



Viculus Limited  
ACN 074 976 828  
Level 27, 101 Collins Street  
MELBOURNE VIC 3000

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ASX Announcements Office  
Australian Securities Exchange

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### **PROPOSED ACQUISITION OF EURO PETROLEUM LIMITED**

Viculus Limited (ASX: VCL) (**the Company** or **Viculus**) is pleased to announce that it has entered into a Heads of Agreement (**Agreement**) for the implementation of the proposed acquisition of Euro Petroleum Ltd (ACN 147 870 362) (**Euro**). Under the terms of the Agreement, VCL will acquire all issued shares in Euro.

Euro through its subsidiary, Lanka Graphite Holdings Pty Ltd (ACN 160 465 583) (**Lanka Graphite AUS**) holds the contractual rights to acquire 70% of Lanka Graphite Pvt Ltd (No. PV 90062) (**Lanka Graphite SL**) which has been granted five (5) exploration licences over project tenements in the Western Province of Sri Lanka, which may be prospective for graphite, and has made another four (4) exploration licence applications.

#### **Highlights of the transaction:**

- Viculus will make an off market takeover bid (**Takeover Bid**) to acquire all Euro shares from Euro's shareholders.
- Viculus will offer Euro share holders one (1) ordinary share in Viculus for every one (1) Euro share.
- As a condition of the Takeover Bid and in consideration for the cancellation of Euro Options, Euro option holders will be offered one (1) Viculus option for one (1) Euro option.
- One director from Euro will join the Viculus Board of Directors, bringing further skills and experience to the Viculus Board.
- Upon completing the acquisition of Euro, Viculus will become a mineral resources exploration company focused on the exploration of graphite in an area of Sri Lanka renowned for its high grade graphite. Therefore, the transaction will require approval of Viculus share holders to a change in the nature and scale of Viculus's activities.
- Viculus will seek re-admission to the official list of the ASX.

- A capital raising will be undertaken by Viculus to raise up to \$5 million by the issue of 25,000,000 ordinary shares at \$0.20 per share (**Capital Raising**) to fund its further business and mining exploration and evaluation objectives.
- It is intended that on the completion of the proposed acquisition of Euro, the name of the Company will be changed to Lanka Graphite Ltd.

### **The nature of Graphite**

Graphite is one of the three forms of naturally occurring carbon, the other being charcoal and diamond. It is used for its properties of high refractoriness, high electrical and thermal conductivity, chemical inertness and stability. Graphite has the highest thermal and electrical conductivity of all non-metals.

Current uses of graphite include uses in electrodes, refractories, brake linings, lubricants and batteries. There is particular growth potential in the area of graphite being used for the anode for Lithium-ion batteries, and current research and development may lead to further uses in wind turbines, energy storage in fuel cells and flow batteries.

There is also potential demand for graphite for the production of graphene, which has potential uses in transistors, more efficient solar cells and film for touch screen displays, among other uses.

### **Graphite mining in Sri Lanka**

Sri Lankan graphite is defined as vein or lump graphite and is unique in the world due to its purity and particle size. Trade in graphite has been in existence since the 16<sup>th</sup> century, but graphite has only been exported during the last 160 years.

Mining of graphite expanded rapidly in the late 19<sup>th</sup> century and peaked during the First World War at about 33,000 short tons, which was about 35% of the world graphite consumption then. Production levels decreased after this period due to the depletion of weathered graphite ore which resulted in mining difficulties.

Since 2009, the Sri Lankan government has further opened Sri Lanka to foreign investment and provided further opportunities for foreign companies to embark on exploration and mining activity of graphite on a commercial scale.

Sri Lanka graphite has the potential to be a significant supplier to new markets for graphite, particularly in the battery and graphene markets.

### **Euro Petroleum Ltd (ACN 147 870 362)**

Euro is an unlisted public company that wholly owns Lanka Graphite AUS, a private company incorporated in Australia which has a contractual right to acquire 70% of the issued share capital of Lanka Graphite SL (**Acquisition**). The Acquisition is subject to Sri Lankan Board of Investments approval, as Lanka Graphite AUS requires an exemption from foreign ownership restrictions in the Exchange Control Act to acquire more than 40% of Lanka Graphite SL.

