Share.

The Offer Price of \$0.018 per New Share represents a 33.33% discount to the closing market price of the Shares on 4 May 2015, being the last day on which Shares were traded prior to the announcement of the Entitlement Offer. The Offer Price also represents an 18% discount to the 10 day VWAP immediately preceding the Company's trading halt on 5 May 2016.

Based on the capital structure of the Company as at the date of this announcement, and assuming no current options in the Company (**Options**) are exercised prior to 18 May 2016, a maximum of 86,325,973 New Shares will be issued pursuant to the Entitlement Offer.

Persons who currently hold Options are only eligible to participate if they exercise their Options before 7.00pm (AEST) on 18 May 2015.

Only shareholders that have a registered address in Australia, New Zealand or Singapore and who are registered on the Company's share register at 7.00pm on the Record Date (18 May 2016) will be entitled to participate in the Entitlement Offer (**Eligible Shareholders**). The Company has decided that it is unreasonable to make offers under the Entitlement Offer to shareholders outside Australia, New Zealand and Singapore, having regard to the small number of such shareholders, their holdings, and the compliance costs required to offer the New Shares under the Entitlement Offer to those shareholders.

The Company has appointed Patersons as an ASIC-approved nominee, to arrange for the sale of the Entitlements which would have been granted to Ineligible Shareholders had they been Eligible Shareholders on the Record Date. Patersons will have the absolute right and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner in which any sale is made.

The Entitlement Offer will be made to Eligible Shareholders pursuant to a prospectus (**Prospectus**), which will include a personalised Entitlement and Acceptance Form. The Prospectus will provide further details on how to participate in the Entitlement Offer.

The Prospectus, together with the Entitlement and Acceptance Form, will be mailed to all Eligible Shareholders from 23 May 2016.

Closing Date

The Entitlement and Acceptance Forms, together with payment, must be received by the Company's Share Registrar, Boardroom Pty Limited, by no later than 5:00pm AEST on 10 June 2016.

Payment for the subscriptions under the Entitlement Offer can be made by BPAY® or cheque.

Shortfall Offer

The Company, in its sole discretion, may conduct a shortfall offer in respect of any New Shares not subscribed for pursuant to the Entitlement Offer (**Shortfall Offer**). In these circumstances, Eligible Shareholders may also apply for New Shares under the Shortfall Offer. The Company may also issue New Shares under the Shortfall Offer to institutions and/or sophisticated and professional investors.

The Entitlement and Acceptance Form contains information on how to apply for New Shares under the Shortfall Offer.

Should the number of New Shares applied for under the Shortfall Offer exceed the amount of New Shares available for subscription, the allocation of New Shares forming part of the Shortfall Offer will be determined at the sole discretion of the Company.

Indicative Timetable for Entitlement Offer

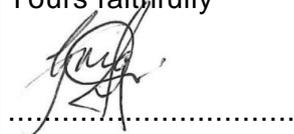
Event	Date
Lodgement of Prospectus with ASIC	Friday 13 May 2016
Notice to Optionholders+	Friday 13 May 2016
Lodgement of Appendix 3B	Friday 13 May 2016
Notice to Shareholders	Monday 16 May 2016
Shares quoted on an ex basis - Entitlement commence trading	Tuesday 17 May 2016
Record Date for determining 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

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

This timetable is indicative only and the Company reserves the right to vary it at any time without prior notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

An Appendix 3B for the proposed issue of the New Shares is attached.

Yours faithfully



Greg Jones

Managing Director

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	37,574,963
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	-
Total [“A” x 0.10] – “E”	37,574,963 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Variscan Mines Limited

ABN

16 003 254 395

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <p>Up to 86,325,973 fully paid ordinary shares (Entitlement Shares) are to be issued under the pro rata renounceable entitlement offer (Entitlement Offer) as detailed in the announcement and prospectus lodged with ASX on 13 May 2016.</p> <p>The exact number of Entitlement Shares under the Entitlement Offer is still to be finalised and is subject to the number of Entitlement Shares subscribed for by eligible shareholders and to final reconciliation and rounding.</p> |

