



Viculus Limited
ACN 074 976 828
Suite 32, Level 18, 101 Collins Street
MELBOURNE VIC 3000

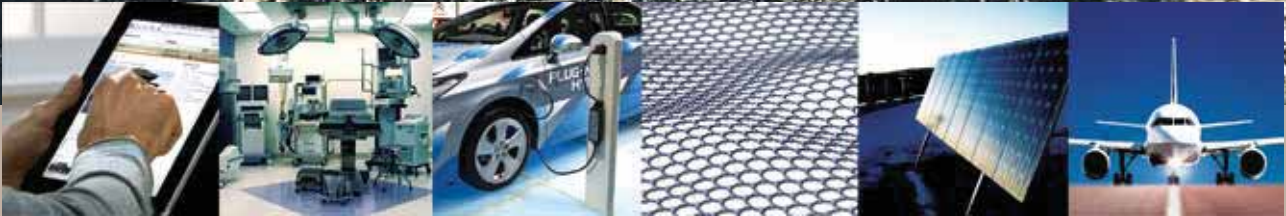
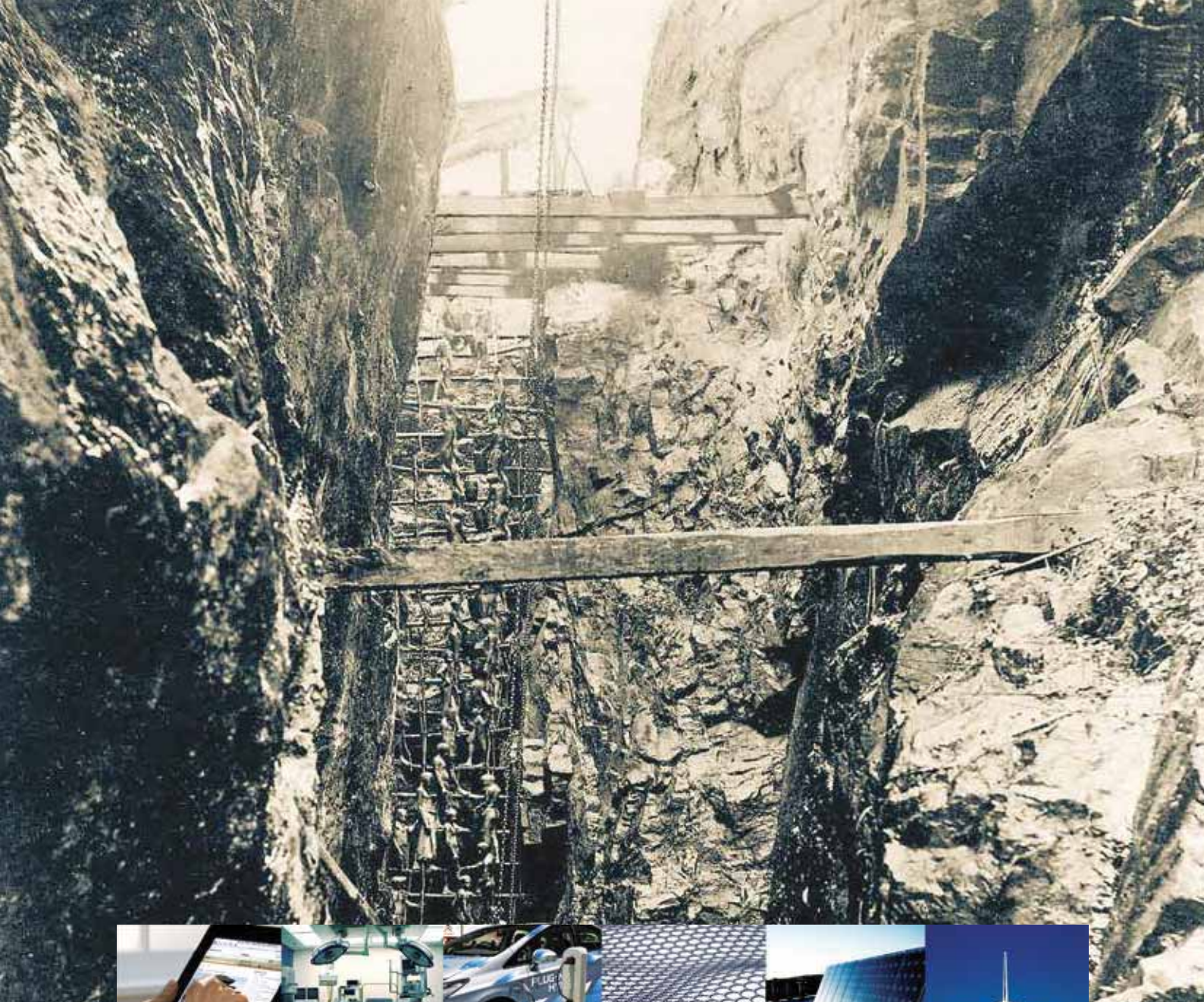
2 March 2015

ASX Announcements Office
Australian Securities Exchange

Full copy of Replacement Prospectus lodged with ASIC

We refer to our announcement on 27 February 2015 regarding the lodgement of Replacement Prospectus with ASIC. We now attach a full copy of the Replacement Prospectus.

Derek Lo
Company Secretary



IMAGES BELONG TO RESPECTIVE OWNERS

REPLACEMENT PROSPECTUS VICULUS LTD

ACN 074 976 828

(Proposed to be renamed Lanka Graphite Ltd)



By this Replacement Prospectus, Viculus Ltd ("the Company") invites investors to apply for a total of 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000. The Offer has a minimum subscription of \$3,500,000.

The Offer made by this Prospectus is conditional upon the satisfaction of each of:

- Completion of the Company's Takeover Bid for Euro Petroleum Ltd (ACN 147 870 362) ('Euro'); and
- ASX confirming that it will re-admit the Company to Official Quotation, subject to the satisfaction of such terms and conditions prescribed by the ASX Listing Rules;

as well as other conditions detailed in this Prospectus.

This replacement Prospectus is dated 25 February 2015 and it replaces a Prospectus dated 16 October 2014 relating to the shares of Viculus Ltd.

This Prospectus is a compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for the re-instatement of the Company's Shares to Official Quotation following a change to the nature and scale of the Company's activities.

The Offer is scheduled to close at 5.00pm (AEST) on 17 March 2015 unless extended or withdrawn. Applications must be received before that time to be valid.

IMPORTANT NOTICE

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. If, after reading this Prospectus, you have any questions about the Offer, you should contact your professional advisers. There are risks associated with an investment in the Company and the Shares offered under this Prospectus are to be regarded as a speculative investment. Please refer to Section 6 for Investment Risks.

IMPORTANT NOTICE

General

This Replacement Prospectus (Prospectus) is dated 25 February 2015 and was lodged with ASIC on that date. This Prospectus replaces the prospectus lodged by the Company with ASIC on 16 October 2014 (Original Prospectus). Neither ASIC or ASX takes any responsibility for the contents of this Prospectus.

Pursuant to Section 625(3)(i) of the Corporations Act, the Company has applied to ASX for Official Quotation by the ASX of the Shares offered by this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to subscribe for Offer Shares in the Company.

Overview of the Material Changes from the Original Prospectus

This Replacement Prospectus has been issued to provide disclosure in relation to the following matters, which are the material changes to the Original Prospectus:

- removing the statement in the Letter from the Board that 'Sri Lankan graphite is... unique in the world due to its purity and particle size...' (refer to page vii)
- inserting additional risk factors to further disclose the risks of expiry and non-renewal of the Tenements, and the potential risk of non-consent or withdrawal of landowners' consent to exploration activity (refer to section 4.2);
- additional statement clarifying that there are no JORC Code compliant resources currently defined on the Tenements (refer to section 1, item 3);
- amending the balance date for the Financial Information section of the Prospectus to disclose audited financial information of the Company and Euro to 30 June 2014 (refer to Section 8 and Section 9);
- revising the pro-forma consolidated financial position for the Company and Euro based on reverse acquisition accounting principles (refer to Section 8 and Section 9);
- amending the Financial Information section to reflect re-classification of certain expenses incurred by Euro relating to the acquisition of the Sri Lankan Tenements (refer to Section 8); and
- updating the Investigating Accountant's Report based on revised financial information (refer to Section 9).

Conditional Offer

The Offer is subject to and conditional upon the reinstatement of the Company's Shares to Official Quotation on the ASX.

The Takeover Bid, and therefore the acquisition of Euro, is conditional on the conditions precedent described in Schedule 1 ('Conditions Precedent'). Please carefully read the Conditions Precedent before deciding to subscribe for Offer Shares.

Expiry Date

No securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

Investment Advice

This Prospectus does not take into account your financial circumstances, financial objectives or particular needs (including your financial or taxation issues). Therefore, this Prospectus does not constitute investment advice. You should obtain professional investment advice before subscribing for Offer Shares under this Prospectus.

Additional Copies of Prospectus

Additional copies of this Prospectus are available at the registered office of the Company.

The Corporations Act 2001 prohibits any person from passing onto another person an Application Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary of the Company via email at derek.lo@canaanlawyers.com.au.

Restrictions on Offer

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

Application Forms

Applications for Shares can only be made pursuant to the Application Form attached to and forming part of this Prospectus. The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a complete and unaltered version of the Prospectus.

The Application Form contained in this Prospectus contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, the Original Prospectus was subject to an exposure period of seven (7) days from the date of lodgement of the Original Prospectus with ASIC. The exposure period was extended by ASIC for a further period of seven (7) days, being to 30 October 2014. This Prospectus is not subject to an exposure period due to ASIC Class Order 00/169.

Privacy

If you apply for Shares you will provide personal information to the Company and the Share Registry. This enables your Application to be assessed, you to be registered as the holder of Shares, to enter you in the Company's register of members and to enable the Company to contact you. The Company may from time to time be required to disclose your personal information to the Australian Taxation Office, other government agencies or as required by law. The Company and the Share Registry may disclose your personal information to its agents and service providers as authorised by the Privacy Act (1988) (Cth) or for purposes required by the Listing Rules or Corporations Act. You may access your personal information by contacting the Share Registry and may request corrections to such personal information

Forward looking statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed within this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 6 ('Investment Risks') and in the Independent Geologists Report in Section 7 of this Prospectus. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved. Except to the extent required by law, the Company has no intention to update or review forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus

Forecast Financial Information

On Completion of the Takeover Bid and Readmission, the Company will be a mining exploration company. As such, any forecasts of future revenue will be uncertain, reflecting the speculative nature of mineral exploration, production and development. Given these uncertainties, the Directors consider that reliable forecasts cannot be prepared and therefore no forecasts have been included in this Prospectus.

Definitions

Please refer to the Glossary in Section 14 of this Prospectus for terms and abbreviations used in parts of this Prospectus.

Miscellaneous

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise. Items displayed in photographs in this Prospectus are not necessarily assets owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of Shares offered under this Prospectus.

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CORPORATE DIRECTORY

Directors of the Company

Emily Lee (Executive Director)
Alex Cowie (Non-Executive Director)
Alison Coutts (Non-Executive Director)

Proposed Director

Jitto Arulampalam (proposed Executive Chairman)

Company Secretary

Derek Lo

Principal Office

Level 18, 101 Collins Street,
Melbourne, Victoria 3000

Postal Address

Level 18, 101 Collins Street,
Melbourne, Victoria 3000

ASX Code:

VCL (to be changed to LGR)

Share Registry

Computershare
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Solicitors to the Company

Canaan Lawyers
395 Collins St,
Melbourne VIC 3000

Solicitors to Euro

Pointon Partners Lawyers
Level 14, 565 Bourke St,
Melbourne VIC 3000

Auditors

BDO East Coast Partnership
Level 14, 140 William St
Melbourne VIC 3000

Investigating Accountants

Stannards Accountants & Advisors Pty Ltd
PO Box 581,
South Yarra VIC 3141

Independent Geologist Reporting on Tenements

CSA Global Pty Ltd
P.O. Box 141
West Perth, WA 6872

Solicitors Providing Sri Lankan Legal Report

Nithya Partners
97A, Galle Road,
Colombo 03, Sri Lanka.

*Note: on completion of the Offer, Jitto Arulampalam will join the Board as Executive Chairman.

LETTER FROM THE BOARD

Dear Investor,

Welcome to the Prospectus of Viculus Ltd. On behalf of the Board of the Company, it is my pleasure to offer you the opportunity to become a shareholder in this exciting venture.

The Company is seeking to raise up to \$5,000,000 through the issue of 25,000,000 shares at an issue price of \$0.20 per share.

In 2014, the Company has entered into a Heads of Agreement with Euro Petroleum Ltd (**Euro**), to make an off-market takeover bid for Euro pursuant to Chapter 6 of the Corporations Act (**Takeover Bid**) and has issued a Bidder's Statement in connection with the Takeover Bid.

Euro holds 70% of Lanka Graphite Holdings Pvt Ltd, which wholly owns Lanka Graphite Pvt Ltd, a company incorporated in Sri Lanka. Lanka Graphite Pvt Ltd holds 5 granted exploration licences over Sri Lankan Tenements and has filed further applications for exploration licences over a total area of 242km² which may be prospective for graphite. Importantly, these projects are in close proximity to infrastructure, water resources and existing graphite deposits. By successfully completing the Takeover Bid and the Re-Admission, the Company will acquire Euro's interest in these Sri Lankan exploration assets.