The Acquisition will be completed in conjunction with the completion of the Takeover Bid and the Capital Raising.

Lanka Graphite SL has been granted five (5) exploration licenses over project tenements in the Western Province of Sri Lanka and has four (4) other exploration licence applications pending grant.

Particulars of exploration licences and exploration licence applications held by Lanka Graphite SL are as follows:

TENEMENT	ZONE	District or Province	1:50 000 Mapsheet And number	Number of Grids (km <sup>2</sup> )	Application Status	Date Granted	Validity
EL236	EL236 Zone 1	Kalutara, Western	Matugama, 80	10	Granted	29/5/13	24 Months
	EL236 Zone 2		Matugama, 80	6			
	EL236 Zone 3		Matugama, 80	20			
EL237	EL237 Zone 1	Kegalle, Western	Attanagalla 60	17	Granted	29/5/13	24 Months
	EL237 Zone 2	Kegalle, Western	Attanagalla 60	11			
	EL237 Zone 3	Gampaha, Western	Attanagalla 60	5			
EL266	EL266	Kalutara, Western	Alutgama, 79	36	Granted	28/10/13	24 months
EL267	EL267	Western	Matugama, 80	22	Granted	28/10/13	24 months
EL268	Zone 1	Hambantota, Southern	Morawaka, 87	26	Granted	28/10/13	24 months
	ZONE 2 - Area 1		Morawaka, 87 and Rakwana 81	4			
	ZONE 2- Area 2			2			
	ZONE 2 - Area 3			4			
	ZONE 2- Area 4			4			
	ZONE 2 - Area 5			2			
	ZONE 2- Area 6			3			
	ZONE 2- Area 7			2			
	ZONE 2- Area 8			3			
	ZONE 2- Area 9			1			
COM EL011	EL011	Matara, Southern	Matara, 91	18	Application made		
EL952	Jatuwangoda Paragala Pimbura	Ratnapura, Sabaragamuwa	Ratnapura, 74	9	Application made		
EL954	Kukulegama Pitigalakanda Kalawana	Ratnapura, Sabaragamuwa	Matugama, 80	28	Application made		
EL953 (application)	Wadawala Pannala Walapane Landupita	Nuwareliya, Central	Hanguranketa, 62	9	Application made		

### Heads of Agreement

Viculus and Euro have entered into a Heads of Agreement pursuant to which the parties have given undertakings to each other to facilitate the implementation of the Takeover Bid. The Heads of Agreement contain a number of key terms, as set out below.

### **Key terms of the Takeover Bid**

The Takeover Bid is subject to a number of Bid Conditions. The most significant include:

1. Viculus obtaining at least 80% of all issued share capital in Euro pursuant to the Takeover Bid;
2. A minimum of \$3 million being raised under the Capital Raising;
3. One (1) Viculus share allotted and issued for every one (1) Euro share held;
4. One (1) Viculus Option allotted and issued for every Euro Option held and cancelled in connection with the Takeover Bid;
5. Euro's subsidiary, Lanka Graphite AUS, completing the acquisition of the shares in Lanka Graphite SL contemporaneously with the completion of the acquisition of Euro by Viculus;
6. Approval of shareholders obtained for the change in nature and scale of activities and any other necessary shareholders' approval in relation to the transaction pursuant to the ASX Listing Rules, the Corporations Act 2001 and any other regulations;
7. Viculus satisfactorily complying with the re-admission requirements of Chapters 1 and 2 of the ASX Listing Rules and being granted in principle approval to re-list on the ASX.

### **Capital Raising**

Pursuant to the Prospectus that will be issued in connection with Viculus's application for re-admission to the main list of ASX and in accordance with Chapters 1 and 2 of the ASX Listing Rules, Viculus plans to raise between \$3 million to \$5 million by the issue of 15,000,000 to 25,000,000 ordinary shares at an issue price of \$0.20 per share.