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	N/A
4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Yes – the Entitlement Shares rank equally with existing fully paid ordinary shares.
5	Issue price or consideration	\$0.018 per share
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>Funds to be utilised to expand the Company’s exploration programmes over its high quality exploration licences in France and continue with its successful strategy of identifying and securing advanced projects. Further details per the announcement on 9 May 2016.</p> <p>Further details on the use of funds are set out in Sections 5.4 of the Prospectus lodged with ASX on 13 May 2016</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes

6b	The date the security holder resolution under rule 7.1A was passed	25 November 2015
6c	Number of +securities issued without security holder approval under rule 7.1	-
6d	Number of +securities issued with security holder approval under rule 7.1A	-
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	-
6f	Number of +securities issued under an exception in rule 7.2	-
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer Annexure 1
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	20 June 2016

+ See chapter 19 for defined terms.

	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	517,955,836 (subject to final subscriptions, reconciliation and rounding)	Ordinary Shares
	130,655,138	Options exercisable at \$0.015 expiring on 4 May 2017

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	10,000,000	4 December 2017 Directors Options –exercise price 7 cents
	5,650,000	4 December 2017 Options – Employee Share Option Plan - exercise price 7 cents
	8,700,000	3 December 2018 Directors Options – exercise price 5 cents
	3,750,000	3 December 2018 Options – Employee Share Option Plan - exercise price 5 cents
	29,347,830	29 January 2018 Options – - exercise price 5 cents

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Renounceable
13 Ratio in which the +securities will be offered	Under the Entitlement Offer, one Entitlement Share for every five existing share held at the record date.

14	+Class of +securities to which the offer relates	Fully paid Ordinary Shares
15	+Record date to determine entitlements	7.00pm (Sydney time) 18 May 2016
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Where fractions arise in the calculation of shareholders' entitlements under the Entitlement Offer they will be rounded down to the next whole number of Entitlement Shares.
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	All countries other than Australia, New Zealand and Singapore
19	Closing date for receipt of acceptances or renunciations	5.00pm Sydney time on 10 June 2016
20	Names of any underwriters	Patersons Securities Limited ACN 008 896 311
21	Amount of any underwriting fee or commission	<ul style="list-style-type: none"> • Management fee of 1.0% of the total gross amount raised in relation to the Entitlement Offer; • 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 the Directors of their respective Entitlements; and • Lead Manager fee of \$60,000 (includes component for placement announced on 9 May 2016).

+ See chapter 19 for defined terms.

22	Names of any brokers to the issue	Patersons Securities Limited will act as Lead manager to the issue
23	Fee or commission payable to the broker to the issue	Included in 21 above
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Included in 21 above
25	If the issue is contingent on security holders' approval, the date of the meeting	No
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	23 May 2016
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	13 May 2016
28	Date rights trading will begin (if applicable)	17 May 2016
29	Date rights trading will end (if applicable)	3 June 2016
30	How do security holders sell their entitlements <i>in full</i> through a broker?	See section 2.7b & d of the Prospectus
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	See section 2.7c & d of the Prospectus
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Security holders may dispose of their entitlements on the ASX
33	+Issue date	20 June 2016

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

+ See chapter 19 for defined terms.

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

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41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

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42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)

Number	+Class

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Company secretary

Date: 13 May 2016

Print name: Ivo Polovineo

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	306,420,330
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>7,600 – issued on 28 May 2015 20,000 – issued on 4 June 2015 10,606,050 – issued on 30 December 2015</p> <p>58,695,652 – shareholder approval under Listing Rule 7.4 on 29 January 2016</p> <p>Nil</p>
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	375,749,632

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	56,362,444
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>324,675 – issued on 15 January 2016 55,555,556 – see Appendix 3B - 11 May 2016</p>
“C”	55,880,231
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	56,362,444
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	55,880,231
Total [“A” x 0.15] – “C”	482,231 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	375,749,632
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	37,574,963
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	-
“E”	Nil

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	37,574,963
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	-
Total [“A” x 0.10] – “E”	37,574,963 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.