Sri Lankan graphite is defined as vein or lump graphite. Since 2009, the Sri Lankan government has opened significantly to foreign investors, and provided for the first time an opportunity for foreign companies to embark on mining activity of graphite on a commercial scale. Sri Lankan graphite has the potential to be a significant supplier to new markets for graphite; specifically in the electric vehicle battery and graphene markets.

The projects are analysed in greater detail in this Prospectus within Section 4, 'Project Overview,' and Section 7, 'Independent Geologist's Report'. I encourage you to closely read this analysis.

As the necessary shareholder approvals for the acquisition of Euro have been obtained at the Company's General Meeting held on 25 August 2014 (**General Meeting**), Jitto Arulampalam, a director of Euro, will be appointed to the Board as Executive Chairman of the Company following Re-Admission. The Board will also retain the expertise of myself, Alison Coutts and Alex Cowie. We believe that this provides the Company with an experienced Board with the necessary skills to develop the Company's projects and maximise shareholder value.

As successful Completion of the Takeover Bid will result in a change in nature and scale of the Company's activities, the purpose of this Prospectus is to ensure that the Company can re-comply with Chapters 1 and 2 of the ASX listing rules and to provide the Company with further funding to develop Euro's Sri Lankan graphite exploration assets.

This Prospectus contains detailed information about the Company, its projects and the risks of participating in a speculative investment of this nature. The Board recommends that investors read this Prospectus carefully and in its entirety.

The Offer is conditional upon Completion of the Takeover Bid and approval from the ASX for the Re-Admission.

On behalf the Board, I look forward to welcoming you as a shareholder of the Company.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Emily Lee', written over a horizontal line. The signature is stylized and cursive.

Emily Lee, Managing Director



01 INVESTMENT OVERVIEW

01 | INVESTMENT OVERVIEW

The following is a summary only and is not intended to be comprehensive. Prospective investors should read the full text of this Prospectus and if you are uncertain about any matter you should consult your investment adviser before making an investment decision.

Item	Summary	Further Information
1. COMPANY		
Who is the issuer of this Prospectus?	Viculus Ltd (ACN 074 976 828) (ASX:VCL)	
Who is the Company and what does it do?	<p>Viculus Ltd (the Company) has been listed on the ASX since 27 October, 1997.</p> <p>As at the date of this Prospectus, the Company does not carry out any business activities.</p> <p>However, on 11 February 2014, the Company announced its intention to make an off-market takeover bid for Euro Petroleum Ltd (Euro).</p> <p>Following successful completion of the Takeover Bid, the Company proposes to change its name to Lanka Graphite Ltd.</p>	Section 2
Who is Euro and what does it do?	<p>Euro is an unlisted Australian company founded in 2010.</p> <p>Through a 70% shareholding in Lanka Graphite Holdings Pvt Ltd (Lanka Graphite Holdings), which wholly owns Lanka Graphite Pvt Ltd (Lanka Graphite SL), Euro holds an interest in Tenements and Exploration Licence Applications in Sri Lanka over areas which may be prospective for graphite.</p>	Section 2
2. PURPOSE OF THIS PROSPECTUS		
Purpose of Prospectus	<p>The purpose of this Prospectus is to:</p> <ul style="list-style-type: none"> (a) assist the Company to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules for re-admission to the ASX; and (b) to raise up to \$5,000,000 pursuant to the Offer. 	Section 2
3. BUSINESS MODEL		
What will be the Company's principal activities after the merger?	<p>Following the successful Completion of the Takeover Bid, the Company shall focus on the exploration and development of the Tenements. This will include the following principal exploration activities:</p> <ul style="list-style-type: none"> (a) Aerial and satellite mapping of the Tenements; (b) Geophysical surveys using airborne electromagnetic surveys; (c) Cleaning and dewatering of shafts and adits, allowing access to graphite vein exposures for mapping and sampling purposes; (d) A core drilling programme to target the high priority targets, aimed at delineating graphite mineralisation, testing geophysical targets and providing material to assess the properties of the graphite; and (e) A geological modelling and resource estimation programme. <p>There are no JORC Code compliant resources currently defined on the Tenements.</p>	Section 2

Item	Summary	Further Information
How will the Company generate income?	After the Completion of the Takeover Bid, the Company will be an exploration company. As such, the Company will not generate income until it can establish that graphite exists at the Tenements and that such graphite (if any) is commercially recoverable and can be mined and sold. The Company may also generate income by a sale of its assets and/or obtaining royalties from the Tenements.	Section 2
What are the key dependencies of the Company's business model?	<p>Key dependencies of the business model outlined above include:</p> <ul style="list-style-type: none"> • Counterparty performance under the Share Sale Agreement with the Lanka Graphite SL Vendor; • Counterparty performance under the Heads of Agreement between the Company and Euro; • The successful Completion of the Takeover Bid and Re-admission; • Any necessary regulatory approvals being secured and maintained; and • Successful exploration and development of the Tenements. 	Section 2
4. KEY RISKS		
Key risks of an investment in the Company	<p>The income able to be achieved by the Company, the value of its assets and the market price of its securities on the ASX may be adversely affected by a number of factors, including risks outside the control of management. These risks include:</p> <ul style="list-style-type: none"> • Mineral Resources: Investment in an exploration company is inherently speculative and risky. There is no guarantee the Company will find mineral resources that are economically recoverable; • Mineral Prices: the price of minerals may fluctuate, which may impact the commercial viability of a mining project in the event the mineral resources and reserves are identified on the Tenements; and • Key Personnel: The Company is heavily reliant on key personnel. Loss of key personnel could cause significant disruption to the Company's activities and development. 	Section 6
Risks associated with operating in Sri Lanka	<p>There are also risks associated with the Company's proposed operations in Sri Lanka, including:</p> <ol style="list-style-type: none"> (a) Political and legal risks: operating in Sri Lanka may attract political and legal risks, due to uncertainties in the Sri Lankan political and legal environment; (b) Infrastructure risk: Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Unusual or infrequent weather phenomena, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations of the Company; and (c) Tenure: The maintenance of the Company's rights must be in accordance with the laws of Sri Lanka. No guarantee can be given that tenures will be maintained or granted, or that the Company will be in a position to comply with all conditions that are imposed by GSMB, the Sri Lankan Board of Investment or other Sri Lankan authorities. 	Section 6

Item	Summary	Further Information
5. DIRECTORS AND MANAGEMENT PERSONNEL		
Directors	<p>After successful completion of the transaction, the directors of the Company will be:</p> <ul style="list-style-type: none"> • Emily Lee (Executive Director) • Alex Cowie (Non-Executive Director); • Alison Coutts (Non-Executive Director); and • Jitto Arulampalam (Executive Chairman). <p>Please refer to Section 5 for profiles of each director. Details of the security holdings of each director are set out in Section 5.3.</p>	Sections 5, 12
6. FINANCIAL INFORMATION		
Are there any forecasts of future earnings?	As the merged Company will be a mining exploration company, its activities are inherently uncertain. Therefore the Directors believe that they do not have a reasonable basis to forecast future earnings.	Section 2
Will the Company have sufficient funds for its activities?	Upon the successful completion of the Offer, the Company will have sufficient funds to pursue exploration activities, pursuant to its proposed work programme, for a further two (2) years.	Section 7, 9
What is the financial outlook for the Company?	Given the Company will be an exploration company following acquisition of the Tenements, the financial outlook is uncertain. The Company is unlikely to make money or generate income in the short term from its mining exploration activities. Until the Company is able to realize value from the Tenements or future mining activities conducted on the Tenements, the Company is likely to incur ongoing operating losses.	Section 9
7. OFFER		
What is being offered?	<p>This Prospectus invites investors to apply for a total of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000, with a \$3,500,000 Minimum Subscription condition.</p> <p>The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus.</p> <p>The Offer is not underwritten.</p>	Section 2
What will the Company's capital structure look like after the Offer and Takeover Bid?	<p>As at the date of this Prospectus, the Company has 10,173,860 Shares and no options on issue.</p> <p>Following completion of the Offer and Takeover Bid, the Company is expected to have a maximum of 75,968,960 Shares on issue (assuming that \$5,000,000 is raised under the Offer and 100% acceptance of the Takeover Bid.)</p> <p>9,750,000 Options will also be issued to Euro option holders pursuant to the Takeover Bid and 5,500,000 Options will be issued to the Directors.</p>	Section 2 and 3.
Terms of Shares issued under the Offer.	A summary of the material rights and liabilities attaching to the Shares issued under the Offer is set out in Section 3.	Section 3.
Are there any restrictions on securities?	<p>No Shares issued under the Offer will be subject to escrow.</p> <p>However, part or all of the Shares and Options issued to Euro Securityholders as Bid Consideration pursuant to the Takeover Bid may be escrowed for up to 24 months after the re-admission of the Company to the ASX.</p>	Section 3

Item	Summary	Further Information
Quotation	The Company will apply to the ASX for quotation of all Shares issued under the Offer as required under the Corporations Act.	Section 2
Key dates of the Offer	Please refer to the indicative timetable in Section 2 for key dates of the Offer.	Section 2
Is there a minimum investment amount under the Offer?	Applications for Shares under this Offer must be for a minimum of 10,000 Shares.	Section 3
Are there any conditions to the Offers?	<p>The Offer is conditional on:</p> <ul style="list-style-type: none"> • The Company completing the Takeover Bid; • The Company being granted in principle approval to re-list on the ASX; and • The Company raising the Minimum Subscription under the Offer. <p>If any of these conditions are not met, the Offer will not proceed.</p>	Section 2
8. USE OF PROCEEDS		
How will the proceeds of the Offer be used?	<p>The Offer proceeds will be used for:</p> <ul style="list-style-type: none"> • Investment into Lanka Graphite Holdings Pvt Ltd, which shall use the funds to pay the balance purchase price to acquire 100% of the shares in Lanka Graphite Pvt Ltd which holds the Tenements; • Funding the exploration activities on the Tenements; • Fees associated with the re-listing of the Company and listing of the Shares offered under this Prospectus; • Working capital purposes; and • Expenses associated with the Offer. 	Section 3
9. ADDITIONAL INFORMATION		
What are the tax implications of purchasing Shares under this Offer?	Section 3 provides a general summary of the potential Australian tax implications of participating in the Offer. However, the tax consequences of participation will depend on the individual investor's circumstances, and, as such, applicants should obtain their own tax advice before subscribing for Shares pursuant to this Offer.	Section 3
Where can I find additional information?	<p>You can obtain further information from:</p> <ul style="list-style-type: none"> • Your accountant, solicitor, stockbroker or other independent professional financial adviser. • By visiting the ASX website and viewing the Company's public announcements (under the code VCL); or • From the Company by telephone on (03) 9221 6394. 	



02

OVERVIEW OF
TRANSACTIONS
& COMPANY

02 | OVERVIEW OF TRANSACTIONS AND COMPANY

2.1 Purpose of the Prospectus

The purpose of this Prospectus is to:

- (a) assist the Company to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-admission to the Official List of the ASX; and
- (b) to raise up to \$5,000,000 pursuant to the Offer, in order to assist the Company in meeting its business and mining exploration objectives, which include:
 - Funding the balance purchase price payable to the Lanka Graphite SL Vendor under the Share Sale Agreement for Lanka Graphite Holdings to acquire 100% of the shares in Lanka Graphite SL (which holds the Tenements).

(Note: Euro holds 70% of the shares in Lanka Graphite Holdings and therefore a 70% underlying ownership interest in the Tenements)

- Funding the exploration activities on the Tenements as are outlined in this Prospectus;
- Facilitating the re-listing of the Company's Shares on the ASX and the listing of the Shares offered under this Prospectus;
- Providing funds for general working capital purposes; and
- Paying the costs and expenses associated with the Offer.

2.2 Transaction Background

The Company has been listed on the ASX (ASX:VCL) since 27 October, 1997.

As at the date of this Prospectus, the Company does not carry out any business activities.

