



13 May 2016

Dear Optionholder

PARTICIPATION IN 2016 PRO RATA RENOUNCEABLE RIGHTS ISSUE

As you may be aware, Variscan Mines Limited ACN 120 047 556 (**Variscan or Company**) announced to ASX earlier today that it is intending to undertake a renounceable pro rata entitlement offer (**Entitlement Offer**) on the basis of 1 fully paid ordinary shares in Variscan (**New Shares**) for every 5 ordinary shares held in Variscan, at an issue price of 1.8 cents per New Share.

Assuming no existing options on issue in the Company are exercised, the Entitlement Offer will result in the issue of up to 86,325,973¹ New Shares and will raise up to \$1.55 million before expenses. The New Shares will rank equally in all respects with the Company's existing shares. The Entitlement Offer is being underwritten by Patersons Securities Limited.

Eligible Shareholders

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 18 May 2016 (**Record Date**) will be entitled to participate in the Entitlement Offer (**Eligible Shareholders**). The Company has considered and 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.

Eligible Shareholders will also have the opportunity to apply for additional New Shares in excess of their full entitlement.

Participation as an Optionholder

According to Variscan's records, as at the date of this letter you hold options to acquire ordinary shares in Variscan. Under the terms of the options you currently hold, there is no entitlement to participate in the Entitlement Offer unless you exercise your options, and are entered onto the register as a shareholder on or before the Record Date. The purpose of this letter is to give you notice prior to the Record Date of the Entitlement Offer and the opportunity to exercise your options should you wish to participate in the Entitlement Offer.

If you do not wish to participate in the Entitlement Offer in respect of your options, you do not need to take any action.

If you wish to participate in the Entitlement Offer, you are permitted to participate in the Entitlement Offer **only** in the event that you:

- (a) have a registered address in Australia, New Zealand or Singapore; and

¹ Assuming no Variscan Optionholders exercise any of their options to acquire ordinary shares in the Company before the Record Date so as to participate in the Entitlement Offer.

- (b) have exercised your options in time for the resulting shares to be issued to you before 5.00pm (Sydney time) on the Record Date.

To ensure that your Shares are issued in time, your notice of exercise of option (**Notice of Exercise**) together with your payment as cleared funds for the relevant exercise price must be received by Variscan no later than **5.00pm (Sydney time) on Wednesday 18 May 2016**.

Any shares the subject of a Notice of Exercise that is received by Variscan after this time cannot be assured of being issued to you before 5.00pm (Sydney time) on the Record Date.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Entitlement Offer and the exercise price of your options and, if necessary, consult with your professional advisor.

The Entitlement Offer will be made to Eligible Shareholders pursuant to a prospectus in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Prospectus**), which will include a personalised Entitlement and Acceptance Form. The Prospectus will provide further details on how to participate in the Entitlement Offer.

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

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.

This letter is not an offer or invitation to acquire shares in Variscan or to participate in the Entitlement Offer. If you are in doubt as to the action you should take in relation to this notice, you should consult your professional advisers.

Should you have any questions regarding the Entitlement Offer, you may contact the Company on +61 (02) 9906 5220 or consult your stockbroker or professional adviser.

Yours faithfully



Greg Jones
Managing Director