The funds raised by the Company under the Capital Raising will be used as follows:

1. To pay balance of consideration payments to vendors for completion of the Acquisition;
2. To fund the exploration programme for the Sri Lankan tenements over the forthcoming 2 year period;
3. To provide working capital for the Company, and
4. To pay the costs and expenses associated with the Capital Raising and Takeover Bid.

### **Shareholder Approval**

A notice of meeting seeking shareholder approval for the resolutions required to effect the Takeover Bid and Capital Raising will be sent to Viculus shareholders in due course. It is expected that Viculus will convene a meeting to facilitate shareholder approval on or around 26 March 2014.

## Capital Structure

On the basis that Viculus completes the Takeover Bid and Capital Raising on the terms set out above, Viculus' capital structure will be as follows:

<b>SHARES</b>	<b>Min Raising (\$3 million)</b>	<b>Max Raising (\$5 million)</b>
<b>Shares on issue as at the date of this Announcement</b>	<b>9,092,573</b>	<b>9,092,573</b>
Shares to be issued under the Capital Raising	15,000,000	25,000,000
Shares to be issued to Euro share holders as consideration under the Bid (based on current Euro share capital structure)	37,800,100	37,800,100
<b>Total number of shares on issue following the Capital Raising and Bid</b>	<b>61,892,673</b>	<b>71,892,673</b>

<b>OPTIONS:</b>	<b>No. of options</b>
Options to be issued to Euro Option holders as consideration under the Bid	9,750,000
<b>Total options on issue after Bid</b>	<b>9,750,000</b>

Note: vendors of the shares in Lanka Graphite SL are not receiving shares or other securities in Euro or VCL as consideration for the Acquisition.

## Re-admission to ASX

In order to re-comply with Chapters 1 and 2 of the ASX Listing Rules and be re-listed on the main list at ASX, the Company will be shortly convening a General Meeting to seek shareholder approval for, among other matters, the following:

- The change in nature and scale of activities as a result of the Takeover Bid;
- The issuance of up to 25,000,000 shares as a result of the Capital Raising;
- The issuance of 37,800,100 shares to Euro shareholders as consideration pursuant to the Takeover Bid;
- The cancellation of 9,750,000 Euro options held by Euro Option holders and the issue of 9,750,000 options to Euro Option holders as consideration for such cancellation;
- The election of one director from Euro to the VCL Board of Directors, and
- The change of the Company name to Lanka Graphite Ltd.

### Indicative timeline

The indicative timeline for the completion of the Takeover Bid is as follows:

<b>Event</b>	<b>Date*</b>
Heads of Agreement executed and announced	10 February 2014
Notice of General Meeting dispatched to Viculus shareholders	24 February 2014
Bidder's Statement lodged with ASIC	3 March 2014
Target's Statement lodged with ASIC	3 March 2014
Prospectus lodged with ASIC	3 March 2014
Prospectus released to market	10 March 2014
Bidder's Statement and Target's Statement sent to Euro Shareholders	10 March 2014
Viculus General Meeting to approve transaction	26 March 2014
Closing date of Capital Raising	14 April 2014
Closing date of Takeover Bid	14 April 2014
Allotment of Takeover Bid consideration to Euro Shareholders	21 April 2014
Readmission of the Company to the ASX	28 April 2014

\*Dates as set out above are indicative only, and subject to change. Viculus reserves the right to amend the above timeline.

Lanka Graphite SL holds granted exploration licences, and has filed further applications for exploration licences, over a large licence area of approximately 242 square kilometres. Sri Lankan graphite is renowned for its high grade. The acquisition of Euro therefore presents an exciting opportunity for the Company to acquire a large holding of exploration assets that may be prospective for high grade graphite.

**Derek Lo**  
**Company Secretary**

### Contacts

Any enquiries should be directed to:

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#### **Euro Petroleum Ltd**

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