However, the Company has entered into a Heads of Agreement with Euro Petroleum Ltd ('Euro') under which the Company will make an off-market takeover bid pursuant to Chapter 6 of the Corporations Act for all issued share capital in Euro ('Takeover Bid'). Euro has agreed to facilitate the Takeover Bid and recommend the Takeover Bid to Euro Shareholders, subject to:

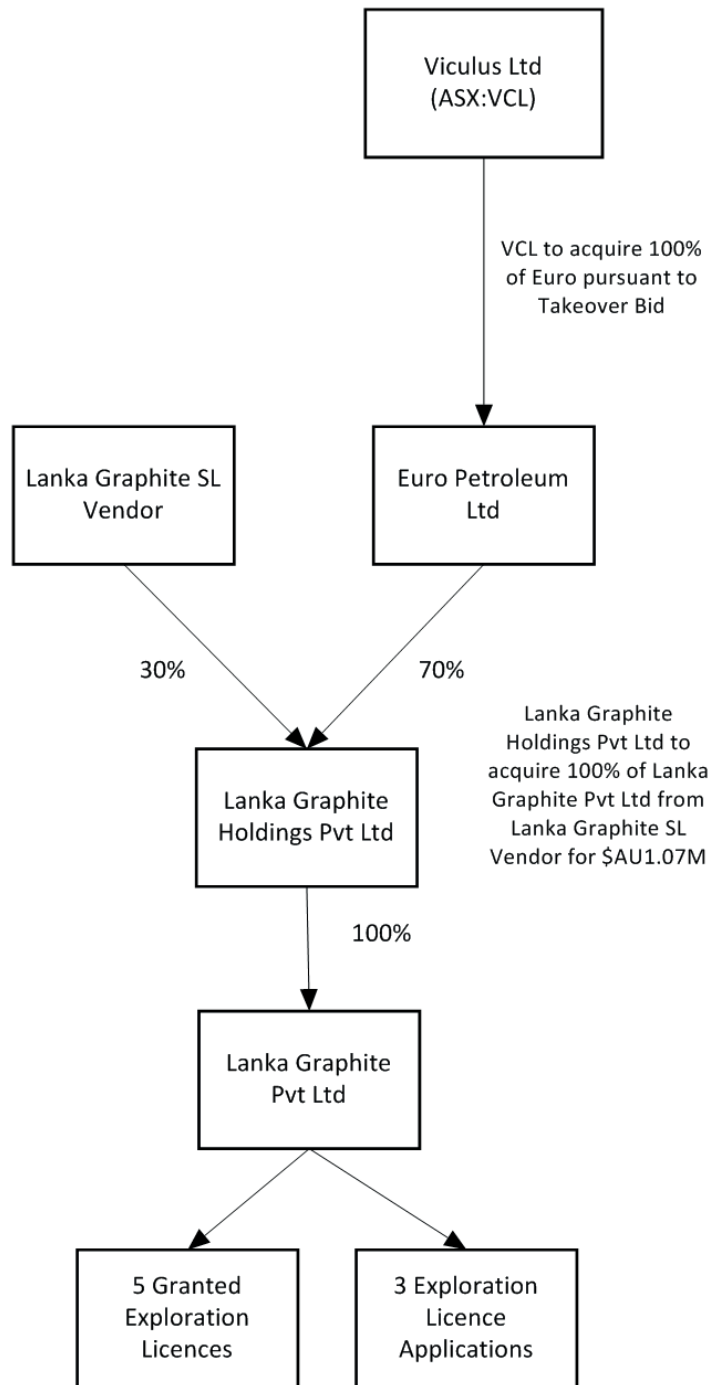
- the conditions precedent described in Schedule 1 ('Conditions Precedent') being met; and
- no Superior Proposal emerging.

As previously noted, Euro holds a 70% shareholding in Lanka Graphite Holdings. Lanka Graphite Holdings' wholly owned subsidiary, Lanka Graphite Pvt Ltd (No. PV 90062) ('Lanka Graphite SL'), owns the Tenements and Exploration Licence Applications in Sri Lanka which may be prospective for graphite.

Lanka Graphite SL has been granted five (5) exploration licences over project tenements in the Western Province of Sri Lanka ('Tenements') and holds three (3) Exploration Licence Applications which may be prospective for graphite. It is intended that further Exploration Licence Applications will be sought by Lanka Graphite SL in the future.

Upon Completion of the Takeover Bid and Re-Admission, the Company will conduct exploration activities on the Tenements and will be entitled to the graphite mineralization at the Tenements, if any.

Please refer to Figure 1.1 below for details of the proposed transaction structure.



(Figure 1.1)

2.3 Merger Proposal

The merger is proposed to be effected by means of the Company making the Takeover Bid for all of the Euro Shares and any Euro Shares that are issued pursuant to the exercise of any Euro Option, at any time from and including the Takeover Record Date to and including the last day of the Takeover Bid Period.

As a condition of the Takeover Bid, all Euro Options will be cancelled and, as consideration for the cancellation of the Euro Options, VCL Options will be issued to existing Euro Optionholders on a 1:1 basis.

(Takeover Bid):

Assuming that the Takeover Bid reaches Completion, the Company will issue approximately 40,795,100 Shares to Euro Shareholders and 9,750,000 Options to Euro Optionholders, as the consideration offered by the Company to the Euro Securityholders pursuant to the Takeover Bid will be:

- (a) One (1) Share for every one (1) Euro Share held;
- (b) One (1) Option for every one (1) Euro Option held and cancelled pursuant to the Bid Conditions.

The Takeover Bid values Euro's total issued capital at approximately \$8,159,020 (based on the deemed issue price of the Consideration Shares being \$0.20 per Share).

The Takeover Bid is subject to a number of Bid Conditions, the most significant of which include:

- (a) The Company obtaining at least 80% of all issued share capital in Euro pursuant to the Takeover Bid;
- (b) The capital raising undertaken pursuant to this Prospectus raising a minimum of \$3,500,000 by the issue of 17,500,000 Shares;
- (c) The allotment and issue to the Euro Shareholders of one (1) ordinary share in VCL for every one (1) share held in Euro;

- (d) The allotment and issue to the Euro Option holders of one (1) VCL Option for every one (1) option held in Euro (and cancelled on Completion) on the terms described in Schedule 2
- (e) Euro procuring completion of the acquisition of its underlying legal interest in the Tenements and Exploration Licence Applications through its holding of 70% of Lanka Graphite Holdings and payment of the balance purchase price consideration of \$1,070,000 to the Lanka Graphite SL Vendor contemporaneously with completion of the acquisition of Euro by the Company;
- (f) Shareholder approval being obtained as may be required;
- (g) The Company satisfactorily complying with the re admission requirements of Chapters 1 & 2 of the ASX Listing Rules and being granted in principle approval to re-list on the ASX.

In addition, there are a number of Bid Conditions that are set out in full in Schedule 1 of the Heads of Agreement, which is appended at Schedule 1 of this Prospectus.

2.4 Expected benefits of merger

- (a) The Incoming Director will add valuable experience and skills which can help the Company to grow and develop;
- (b) The Company currently holds no assets and therefore is not generating significant value for the Company's Shareholders;
- (c) the Completion of the Takeover Bid represents a significant investment opportunity for the Company to transition the focus of its activities to graphite exploration;
- (d) the acquisition of potentially valuable mineral projects provides the Company with an opportunity, if an exploration programme is successfully achieved and resources identified at the Tenements, to substantially increase the value of the Company;
- (e) The Tenements are proximal to existing and historic graphite mines; and
- (f) the Company may be able to raise additional funds as a result of the Takeover Bid and Capital Raising.

2.5 Key Dates

Heads of Agreement executed and announced	11 February 2014
Notice of General Meeting dispatched to VCL Shareholders	22 July 2014
Bidder's Statement and Target's Statement lodged with ASIC	1 August 2014
Company to release Bidder's Statement to Target and ASX	1 August 2014
Target to release Target's Statement to Company and ASX	1 August 2014
Bidder's Statement and Target's Statement to be sent to Euro Shareholders	7 August 2014
Company holds General Meeting to approve Transaction	25 August 2014
Prospectus lodged with ASIC	25 February 2015
Prospectus offer opens	25 February 2015
Takeover Bid offer closes	17 March 2015
Prospectus offer closes	17 March 2015
Expected Allotment Date of shares	24 March 2015
Readmission of Company to ASX	31 March 2015

*As required pursuant to Section 625 of the Corporations Act, an application for admission to quotation will be made within 7 days after the start of the Takeover Bid Period and permission for Re-Admission must be granted no later than 7 days after the end of the Takeover Bid Period. As the Company has no control over when such permission may be granted, if at all, the above date for Re-Admission is an estimate and may be liable to be delayed.

Please note that the dates set out in the above timetable are likely to be varied in accordance with the Corporations Act, and, where required, in consultation with ASX. Any changes to the above timetable will be released to ASX. These dates are indicative only and subject to change. The Company reserves the right to vary the dates without prior notice.

2.6 Change in Nature and Scale of Activities and Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has sought, and obtained, Shareholder approval for a change in nature and scale of its activities under ASX Listing Rule 11.1 at the General Meeting, which occurred on 25 August 2014.

As Shareholder approval for a change in nature and scale of activities is required to be obtained for the contemplated transactions, the ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Company is currently suspended from Official Quotation and will

continue to be suspended until it has successfully re-complied with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the ASX's requirements for re-listing. In the event that the conditions to the Offer or for Completion of the proposed Takeover Bid are not satisfied, or the Company does not receive conditional approval for re-quotation of its securities on the ASX, then the Company will not proceed with the Offer and will repay all Application monies received.

2.7 Matters considered at a General Meeting of Shareholders

A General Meeting of shareholders was convened on 25 August 2014 to seek the approval by the Company's Shareholders of a number of resolutions relating to the transaction to acquire Euro ('Necessary Resolutions'). The Necessary Resolutions that were passed at the General Meeting by the Company's Shareholders were:

- approval for the change in nature and scale of activities as a result of the Takeover Bid;
- approval for the issue of up to 25,000,000 Shares as a result of the Offer;
- approval for the issue of Shares to Euro Shareholders as consideration pursuant to the Takeover Bid;
- approval for the issue of Options to Euro Optionholders as consideration pursuant to the Takeover Bid; and

- confirmation of the approval for the appointment of Jitto Arulampalam as Director of the Company upon completion of the Re-Admission, and approval for the re-election of Emily Lee, Alison Coutts, Alex Cowie, as Directors of the Company;

All Necessary Resolutions were passed at the General Meeting in accordance with their respective terms.

The Company also obtained approval at the General Meeting for a change of the Company name to 'Lanka Graphite Ltd'.

2.8 Re-admission of the Company to ASX

The Company is not currently conducting any business activities and is currently suspended from the ASX.

Following the Company's acquisition in the proprietary rights and legal interests in the Tenements and Exploration Licence Applications pursuant to the acquisition of Euro, the Directors intend to focus much of the Company's operations on exploration and evaluation of graphite at the Tenements.

As the Company has no prior involvement in the exploration of graphite, the acquisition of rights to the Tenements and Exploration Licence Applications will result in a significant change in the nature and scale of the Company's activities. Accordingly, the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of the ASX.

Key requirements of Chapters 1 and 2 of the ASX Listing Rules are:

- a prospectus must be issued and lodged with ASX. This Prospectus is anticipated to fulfil this requirement;
- the shareholder spread requirements set out in Listing Rule 1.1 relating to the minimum spread of shareholdings and the minimum number of shareholders must be met;
- the Company must satisfy the "assets test" contained in Listing Rule 1.3; and
- the issue price of the Shares under the Prospectus must be at least \$0.20.

If Completion of the Takeover Bid is achieved and the Minimum Subscription is received by the Offer Closing Date, termination of the Company's suspension, Re-Admission to the Official List and Official Quotation of the Offer Shares and Bid Consideration Shares shall be sought.

Official Quotation of the Shares offered to Euro Shareholders as Bid Consideration must be granted by ASX no later than 7 days after Completion of the Takeover Bid.

2.9 Business Model After Completion of the Euro Merger

Following the successful Completion of the Takeover Bid, the Company –which will then be renamed "Lanka Graphite Ltd" - proposes to focus on the exploration and development of the Tenements. This includes the following principal activities:

- Aerial and satellite mapping of the Tenements;
- Geophysical surveys using airborne electromagnetic surveys;
- Cleaning and dewatering of shafts and adits, allowing access to graphite vein exposures for mapping and sampling purposes;
- a core drilling programme to target the high priority targets, aimed at delineating graphite mineralisation, testing geophysical targets and providing material to assess the properties of the graphite; and
- a geological modelling and resource estimation programme.

(History of Tenement Assets)

There has been relatively little work conducted on the Tenements covered by Exploration Licences EL 236, 237 and 268. However, historical exploration activities in the district and information in the public domain for these areas suggests that the area potentially hosts vein graphite mineralization.

Exploration Licences 266 and 237 were applied for because they covered part of the geographical shear zones which also occurred within EL 236. Therefore, there has been no prospecting work performed on the Tenements subject to Exploration Licences 266 and 237 to date.

However, the Tenements subject to Exploration Licence Application numbers EL 952, EL 953 and EL 954 all show evidence of historical graphite mining or prospecting

Historical exploration for graphite in the Tenements and Exploration Licence Application areas was typically in the form of adits, trenches and shafts excavated in the late 1800s and early 1900s. However, the small scale of the workings make it difficult to identify which workings represent prospecting activity and which workings represent mining activity.

Please refer to the Independent Geologist's Report in Section 7 of this Prospectus for further information.

(Competitor activity)

Within Sri Lanka there are two operating mines, Bogala Graphite Lanka Ltd (owned by the Ms Graphit Kropfmeul AG group of companies), and Kahatagaha Graphite Lanka Ltd (a state owned company).

The Australian based company, Bora Bora Resources Ltd has Exploration Licences in the region of the Kahatagaha mine.

In Canada the company Canada Graphite Inc. has issued a press release that the company plans a drilling programme on the Miller Graphite Mine, a mine that is claimed to have historically mined vein lump graphite of similar quality to the Sri Lankan graphite.

For further information, please refer to the Independent Geologist's Report in Section 7 of this Prospectus.

(Proposed exploration and evaluation programme)

Lanka Graphite SL commissioned the Technical Services Division of the GSMB to assist it to identify graphite target areas for Exploration Licence Applications and to draft exploration proposals. This work was limited to field surveys to identify old graphite mining areas and the compilation of maps based on 1:50,000 geology regional geology maps showing geological and structural target areas. GSMB also consulted with local inhabitants as to historical mining information.

Initially exploration will comprise mapping and trenching and interpreting the aeromagnetic data to identify geophysical anomalies similar in character to those seen at the old mine sites and known areas of graphite mineralization, as well as the structural setting of those prospects.

The high priority targets from this work will then have ground exploration mapping geophysical surveys completed followed by drill testing of the best targets.

Further details relating to the proposed exploration programme is set out in the Independent Geologist's Report in Section 7 of this Prospectus.

(Key dependencies)

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or future mining of its Tenements.

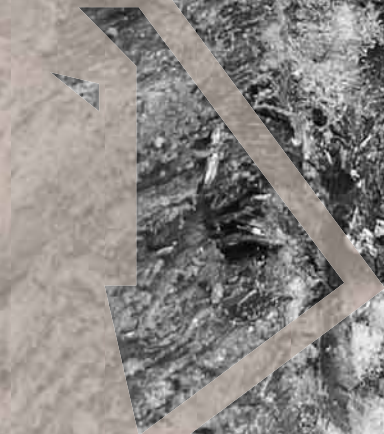
Given the Company will be an exploration company following Re-admission, it is unlikely to make money or generate income in the short term from its mining exploration activities. Until the Company is able to realize value from the Tenements or future mining activities conducted on the Tenements, the Company is likely to incur ongoing operating losses.

Key dependencies of the business model outlined above include:

- Counterparty performance under the contractual agreements with the Lanka Graphite SL Vendor for the acquisition of an interest in the Tenements;
- Counterparty performance under the Heads of Agreement between the Company and Euro;
- The successful Completion of the Takeover Bid and Re-admission;
- Sri Lankan Board of Investments ('BOI') and GSMB approval being granted to Euro for its intended activities in Sri Lanka, and
- Any other necessary regulatory approvals being secured and maintained.

03

**DETAILS
OF THE OFFER**



03 | DETAILS OF THE OFFER

3.1 Shares Offered for Subscription

This Prospectus invites investors to apply for a total of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000. The Offer will be open to investors with registered addresses in Australia and other investors to whom it is lawful to make an offer to pursuant to this Prospectus.

All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with Shares already on issue.

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

The details of how to apply for Shares are set out below.

Applicants should be aware that ASX will not admit any Shares issued pursuant to this Offer to Official Quotation until the Company has re-complied with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List. As such, the Shares issued under the Offer may not be able to be traded for some time after the close of the Offer.

In the event that the Company does not receive approval for re-admission to the Official List, the Offer will be withdrawn and the Company will repay all application monies received by it in connection with the Offer (without interest).

3.2 Minimum Application

Applications must be for a minimum of 10,000 Shares. Applications to acquire Shares will only be accepted on submission of the Application Form attached to this Prospectus.

The Directors may reject any application or allocate any Applicant fewer Shares than that Applicant applied for.

by post to:

Viculus Ltd

Level 18, 101 Collins Street,
Melbourne, Victoria 3000

OR

Viculus Ltd

C/- Computershare
GPO Box 52
MELBOURNE VIC 3001

No brokerage or stamp duty is payable by Applicants.

3.3 Minimum Subscription

The Minimum Subscription for this Offer is 17,500,000 shares to raise \$3,500,000. If the Minimum Subscription is not achieved within three (3) months after the date of this Prospectus, the Directors will not allot any new Shares and all Application monies will be returned without interest.

3.4 Over-Subscriptions

The Company will not accept over-subscriptions.

3.5 Opening and Closing Dates

Subscription for Offer Shares will open on 9.00am EST on the Opening Date and remain open until 5.00pm EST on the Offer Closing Date.

The Opening Date and Offer Closing dates are subject to the right of the Directors to either close the offers at an earlier time and date or to extend the closing time and date without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

3.6 Applications for Shares – How to Apply

Applications for Shares offered by this Prospectus may only be made on the Offer Application Form attached to and forming part of this Prospectus. Please read the instructions on the Application Form carefully before completing it.

Completed Application Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to Viculus Ltd Subscription A/C and may be lodged at any time after the issue of the Prospectus and on or before the applicable closing date as follows:

or delivered to:

Viculus Ltd

Level 18, 101 Collins Street,
Melbourne, Victoria 3000

3.7 Acceptance of Applications

An Application for Shares may be accepted in full, for any lesser number, or rejected by the Directors. If any Application is rejected, in whole or in part, the relevant Application monies will be returned without interest.

3.8 Share Capital Structure after the Offer:

The effect of the Offer and the acquisition of Euro on the Company's capital structure is set out below.

Shares

	Min Raising (\$3.5 million)	Max Raising (\$5 million)
Shares on Issue as at the date of this Prospectus	10,173,860	10,173,860
Shares to be issued under the Offer	17,500,000	25,000,000
Shares to be issued to Euro Shareholders as consideration under the Takeover Bid	40,795,100	40,795,100
Total Number of Shares on Issue following Offer Close Date	68,468,960	75,968,960

Options

Details	No. of Options	Exercise Price	Expiry
Options on Issue as at the date of this Prospectus	0	N/A	N/A
Options to be issued to Euro Optionholders as consideration under the Takeover Bid	9,750,000	\$0.30	24 months after the date of issue
Directors Options	5,500,000	\$0.30	36 months after the date of issue
Total Options on issue if Completion of the Takeover Bid occurs	15,250,000	\$0.30	24 and 36 months after the date of issue (as noted above)

3.9 Application of Funds

Under the Offer, the Company plans to raise up to \$5,000,000. The Company intends to apply the funds raised from the Offer as follows:

Funds available	Minimum Subscription	Percentage of Funds (%)	Full Subscription	Percentage of Funds (%)
Pre-offer Cash	\$55,008		\$55,008	
Total raised in this offer	\$3,500,000		\$5,000,000	
Total Funds Available	\$3,555,008		\$5,055,008	
Allocation of Funds:				
Exploration and evaluation activities over a two (2) year period*	\$1,482,500	41.7%	\$2,855,000	56.5%
Expenses of Offer	\$354,533	10%	\$354,533	7%
Administration, overheads and working capital (over a two (2) year period)	\$615,000	17.3%	\$615,000	12.2%
Payment of balance purchase price to Lanka Graphite SL Vendor	\$1,070,000	30%	\$1,070,000	21.2%
Total Funds applied	\$3,522,033		\$4,894,533	

Notes: *If the Company raises less than the maximum amount offered under this Prospectus then the exploration budgets set out above may be reduced proportionately.

The use of the funds allocated to meet ongoing working capital requirements will depend on the results achieved and on future opportunities that may arise.

The Directors consider that on completion of the Offer (based on the Minimum Subscription amount), the Company will have adequate capital to meet its current objectives and requirements as set out in this Prospectus.

However, investors should be aware that the Company may expend its cash reserves on its activities more quickly than anticipated. The Directors will consider further equity funding where it considers that the raising of such further capital is necessary to meet the Company's objectives and requirements.

3.10 Company Constitution and Rights attaching to Shares

The Constitution sets out the internal rules of the Company. The section below summarises the material provisions of the Constitution, including the rights and liabilities attached to Shares. This summary is not intended to constitute an exhaustive statement of the rights and liabilities of Shareholders.

Issue of Shares

The issue of Shares and Options by the Company is under the control of the Directors, subject to the Corporations Act, ASX Listing Rules and any rights attached to any special class of shares.

Transfer of Shares

Pursuant to the Constitution, a Shareholder may transfer a Share by any means permitted by the Corporations Act or by law.

The Company participates in the share registration and transfer system known as CHESS, which is operated by ASX under the Security Clearing House Business Rules. Under CHESS, the Company may issue holding statements in lieu of share certificates. The Company is not permitted to charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of Shares only if the refusal would not contravene the Corporations Act or the Listing Rules, where the registration would create a new parcel of unmarketable securities.

Variation of Shares

The rights attached to any class of Shares may, unless their terms of issue state otherwise, be varied with the written consent of 75% of the holders of issued shares of the affected class, or authorised by a special resolution passed at a separate meeting of the holders of the shares of the affected class.

Meetings of members (General meetings)

The Directors may call a meeting of members whenever they think fit.

Members may call a meeting in accordance with the Corporations Act. Pursuant to the Constitution, the Notice of General Meeting sent to Shareholders must contain certain information. The Constitution contains provisions prescribing the content requirements for notices of meetings sent to Members. All Members are entitled to attend, and will receive at least 28 days notice of a general meeting. A quorum for a general meeting is two (2) Members who are eligible to vote at the general meeting, or, if only one (1) Member is entitled to vote, that Member.

The Company will hold an annual general meeting in accordance with the Corporations Act and the Listing Rules.

Voting rights

Subject to any rights or restrictions for the time being attached to any Shares or class of shares of the Company, each Shareholder, whether present in person or by proxy, attorney or representative at a meeting of Shareholders, has one vote on a show of hands and one vote on a poll for each fully paid share held and a fraction of a vote for each partly paid share, equivalent to the proportion paid up on that share. Resolutions of members will be decided by a show of hands unless a poll is demanded.

A poll may be demanded by the chairperson of the meeting, at least 5 Shareholders (or their proxy, attorney or representative) entitled to vote on the resolution, or any one or Shareholders holding not less than 5% of the votes that may be cast on the resolution on a poll.

Directors

The business of the Company is to be managed by or under the direction of the Directors. The Company must have at least three (3) Directors and not more than twelve (12). The Board may appoint a person to be a Director at any time, but any such Director must retire at the next annual general meeting (at which meeting he or she may be eligible for election as director).

The Company in general meeting may elect Directors by ordinary resolution.

At each annual general meeting, with the exception of the Managing Director and those Directors appointed by the Board, one third of the Directors and any Director who will have been in office for three (3) or more years must retire from the Board, and are eligible for re-election.

The aggregate remuneration of the non-executive Directors must not exceed the amount last fixed by ordinary resolution.

Dividends

The Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies.

Subject to any rights attaching to shares which may in the future be issued with special or preferred rights, the Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to shares (such as preference shares), dividends will be paid proportionately. The Company is not required to pay any interest on dividends.

Investors should note that it is unlikely that the Company will pay any dividends in the near future.

Winding Up

On a winding up of the Company a liquidator may, with the sanction of a special resolution of the Shareholders, divide among the Shareholders the property of the Company in proportion to the Shares held by them. The liquidator may determine how the division is to be carried out as between the members or different classes of members.

3.11 Rights attaching to options

As at the date of this Prospectus, the Company has no Options on issue. Pursuant to the Takeover Bid, it is proposed that 9,750,000 Options be issued to Euro Optionholders as consideration for the cancellation of the Euro Options. The Company has also obtained approval to issue 5,500,000 Options to Directors, subject to Completion of the Takeover Bid and Readmission of the Company. In the event that Completion of the Takeover Bid is achieved, the Company will therefore have 15,250,000 Options on issue.

The Options offered to Euro Optionholders will be issued on the terms and conditions below. All other terms and conditions of the Options will be in accordance with the requirements of the Listing Rules.

Options Not Listed

Options are transferable and will not be quoted on the ASX. If the Company's ordinary shares have been admitted to quotation by the ASX then the Company must apply to the ASX within ten (10) business days after the date of issue of any shares issued upon exercise of the Options, for such shares to be admitted to quotation.

Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option. All shares issued on the exercise of the Options will rank equally with all existing ordinary shares in the capital of the Company.

Exercise Price

The amount payable upon exercise of each Option will be \$0.30 ('Exercise Price').

Expiry Date

The Options issued to Directors shall expire upon 36 months from the date of issue and Options issued to Euro Optionholders shall expire on 24 months from the date of issue of the Options ('Expiry Date') and are exercisable at any time on or prior to the Expiry Date ('Exercise Period'). Options not exercised before the Expiry Date will lapse upon the Expiry Date.

Notice of Exercise

The Options shall be exercised during the Exercise Period by making notice in writing to the Company in accordance with the Option certificate and payment of the Exercise Price for each Option by electronic funds transfer or any other means of payment by the Company.

Reorganisation of capital

If, prior to the expiry of the Options, there is a reorganisation of the issued capital of the Company then the rights of an Option holder will be changed to the extent necessary in order to comply with the Listing Rules applying to a reorganisation of capital, as are applicable at the time of the reorganisation.

Participation in new issues of securities

An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company to the extent the Option has been exercised and the shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give reasonable notice to the Option holder of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules.

Bonus issues

If the Company makes a bonus issue of shares pro rata to holders of ordinary shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the Option had been exercised before the record date for the bonus issue.

3.12 Allotment

Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares for which the Application is accepted.

The Company will allot and issue the Shares offered by this Prospectus as soon as possible after the grant of quotation of the Shares offered under this Prospectus.

Following the allotment and issue of the Shares, statements illustrating Applicants' Shareholdings in the Company will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

3.13 Application Monies Held on Trust

All Application monies received for the Shares offered under this Prospectus will be held in trust in a bank account established solely for the purpose of depositing application monies received pursuant to this Prospectus until the Shares are allotted. Application monies will be returned (without interest) if the Shares are not allotted.

3.14 Taxation

The following taxation summary provides a general overview of the Australian tax implications to Australian investors who acquire and hold Shares under the Offer contained in this Prospectus.

The following summary is not intended to be a complete statement of the possible implications for investors.

The individual circumstances of each investor may affect the taxation implications of the investment for that investor. It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in the Company should seek independent professional advice with respect to the tax consequences arising from such an investment.

This summary is based on the current Australian taxation law, and administrative practice of the Commissioner of Taxation (Commissioner), as at the date of this Prospectus. However, potential investors should be aware that the law, and the way in which the Commissioner interprets and administers the law, may change at any time, and that the ultimate interpretation of the Australian taxation law rests with the courts.

These comments do not apply to Shareholders that are insurance companies, banks or carry on a business of trading in shares, or hold Shares otherwise than on capital account (ie: on revenue account.)

Capital gains tax

Australian income tax laws contain a capital gains tax (CGT) regime and resident Shareholders will be subject to the CGT regime on disposal of those Shares.

The cost base used to assess any capital gain or loss on Shares is generally the amount a shareholder pays to acquire the Shares plus any incidental costs of acquisition and non-capital costs of ownership incurred. A capital gain typically arises when an asset is disposed of and the capital proceeds exceed the cost base of acquiring the

asset. Conversely, a capital loss generally arises if the cost base exceeds the capital proceeds received.

Capital losses made in the same or prior years can typically be offset against any capital gains. Any remaining net capital gain is included in assessable income and taxed, with the amount of tax payable depending on the individual taxpayer's tax profile. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to certain restrictions.

Non-resident Shareholders will not be subject to CGT on disposal of their Shares, as the Shares are not in a company which is Australian "land rich".

Disposing of your shares

If you are an Australian resident for tax purposes and you dispose of your Offer Shares, this may give rise to a capital gain. Such capital gain would be equal to the capital proceeds received for the disposal of the Offer Shares, less the cost base of the Offer Shares. Complying superannuation entities are entitled to a CGT discount of one-third if the Offer Shares been owned for at least 12 months at the date that the Offer Shares are disposed of. The net capital gain for individuals or entities acting as trustees of trusts (which have presently entitled beneficiaries) may be reduced by 50% if the Offer Shares were held by more than 12 months as at the date of disposal (this 50% discount does not apply to Companies that hold Shares).

Dividends

As since the source of the Company's income and gains will be foreign, and are likely to be tax exempt at the level of Company, any dividends paid by the Company are likely to be unfranked,

Resident Shareholders will be fully subject to Australian tax on unfranked dividends.

Non-resident Shareholders will be subject to Australian withholding tax at the rate of 30% if they are not resident in a country that has a double tax agreement with Australia (e.g. Hong Kong), and usually at 15% if a resident of a treaty country (e.g. Indonesia, Singapore, Malaysia, Thailand, China). Dividend withholding tax is a final tax, and no deductions (e.g. interest expense) may be claimed against it.

Nominees

Where a non-resident uses an Australian nominee to hold its Shares:

- i. as the CGT law disregards the nominee, any capital gain will continue to be free of Australian tax; and
- ii. Since the issue of TD 2014/13, it has become clear that the beneficial owner will be entitled to reduced rates of withholding tax under any relevant double tax agreement.

3.15 Foreign Selling Restrictions and Overseas Applicants

This Prospectus does not, and is not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to register or qualify the Shares the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

It is the responsibility of any applicant for Shares that is based in a foreign jurisdiction (outside Australia) to ensure compliance with all laws of any foreign jurisdiction that are relevant and applicable to their Application. The return of a properly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of any applicable foreign jurisdiction laws and that all necessary approvals and consents have been obtained.

3.16 Escrow

The Shares issued to Euro Shareholder parties that are associated with the directors of Euro who are being appointed directors of the Company in connection with the Takeover Bid are anticipated to be subject to ASX imposed escrow of twenty (24) months. Restriction agreements in relation to the above Shares will be entered into in accordance with ASX Listing Rules.

The Shares issued to the Euro Shareholders in connection with the transaction may be subject to an escrow period of up to 24 months, and, in some instances, a lesser escrow period may apply.

The Company has applied to ASX for a waiver of the escrow provisions of the ASX Listing Rules (being ASX Listing Rule 9.1.3 and Appendix 9B) as they apply to Shares and Options issued pursuant to the Takeover Bid. If such relief is granted, the Company will be permitted to:

- (a) amend the commencement of the 12 month escrow period prescribed by Paragraph 2, Appendix 9B in respect to the Bid Consideration issued to Euro Securityholders who are not related parties or promoters of Euro, so that the escrow period begins on the date that the relevant Euro Securityholder subscribed for shares in Euro; and
- (b) have regard to the issue price of each Euro Securityholder's Euro Shares and Euro Options when determining the proportion of each Euro Securityholder's Bid Consideration securities that will be treated as restricted securities pursuant to Listing Rule 9.1.3.

If granted, the waiver of the escrow provisions will not apply to the extent that Euro has issued securities in consideration for services provided to Euro or for the acquisition of assets from vendors. For further information about how the ASX Listing Rules will apply to the Bid Consideration securities, please refer to Section 3 of the Bidder's Statement.

Other than as set out above, the Company has not applied for or obtained any modifications of, or exemptions from, the ASX Listing Rules pursuant to this Offer.

ASX may determine further escrow restrictions once the Company lodges its application for quotation of the Shares.

3.17 CHES

The Company will apply to CHES, the Clearing House Electronic Sub-Register System (CHES) operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX. This is regulated by the Listing Rules and Security Clearing House Business Rules.

Under this system, the Company will not issue certificates to investors. Instead, shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASIC will send the broker a CHES statement. The CHES statement will set out the number of securities allotted to each investor under the Prospectus, give details of the investor's Holder Identification Number and give the Participant Identification Number of the sponsor.

If an investor is registered on the issuer sponsored subregister, their statement will be dispatched by the Share Registry and will contain the number of securities allotted under the Prospectus and the investor's Security holder Reference Number and their Sponsor Issuer Number.

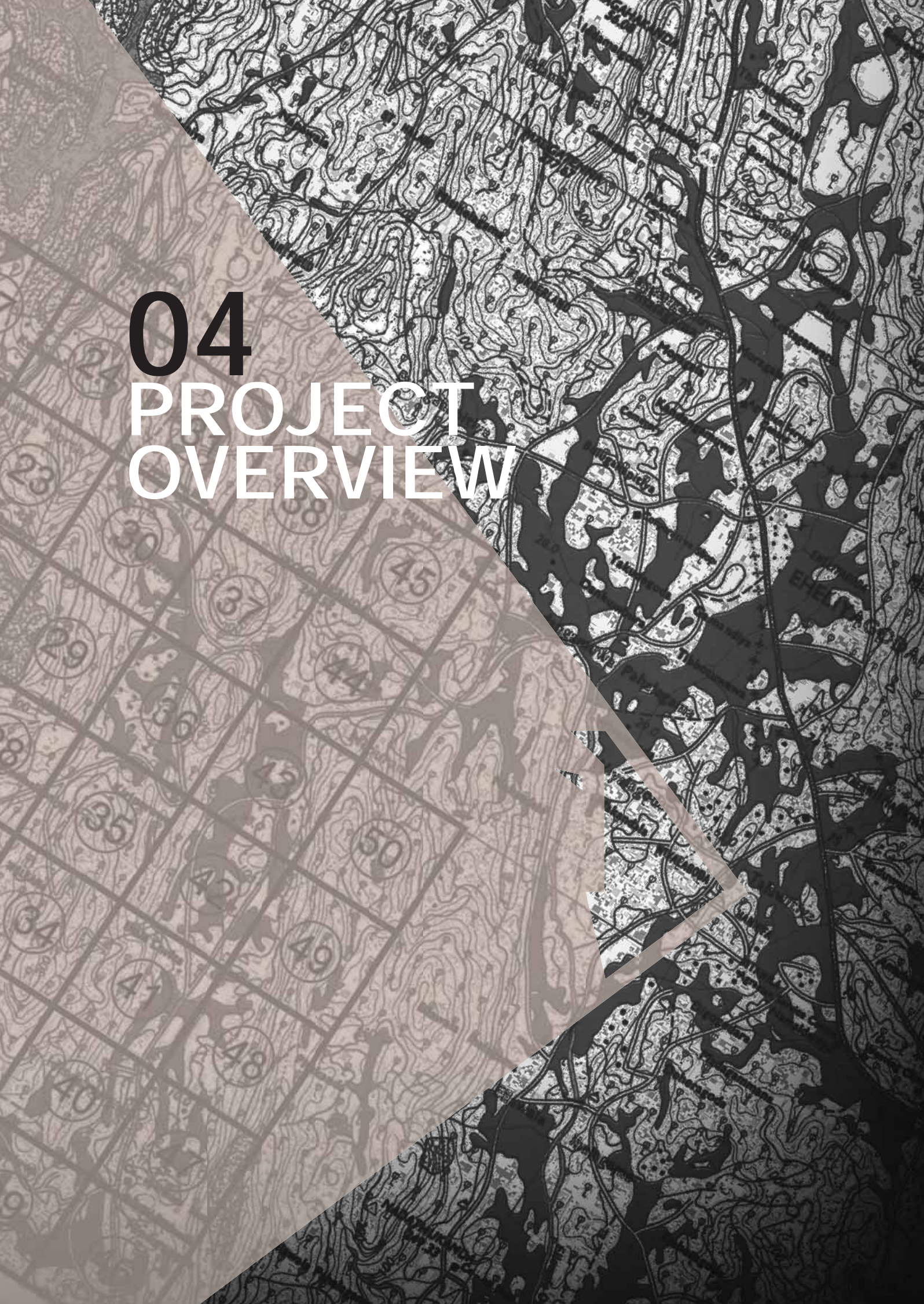
A CHES statement or Issuer Sponsored Statement will routinely be sent to investors at the end of any calendar month during which the balance of their holding changes. An investor may request a statement at any other time. However, a charge may be made for additional statements.

3.18 Professional Advice

The Directors recommend that potential investors, when making an informed assessment of what will be the assets and liabilities, financial position, profits and losses and prospects of the Company should read this Prospectus in its entirety. Potential investors who have any questions about investing in the Company or are in any doubt about any matter relating to the Offer, should seek the advice of their professional advisers.

3.19 Withdrawal

The Company may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application monies without interest at the earliest practicable time.



04 PROJECT OVERVIEW

04 | PROJECT OVERVIEW

4.1 Graphite Market

Graphite is an allotrope of carbon used primarily for its properties of high thermal and electrical conductivity, high refractoriness, chemical inertness and stability. Graphite has the highest thermal and electrical conductivity of all non-metals.

Natural graphite is traditionally used for foundry facings, steelmaking, crucibles, refractories, lubricants and pencils. There are three discrete commercial types of graphite, flake graphite (80-99% carbon), amorphous graphite (70-85% carbon) and highly crystalline graphite (90-99% carbon). Graphite are graded using carbon content, ash content and ash chemistry, as well as other criteria.

Processing of natural and synthetic graphite produces high-purity graphite, with up to 99.9% carbon content. This processing may enhance the conductivity, consistency and lubricant content of the graphite. Amorphous graphite is used in foundry facings, refractories and steelmaking. In contrast, crystalline graphite is used for making crucibles. The use of recycled graphite refractories in applications such as thermal insulation and brake linings is also growing.

The low friction coefficient of natural graphite renders it suitable for coatings, pencils, powder metallurgy, batteries, lubricants and refractories. Low-quality graphite can now be used in high-technology applications, once the province of synthetic materials. Natural graphite has a significant cost advantage of lower production cost when compared to synthetic graphite.

4.2 Overview of the Tenements

Euro is an unlisted public company that holds 70% of Lanka Graphite Holdings, a private company incorporated in Sri Lanka which holds 100% of the issued share capital of Lanka Graphite SL.

Lanka Graphite SL has been granted five (5) exploration licences over project tenements in the Western Province of Sri Lanka ('Tenements') and currently holds three (3) Exploration Licence Applications which may be prospective for graphite.

A further application for an Exploration License has been lodged with GSMB, being No. COM 011 and is presently awaiting clearance from certain governmental authorities. If such clearances are obtained, this may be formally registered with GSMB as an Application for an Exploration License.

As announced on ASX on 11 February 2014, the Company has entered into a Heads of Agreement with Euro Petroleum Ltd, pursuant to which the Company agrees that it will make a Takeover Bid for Euro Shares, enabling the Company to secure an interest in the Tenements and Exploration Licence Applications. Euro has agreed to facilitate the Takeover Bid and recommend the Takeover Bid to Euro Shareholders (subject to the Conditions Precedent outlined in Schedule 1 being met) if no Superior Proposal emerges.

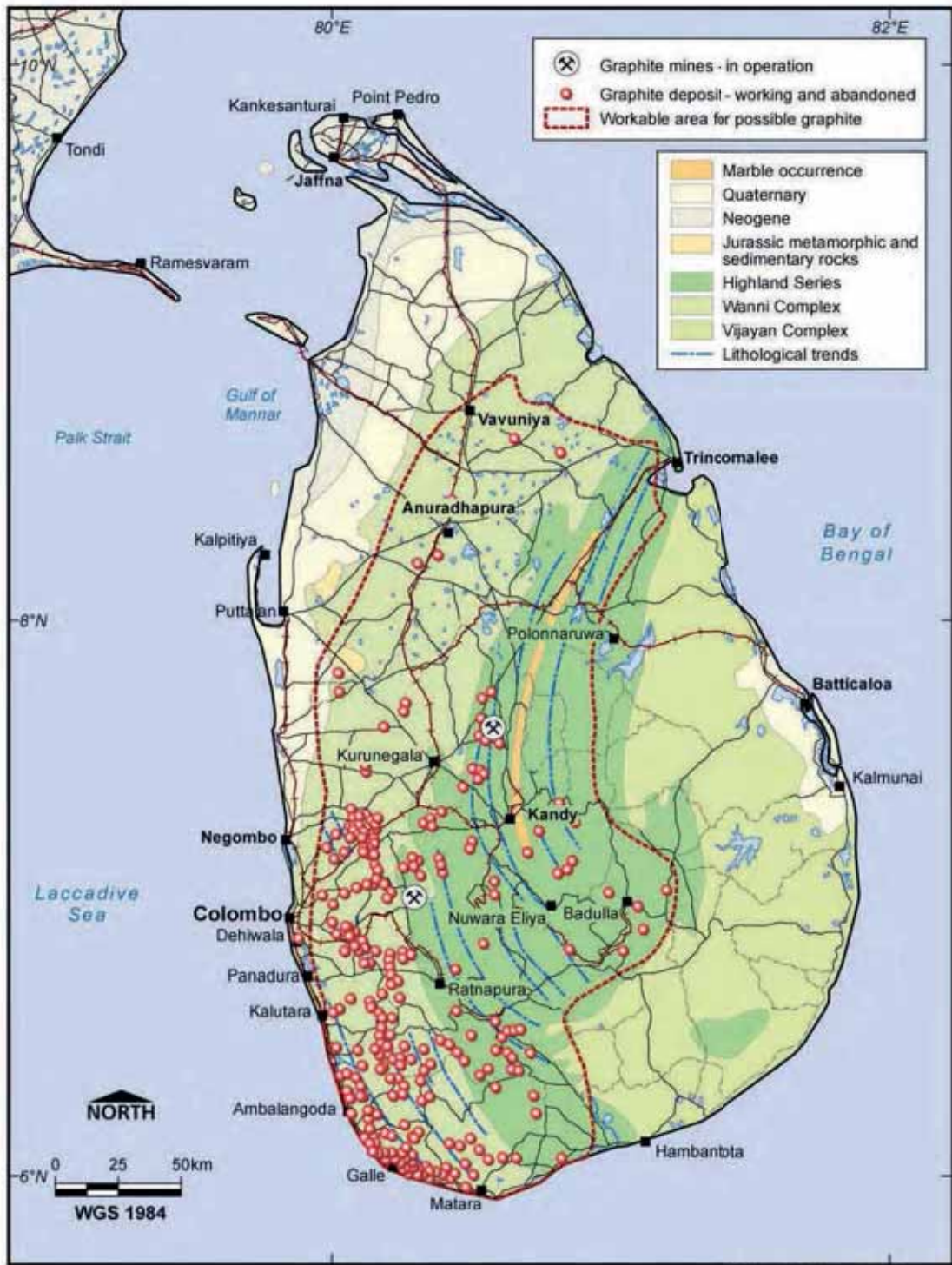
Following Completion of the Takeover Bid and successful Readmission, the Company will be entitled to explore for graphite on the Tenements and exploit the graphite mineralization.

Details of the Tenements and Exploration Licence Applications are set out below:

Tenement	Zone	District or Province	1:50 000 Mapsheet and Number	Number of Grids (km ²)	Application Status	Date Granted	Validity
EL236	EL236 Zone 1	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	Western	Attanagalla 60	17	Granted	29/5/13	24 Months
	EL237 Zone 2	Kegalle, Western	Attanagalla 60	11			
	EL237 Zone 3	Western	Attanagalla 60	5			
EL266	EL266	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	Sabaragamuwa, Southern	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			
EL952	Jatuwangoda Paragala Pimbura	Ratnapura, Sabaragamuwa	Ratnapura, 74	9	Application made		
EL954	Kukulegama Pitigalakanda Kalawana	Sabaragamuwa	Matugama, 80	28	Application made		
EL953	Wadawala Pannala Walapane Landupita	NuwaraeliyaCentral	Hanguranketa, 62	9	Application made		

Please refer to the Independent Geologist's Report in Section 7 for further information on the history of the Tenements, previous exploration activities and the expenditure commitments for the Tenements.

Please note that there is a risk that exploration licences or Exploration Licence Applications over the Tenements may expire and be unable to be renewed on commercially viable terms, or at all. Further, there is a risk that landowners in the Tenements may not consent to the proposed exploration activities or may withdraw such consent, if granted, adversely affecting the Company's proposed operations. For further information, please refer to Section 6 of this Prospectus.



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Figure 1.2: Simplified Geology Map of Sri Lanka, showing distribution of historical graphite mines

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05 BOARD & CORPORATE GOVERNANCE



05 | BOARD AND CORPORATE GOVERNANCE

5.1 Directors' Profiles

Emily Lee (Executive Director)

Ms. Emily Lee has been the Managing Director of the Company since March 2014.

Ms. Lee has results-based experience in corporate and business relationship management in the biotechnology field. She serves as Managing Director of Mercer Capital, a boutique private equity firm based in Melbourne. She was instrumental in leading a successful underwriting and capital raising exceeding \$5 million for an ASX-listed biotech company. She was previously Non-Executive Chairman at Australian Natural Proteins Limited from July 2014 until February 2015. She is a member of the Australian Institute of Company Directors (MAICD). Ms. Lee has been a Director of the Company since June 11, 2013.

Ms. Lee is a Melbourne based businesswoman with a substantial track record of success in the corporate and government sectors in Australia and Asia.

Alison Coutts (Non-Executive Director)

Alison has extensive experience across a number of industry sectors and disciplines. This includes international engineering project management in large oil and gas projects with the Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with the Boston Consulting Group, and executive search with Egon Zehnder. For a year she also lectured in Physical Chemistry at the University of the West Indies in Barbados.

Alison is formerly Chair of CSIRO's Health Sector Advisory Council and was a founder and director of eG Capital, which was a preeminent financial advisory firm in the Australian Life Sciences sector.

Most recently, Alison has focused on advising and raising capital for a number of emerging technology companies. In addition to the above, she has also founded a clinical stage drug development company and two medical device companies.

Alison has a degree in Chemical Engineering from the University of Melbourne and an MBA with Distinction from the Melbourne Business School, where she also won the CRA prize in Business Policy. She also has a Graduate Diploma in Biotechnology from the University of Melbourne.

Alison is also Executive Chairman of NuSep Ltd and a Non-Executive Director of DataDot Ltd.

Alex Cowie (Non-Executive Director)

Alex Cowie is Director Research, Marketing and Distribution for Canaccord Genuity (Australia). In the 2104 East Coles Survey, Canaccord Genuity (Australia) was voted best independent broker, best independent research house, and best independent house for equity capital markets.

Alex was previously Editor of Diggers and Drillers where he pioneered a strategic minerals strategy, with a focus on the graphite. In early 2012, Alex was the first to publish research on highly successful graphite explorer Syrah Resources. He has been a speaker on the graphite industry at several leading mining conferences, including Mines and Money Australia, and Mines and Money Hong Kong.

Alex holds a Master of Applied Finance through Kaplan Education, where he focused on Mining Valuation, Marketing, and Strategic Management.

Jitto Arulampalam (Proposed -Executive Chairman)

It is proposed that Jitto Arulampalam join the Board from Euro Petroleum Ltd. Jitto has considerable experience as a director of various listed public companies in Australia. Jitto is currently Chairman of Progen Pharmaceuticals Ltd (ASX:PGL). He has previously held positions as Chairman of Fortis Mining (now Kazakhstan Potash Corporation Ltd), Great Western Exploration, Medicvision Limited and Atos Wellness Limited.

5.2 Company Secretary

Derek Lo

Derek is a principal of Canaan Lawyers.

Derek acts for corporations and individuals based in Australia and elsewhere in the Asia Pacific region. He has advised clients from a range of industries including manufacturing, wholesale, retail, financial services, international trade, professional services, education and construction.

Derek has provided strategic advice to Australian and overseas businesses on international trade and establishing new enterprises in foreign jurisdictions. He frequently presents at seminars for business people and is a regular guest presenter on SBS Radio.

5.3 Disclosure of Current Directors and Company Secretary's interests

Prior to the Completion of the Takeover Bid, the Current Directors and Company Secretary had relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options
Emily D'Çruz	Nil	Nil
Alison Coutts	Nil	Nil
Alex Cowie	Nil	Nil
Derek Lo	Nil	Nil

After Completion of the Takeover Bid has occurred, the Directors and Incoming Director will have relevant interest in Shares and Options as set out below:

Director	Shares	Options
Jitto Arulampalam	Nil	3,000,000
Emily Lee	Nil	4,000,000
Alison Coutts	Nil	500,000
Alex Cowie	Nil	500,000
Derek Lo	Nil	500,000

(Directors' Remuneration)

The remuneration paid by the Company to each Director is as follows:

- (a) Emily Lee (Executive Director): \$150,000 per annum, being comprised of a salary of \$120,000 and a further \$30,000 in directors' fees;
- (b) Alison Coutts (Non-Executive Director): \$30,000 per annum; and
- (c) Alex Cowie (Non-Executive Director): \$30,000 per annum.

Once Jitto Arulampalam joins the Board as a Executive Chairman, he will be paid \$150,000 per annum, being comprised of a salary of \$120,000 and a further \$30,000 in directors' fees in the Company;

(Lanka Graphite SL)

The Director of Lanka Graphite SL is currently Mangala Sena Vijitha Bandarta Ranaraje. Upon completion of the transaction, it is proposed that Jitto Arulampalam and Emily Lee join the Board of Lanka Graphite SL.

After Completion of the Takeover Bid, Mr Ranaraje will not hold a relevant interest in the Company, but will continue as a director of Lanka Graphite SL and will hold 30% of Lanka Graphite Holdings.

(Lanka Graphite Holdings)

The directors of Lanka Graphite Holdings are Mangala Sena Vijitha Bandarta Ranaraje and Jitto Arulampalam. As noted above, Mr Ranaraje will not hold a relevant interest in the Company, but will hold 30% of Lanka Graphite Holdings.

On completion of the Takeover Bid, it is proposed that Emily Lee join the Board of Lanka Graphite Holdings.

5.4 Corporate Governance

(Role of the Board)

The Board is responsible for the following principal matters:

- the strategic direction of the Company
- overseeing, negotiating and implementing the significant capital investments and material transactions entered into by the Company
- management goals and the Company's policies
- monitoring and reviewing the financial and operational performance of the Company
- risk management strategy and review
- future expansion of the Company's business activities

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board;
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
3. Overseeing Planning Activities: the development of the Company's strategic plan;
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;

5. Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company; and

6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.

The Board has adopted a Board Charter which sets out its responsibilities, processes and duties in greater detail.

(ASX Corporate Governance Principles and Guidelines)

The Board is committed to principles of best practice in corporate governance.

The Board will conduct itself in accordance with the ASX Corporate Governance Principles and Recommendations, 2nd Edition (2014) as issued by the ASX Corporate Governance Council, to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own Corporate Governance policies and practices using the ASX Principles and Recommendations as a guide.

The Board will review on an ongoing basis the corporate governance policies and structures that the Company has in place to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards that the Board is committed to.

Summary of Company's position in relation to ASX Principles and Recommendations:

ASX PRINCIPLE AND RECOMMENDATION	COMPANY'S POSITION:
<p>Principle 1</p> <p>Lay solid foundations for management and oversight</p>	<p>The Role of the Board</p> <p>The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.</p> <p>The Role of Management</p> <p>It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.</p> <p>The Company's officers and management have all entered into service contracts which outline the responsibilities of each of the company's officers and of management personnel when performing their roles for the Company.</p>
<p>Principle 2</p> <p>Structure the Board to add value</p>	<p>At the date of this Prospectus, the Company has three directors, being Emily Lee (Executive Director), Alex Cowie (Non-Executive Director) and Alison Coutts (Non-Executive Director).</p> <p>One further director from Euro, Jitto Arulampalam, is to be appointed as an Executive Chairman on Completion of the Takeover Bid.</p> <p>The Board is an appropriate size to effectively and efficiently oversee the management and operations of the Company, based on the present size of the Company's activities.</p> <p>An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. Two of the Directors are independent, being Alison Coutts and Alex Cowie. The Company considers that two of the Directors being independent is appropriate for a company of its size.</p> <p>The Board is responsible for the nomination and selection of directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.</p>
<p>Principle 3</p> <p>Promote ethical and responsible decision making</p>	<p>Code of Conduct</p> <p>The Board has established a <i>Code of Conduct</i> for the Board and Management.</p> <p>The Board is committed to meeting their responsibilities under the Constitution and <i>Corporations Act 2001</i> (Cth) when carrying out their functions as company officers.</p> <p>Diversity Policy</p> <p>The Board has established a <i>Diversity Policy</i> in accordance with the <i>2014 Amendments to the ASX Corporate Governance Principles and Recommendations</i>, and will endeavour to provide for appointments to the Board and Company in accordance with this Policy as the Company develops and grows.</p> <p>Securities Trading Policy</p> <p>The Company has adopted a <i>Securities Trading Policy</i> for directors, officers and employees.</p> <p>The purpose of the <i>Securities Trading Policy</i> is to reduce the risk of insider trading and ensure that the Company's directors, officers and employees are aware of the legal restrictions on trading shares in the Company whilst in possession of undisclosed information concerning the Company.</p> <p>The <i>Securities Trading Policy</i> sets out when trading in the Company's shares by directors, officers and employees is not permitted. Restrictions on trading are imposed by the Company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the Company's directors, officers, or employees are trading while in possession of undisclosed information concerning the Company</p> <p>Reporting Unethical or Illegal Practices</p> <p>Company policy requires employees who are aware of unethical or illegal practices to report these practices to management. Any reports of unethical or illegal practices are investigated by the Board. Reporters of unethical practices may remain anonymous.</p>

ASX PRINCIPLE AND RECOMMENDATION	COMPANY'S POSITION:
<p>Principle 4</p> <p>Safeguard integrity in financial reporting</p>	<p>The Company has established an <i>Audit and Risk Committee</i> which shall be responsible for monitoring and reviewing financial reporting by the Company.</p> <p>The Company has adopted a Charter for the <i>Audit and Risk Committee</i> which sets out the committee's responsibilities, procedures, guidelines and composition.</p>
<p>Principle 5</p> <p>Make timely and balanced disclosure</p>	<p>The Company has adopted a <i>Communication and Disclosure Policy</i> to ensure compliance with the ASX Listing Rules disclosure requirements.</p> <p>To comply with the ASX Listing Rules, the Company intends to immediately notify the ASX of information:</p> <ul style="list-style-type: none"> • concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; • that would, or would be likely to, influence persons who commonly invest in securities. <p>The <i>Communication and Disclosure Policy</i> includes processes designed to ensure that Company information:</p> <ul style="list-style-type: none"> • is disclosed in a timely manner; • is factual; • does not omit material information; and • is expressed in a clear and objective manner that allows the input of the information when making investment decisions <p>The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its <i>Communications and Disclosure Policy</i> the Company will comply with its continuous disclosure obligations.</p>
<p>Principle 6</p> <p>Respect the rights of Shareholders</p>	<p>The Board is committed to ensuring that the Company's shareholders receive information relating to the Company on a timely basis and shall endeavour to keep shareholders well informed of all material developments of the Company.</p> <p>The Board has adopted a <i>Communications and Disclosure Policy</i>, and as part of this policy, will ensure that all relevant announcements and documents are published on the Company's website in a prompt fashion.</p> <p>The Company will respect the rights and entitlements of the Company's shareholders under the Constitution and the <i>Corporations Act 2001</i> (Cth).</p>
<p>Principle 7</p> <p>Recognise and manage risk</p>	<p>The Company has established an <i>Audit and Risk Committee</i> which shall be responsible for monitoring, identifying and managing risks, and ensuring that these risk identification and management procedures are implemented and followed.</p> <p>The Audit and Risk Committee has adopted a Charter.</p> <p>The Company has also adopted a <i>Risk Management Policy</i> designed to ensure:</p> <ul style="list-style-type: none"> • all major sources of potential opportunity for harm to the company (both existing and potential) are identified, analysed and treated appropriately; • business decisions throughout the Company appropriately balance the risk and reward trade off; • regulatory compliance and integrity in reporting is achieved; and • the Company's good standing with its stakeholders continues. <p>The Company intends to establish a <i>Technical Committee</i> in the future that shall be responsible for oversight of, and reporting to the Board on, the status of the Company's exploration and mining activities from a technical perspective.</p>
<p>Principle 8</p> <p>Remunerate fairly and responsibly</p>	<p>The Board is responsible for the Company's remuneration policy and has adopted a <i>Nomination and Remuneration Policy</i> which outlines the processes by which the Board shall review officer and management remuneration. The Company has provided disclosure of a summary of its remuneration policies for the Company's officers in this Prospectus.</p> <p>The Company is committed to remunerating its officers and executives fairly and to a level which is commensurate with their skills and experience and which is reflective of their performance. Further disclosure of officer and executive remuneration will be made in accordance with the ASX Listing Rules and the <i>Corporations Act 2001</i> (Cth).</p>

5.5 Relevant interests and voting power in Euro Securities

Neither the Company nor any Director holds any Euro Securities and, accordingly, does not have any relevant interest or voting power in any Euro Securities or any other securities issued by Euro.

Each of the Euro Directors has also informed the Company that, in the absence of a Superior Proposal, they intend to accept the applicable takeover offer in relation to their respective Euro Securities. However, no agreement to that effect has been entered into by any of the Euro Directors.

5.6 Substantial Shareholders

As at the date of this Prospectus, the following Shareholders hold 5% or more of the total number of Shares on issue in the Company:

Holder	No. of Shares	% (undiluted)
Wingo Investments Corporation Pty Ltd	1,000,000	9.83
Mr Shi-Chung Chang	1,000,000	9.83
Bernard Newport	952,500	9.36
KSJ Superfund Pty Ltd	763,040	7.50

5.7 Major Shareholders

Assuming successful Completion of the Takeover Bid and that all Euro Shareholders take up their Bid Consideration securities, the top 20 Shareholders of the Company after Completion (but prior to the Offer) will be as follows:

Rank	Holder	No. of Shares
1	It's a Breeze Emerging Fund Pty Ltd	9,100,000
2	City Winner Holdings Ltd	3,000,000
3	Rogue Investments Pty Ltd	2,150,000
4	Bernard Newport	2,102,500
5	Bonvilla Constructions Pty Ltd.	1,520,000
6	Wingo Investments Corporation	1,000,000
7	Shi-Chung Chang	1,000,000
8	Peter Biantes and Yajune Gu	1,000,000
9	Gerard and Mark Luxon ATF the G & M Superfund	1,000,000
10	Balanjali Mandaleson	1,000,000
11	PeiFen Lee	1,000,000
12	MDRA Pty Ltd	900,000
13	Faulkner Capital Group Pty Ltd	900,000
14	KSJ Super Fund Pty Ltd	763,040
15	LJR Constructions Pty Ltd	760,000
16	Harry Doumbos	650,000
17	Chopper Heaven Pty Ltd ATF the Steven Malotsis Investment Trust	600,000
18	Thunder Investments Pty Ltd	525,000
19	Ms Shi Hu Hu	500,000
20	A&A Cannavo Nominees Pty Ltd ATF Anthony's Meats Superannuation Fund*	500,000
	Total	29,970,540
	Percentage of Total Shares on Issue (pre-Offer)	58.80%

*Other shareholders will also hold 500,000 shares after Completion, including Crocilla Gaetano, Surendra Chandrajith, F&E Cannavo Pty Ltd, SMC Capital Pty Ltd, Gianlimited Pty Ltd and Renarto Falcone.

06 RISK FACTORS



06 | RISK FACTORS

The exploration and development of natural resources is a speculative activity that involves a high degree of risk. Whilst the Company has sought to acquire interests in projects which have identified prospective mineral targets, there is no guarantee that the projects will generate commercial returns for the Company and its investors. Therefore, the Shares to be issued pursuant to this Prospectus are a speculative investment.

The following summary explains some of the risks associated with investment in the Company and which may impact upon the financial performance of the Company. However, potential investors should read this Prospectus in its entirety and consult their professional advisers before applying for Shares under this Prospectus. The list of risk factors outlined here are not exhaustive.

Neither the Company, nor its Directors nor any of its professional advisers give any form of guarantee on future dividends, return on capital or the price at which the Shares might trade on ASX.

Investors should consider the non-exhaustive list of risks associated with investing in the Company that are outlined below, and consult with their advisors before making an investment in the Company.

6.1 Risks associated with the proposed merger with Euro

Shareholders should be aware that if the Takeover Bid for Euro Completes, the Company will be changing the scale and the nature of its activities to a graphite exploration company, which is subject to various risk factors. Based on available information, a non-exhaustive list of risk factors are as follows.

Re – quotation of Shares on ASX

The merger with Euro constitutes a significant change in the nature and scale of the Company's activities. Accordingly, the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re – quotation of its shares. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Failure to comply with Chapters 1 and 2 of the Listing Rules may also defeat the Takeover Bid, the Takeover Bid being subject to the condition that an application for admission to Official Quotation will be made within 7 days after the start of the Bid Period and permission for admission to quotation will be granted no later than 7 days after the end of the Bid Period.

Contractual Risks

The ability of the Company to complete the merger with Euro and achieve its objectives is dependent on the performance by Euro of its obligations under the Heads of Agreement. If Euro defaults in its performance of its obligations, the Heads of Agreement may be terminated and it may be necessary for the Company to undertake legal proceedings to seek a legal remedy. Legal proceedings can be costly and there can be no guarantee that a legal remedy will ultimately be granted (and enforced) on appropriate terms.

Dilution Risk

As at the date of this Prospectus, the Company has 10,173, 860 Shares on issue (based on holdings of current Shareholders).

On completion of the merger with Euro, the Company shall issue a further 40,795,100 Shares and 9,750,000 Options to Euro Securityholders and 5,500,000 Options to the Directors. Each Option entitles the holder to subscribe for one (1) Share at an exercise price of \$0.30.

In addition, up to 25,000,000 Shares may be issued as a result of the Offer made pursuant to this Prospectus.

If the Shares and Options are issued to Euro Securityholders, and 25,000,000 Shares are issued under the Capital Raising to raise \$5 million (and provided no other Shares or Options are issued), the Options issued to Euro Securityholders and the Directors are exercised, then the holdings of current Shareholders in the Company will dilute to approximately 12.53% of the issued capital of the Company.

In addition, the holdings of existing Shareholders may be further diluted as a result of any future equity capital raisings required in order to fund future exploration.

Risk of Sale of Securities

If the Takeover Bid reaches Completion, significant numbers of Shares and Options will be issued to Euro Securityholders. Some of the Euro Securityholders may not wish to continue to hold their Shares and Options, and may sell their Bid Consideration on the ASX, adversely affecting the market price of the Company's securities.

Acquisition of less than 90% of Euro Shares

It is possible that the Company could acquire a relevant interest in less than 90% of all Euro Shares on issue under the Takeover Bid.

If the Company acquires 80% of Euro's issued share capital, which is required for the Bid to complete, but does not acquire the 90% interest required to proceed to compulsory acquisition of Euro, Euro will not be a wholly owned subsidiary of the Company, and the existence of third-party minority interests may have an adverse impact on Euro's operations.

Moreover, in such a situation, the Company's holding in Lanka Graphite SL will be necessarily diluted. For example, if the Company acquires 85% of Euro, the Company will hold an underlying ownership interest of approximately 60% of Lanka Graphite SL.

6.2 General Investment Risks

Some of the general risks of investment which are considered beyond the control of the Company are as follows:

(a) The state of Australian and international economies:

A downturn in the Australian and/or the International economy may negatively impact the performance of the Company which in turn may negatively impact the value of securities in the Company.

(b) Changes to Government Policies and Legislative changes:

Government policy and legislative changes which are outside the control of the Company may also have a negative impact on the financial performance of the Company.

(c) Economic Risk and Price of Commodities

The Company's Share price will be influenced by the prevailing market prices from time to time of the resources that the Company is targeting in its exploration programs.

The price of minerals is influenced by physical and investment demand for, and supply of, those resources. Fluctuations in these prices may influence individual projects in which the Company has an interest and the price of the Company's Shares.

Further, commodities are principally sold throughout the world in US dollars so any fluctuations in the exchange rate between Australian and US dollars could adversely affect the Company's financial position, performance and prospects.

These factors may have an adverse effect on the Company's activities as well as its ability to finance future projects and activities.

(d) Movements in local and international stock markets:

The price of stocks in a publicly listed company can be highly volatile and the value of a company's

securities can be expected to fluctuate depending on various factors, including commodity price changes, stock market sentiment, government policies, investor perceptions, economic conditions and market conditions which affect the exploration industry. It is therefore possible that the Company's securities will trade at below the offer price.

(e) The Company's on-going funding requirements:

Further funding may be required by the Company to undertake its exploration activities. If commercial quantities of minerals are discovered and the Company commences mining activities then further funding may be required. There is no guarantee that the Company will be able to raise the additional required funding on a timely basis, on favourable terms or that such further funding will be sufficient to enable the Company to implement its planned commercial strategy. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its exploration programs as the case may be, which may adversely affect the business and financial condition of the Company and its performance.

(f) Resource estimates and targets

There are no JORC Code compliant resources currently defined on the Tenements.

If a resource is defined in the future, that resource estimate will be an expression of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment.

(g) Investment Speculative

Mining exploration and investment in companies that are focused on mining exploration and evaluation is inherently risky and constitutes a speculative investment.

(h) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions or significant investments in other companies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies or resource projects. Further, there is no guarantee that the Company will make any future acquisitions.

(i) Insurance Risk

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring

relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy. Insurance against all risks associated with mining exploration and production is not always available and where available the cost may be prohibitive.

(j) **Unforeseen expenses**

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares.

(k) **Competition Risk**

The industry in which the Company will be involved is subject to global and domestic competition. The Company shall undertake all reasonable due diligence. However, the Company is unable to influence or control the conduct of its competitors and such conduct may detrimentally affect the Company's financial or operating performance.

(l) **Reliance on Key Personnel**

Senior management and key personnel of the Company shall direct the Company's operations and provide strategic management. However, if key employees cease to be employed there may be a detrimental impact to the Company.

(m) **Foreign Sales**

The proposed international sales undertaken by the Company and subsequent operations will be subject to a number of risks inherent in selling and operating abroad which could adversely affect our ability to increase or maintain our foreign sales. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations;
- local and international economic and political conditions;
- disruptions of capital and trading markets;
- accounts receivable collection and longer payment cycles;
- difficulties in staffing and managing foreign operations;
- potential hostilities and changes in diplomatic and trade relationships;

- restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- the laws and policies of Australia and other countries affecting trade, foreign investment and loans, and import or export licensing requirements; and
- tax laws.

Changes in circumstances or market conditions resulting from these risks may restrict the Company's ability to operate in an affected region and/or adversely affect the profitability of the Company's operations in that region.

6.3 Exploration and Development Risk Factors

The business of mineral exploration, project development and production involves inherent risks. Success depends on successful exploration appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavor and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events. The outcome of Company's exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, lack of market demand, government regulation, production allocations or force majeure events. These curtailments may continue for a considerable period of time resulting in a materially adverse effect on the operations and/or financial condition of the Company.

The exploration for and production of minerals involves certain operating hazards, such as:

- failure and/or breakdown of equipment;
- adverse geological, seismic and geotechnical conditions;
- industrial accidents;
- labour disputes;
- pollution; and
- other environmental hazards and risks.

The Company may also be liable for environmental damage caused as a result of its exploration and/or mining activities. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

Exploration, development and environmental factors which may affect the Company's financial

position, prospects and the price of its listed securities are set out below.

(a) **Exploration Risks**

There are a number of risks associated with the mineral exploration activities to be carried out by the Company, including:

- The discovery and/or acquisition of economically recoverable resources or reserves may not be achieved. Exploration on the Tenements of the Company and tenements subject of the Exploration Licence Applications may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the tenements;
- Recovering resources or reserves. There can be no assurance that the Company will discover significant resources or reserves of commodities nor can there be any assurance that any particular level of recovery from such resources or reserves will be realised;
- Access to adequate capital for project development;
- Design and construction of efficient development and production infrastructure within capital expenditure budgets;
- Securing and maintaining title to interests;
- Obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- Access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

(b) **Development Risks**

If the Company does locate commercial reserves of minerals, then the future development of a mining operation at any of the Company's projects will be subject to a number of risks, including:

- Geological and weather conditions causing delays and interference to operations;
- Obtaining all necessary and requisite approvals from relevant authorities and third parties;
- Technical and operational difficulties associated with mining of minerals and production activities;
- Access to necessary funding;
- Mechanical failure of plant and equipment;
- Shortages or increases in price of consumables, and plant and equipment;
- Environmental hazards, fires, explosions and other accidents;
- Transportation facilities;
- Costs overruns; and
- The costs of extraction being higher than expected.

There is no guarantee that the Company will achieve commercial viability through the development of its projects.

(c) **Environmental Risks**

The activities being undertaken by the Company are subject to Sri Lankan environmental laws and regulations. The Company will endeavour to comply at all times with all applicable Sri Lankan laws and intends to conduct its activities in an environmentally responsible manner.

However, the existence of environmental legislation means that the Company may potentially face a liability risk relating to its activities and/or be restricted from engaging certain exploration activity due to environmental legislation.

(d) **Reliance on consultants and contractors**

The Company will be relying upon the expertise and equipment of various consultants and contractors who will be engaged to conduct the different aspects of exploration and mining activity. In the event of a failure of, or by, one of these contractors, or the failure of any equipment used by these consultants or contractors, the Company's business, activities and operating results may be adversely affected.

6.4 **Risks relating to operating in Sri Lanka**

(a) **Political, economic and sovereign risks**

As the Company will be operating in Sri Lanka, the Company will be subject to those risks associated with operating in a foreign jurisdiction. Such risks can include, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local residents or require other benefits to be provided to local residents.

Sri Lanka was involved in a civil war until on or around late 2009. While Sri Lanka is currently relatively stable, there is no certainty that the political and economic conditions will remain stable. Any deterioration in political or economic conditions, including renewed hostilities or terrorist activity, may adversely affect the Company's operations and profitability.

There is a risk that the government of Sri Lanka may change its policies regarding foreign investment and the ownership of mineral resources, which may have an adverse impact on the Company's profitability.

(b) Sri Lankan legal environment

Although the Sri Lankan legal system is well-established, it may be less certain than legal systems in other countries. This uncertainty could lead to the following risks:

- Difficulties in obtaining effective legal redress for breaches of laws or regulations or in respect of property rights;
- Inconsistencies between and within laws, regulations, decrees, orders and resolutions, or uncertainty in the application of laws and regulations;
- Difficulties in enforcing foreign judgments and arbitral awards, particularly against state bodies; and
- Lack of jurisprudence and administrative guidance on the application of laws and regulations, particularly with respect to taxation and proprietary rights.

Therefore, the Company may have difficulty in obtaining effective legal redress in circumstances where the Company is adversely affected by a breach of law or regulation.

(c) Risks associated with Board of Investments Approval

Euro has applied for tax concessions from the Board of Investments ('BOI') under section 17 of the *Board of Investment Law No. 4 (1978)*, and preliminary approval has been granted. Under Section 17 of the Act, the BOI is empowered to grant special concessions to companies satisfying specific eligibility criteria which are designed to meet strategic economic objectives of the Sri Lankan government. If Euro's application is successful, Lanka Graphite Holdings will enter into an agreement with the BOI to modify, exempt or waive identified laws in keeping with the BOI Regulations and provide for certain tax concessions, exemptions from duties and/or foreign exchange control exemptions.

There are risks that Euro will fail to meet the conditions specified for final BOI approval, such as meeting certain minimum investment thresholds for fixed assets, meeting thresholds for the export of output and commencing commercial operations before 31 March 2015. The conditions also require site clearance to be obtained from the BOI's Executive Director of Engineering Approvals and Director Environment Management. If site clearance is not granted, the preliminary approval will be invalidated and therefore Euro will be unable to obtain BOI approval under section 17 of the Act. Euro is also required to enter into a Mineral Investment Agreement with the Ministry of Environmental and Renewable Energy, whereby certain items of plant and equipment must be purchased in Sri Lanka.

There is no guarantee that final BOI approval will be granted to provide the abovementioned concessions and exemptions to Euro, and, if BOI approval is granted, circumstances may arise where the decision to grant BOI approval may be reviewed.

(d) Mineral Licence Title Risks

The Company must obtain and maintain mining licences from the Sri Lankan Geological Survey and Mines Bureau (GSMB) in order to conduct mining projects in Sri Lanka. There is no guarantee that mining licences will be granted over the Tenements where exploration licences are currently held.

While five (5) exploration licences have been obtained at the date of this Prospectus, the Company must satisfy certain requirements in order to retain these licences, including annual reporting and minimum expenditure requirements. There is no guarantee that the Company will be able to fulfil these requirements on an ongoing basis, in which case the Company may lose the rights under these licences.

Licences also require periodic renewal, and may only be renewed for a limited number of times. There is a risk that renewals may not be granted, or, if granted, additional conditions may be imposed.

Likewise, while three (3) Exploration Licence Applications have been made, there can be no guarantee that such licences will be obtained on favourable terms or at all.

(e) Risks associated with identity as emerging market issuer

After Completion of the Takeover Bid, the Company may be considered to be an emerging market issuer, as it holds material assets located in an emerging market (Sri Lanka).

In ASIC Report 368 (released August 2013), it was noted that emerging market issuers may face challenges in complying with corporate governance requirements, internal controls and risk management. Likewise, emerging market issuers may utilise complex ownership structures to accommodate restrictions on the foreign ownership of assets, hindering transparency.

To address these risks, the Board intends to strictly comply with all applicable financial reporting and continuous disclosure requirements. The Board also intends to require management to design and implement risk management and internal controls, and report on whether those risks are being managed effectively.

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Graphite DS Division (Ratnapura District)

ZONE-1



07 INDEPENDENT GEOLOGIST'S REPORT

Graphite Mined Location

- Adits
- Shafts
- Reserved Grid Units

Grid No.	Co-ordinates
1	183000E / 145000N
2	184000E / 145000N
3	185000E / 145000N
4	186000E / 145000N
5	186000E / 144000N
6	186000E / 143000N
7	180000E / 140000N
8	180000E / 141000N
9	180000E / 142000N
10	181000E / 140000N
11	181000E / 141000N
12	181000E / 141000N



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Independent Geologist's Report
VICULUS LIMITED (ACN 074 976 828)
Lanka Graphite SL Projects
Sri Lanka

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For:

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Approved:

Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication.

Graham M. Jeffress
Manager-Exploration & Evaluation

Executive Summary

Viculus Ltd (ACN 074 976 828) (“Viculus”) is a publicly listed company on the ASX (ASX: VCL).

Euro Petroleum Ltd (ACN 147 870 362) (“Euro”) is an unlisted public company that owns 70% of Lanka Graphite Holdings Pvt Ltd, a company incorporated in Sri Lanka which holds 100% of the issued share capital of Lanka Graphite Pvt Ltd (No. PV 90062) (“Lanka Graphite SL”).

Lanka Graphite SL is a company originally set up by Sri Lankan landowners to prospect for graphite in old mining areas that occurred on their properties. To date, Lanka Graphite SL has been granted five Exploration Licences (EL’s) covering 233km² as shown in Figure 1. An additional 9km² application is also pending grant whilst there are other applications in preparation.

To date, five Exploration Licences (EL’s) have been granted covering 233km² as shown in Figure 1. An additional 9km² application is also pending grant whilst there are other applications in preparation.

Mining of graphite in Sri Lanka has a long history dating back to the early 1800’s with peak production in the first two decades of the twentieth century. Peak production was 33,000 short tons in 1915. Mining prior to the Second World War was mainly by artisanal miners, but with some larger mines operated by businesses with access to capital. The artisanal mining usually ceased when the weathered and near-surface ore was depleted. The larger mines closed due to high pumping costs and the development of alternative graphite sources, especially in Madagascar. Two of the larger deposits have continued to be mined throughout the previous century and into the twenty first century, the Bogala Mine (owned since 2000 by Graphit Kropfmeul of Germany) and the Kahatagaha Mine (state-owned and operated).

The graphite occurrences are in the form of veins ranging in thickness from veinlets less than 1mm thick to massive veins over 1m thick. The veins are usually located in the hinge zones of antiforms within granulite facies zones of the Precambrian Basement terrain that underlies much of Sri Lanka. Dinalankara (1991) reports that “[graphite] *deposits are confined to close to tightly folded, upright or steeply dipping overturned, horizontal or gently plunging anticlines and domal structures, synclinal deposits being very rare*”. Domal structures often underlie the better developed graphite veins. The graphite veins follow linear, sub-vertical, zones aligned with the axial zones of the antiforms. The graphite is considered to be epigenetic and was deposited in fractures. The geology of Sri Lanka was remapped in the early 2000s and from the new mapping information which includes shear structural zones it is apparent that the shear zones also played a role in localising graphite deposition. The source of the carbon that forms the graphite is the subject of some debate. The consensus view is that the carbon source was CO₂ in late hydrothermal fluids produced during metamorphism.

Graphite was also deposited in secondary fractures at right angles or at steep angles to the strike of the antiformal hinge zones, although not all such fractures are so infilled. These types of secondary fracture veins can form the bulk of the graphite resource in a deposit. The sequence of events that result in graphite mineralization is initiated with the injection of hydrothermal fluids at high pressure into structurally orientated tensional zones, resulting in a depositional sequence of quartz feldspar pegmatite followed by quartz veins and finally graphite mineralization. Occasionally pyrite is the final mineral deposited. However,

repeated cycles of graphite deposition have occurred and in places the quartz and pegmatite intrusions, which also follow the same structural controls as the graphite veins, have been infilled by graphite. Graphite has also been deposited along foliation planes within country rocks hosting the main veins.

Most of the Lanka Graphite SL Exploration Licences have old graphite mines (shafts and/or adits) occurring within them. Of these, three sets of historical shafts observed by the author had significant quantities of graphite and mining waste rubble associated with them. Recent mapping on two of the ELs has shown that the flooded shafts are aligned with shear zones and lineaments.

The Lanka Graphite SL Exploration Licences have favourable geology for graphite and, cover historical graphite mine workings. The tenements cover fold hinge axes and shear zones, which are the main structural features associated with graphite mineralization in Sri Lanka. However, some of the areas within these EL's may not be optimally positioned to cover the graphite mineral target areas.

EL236 and EL237 are on areas which include old abandoned mines with evidence of mining activity including rubble which therefore are good graphite target areas. However some of the areas within these EL's may not be optimally positioned to cover the known regional graphite mineralized areas. EL266 and EL267 are adjacent to EL236 and occur along the major Kalutara-Matara Shear Zone; these are considered to be well positioned for prospect targets. EL268 does contain old shafts and adits, however the structural control for graphite mineralization is not well developed which may downgrade this EL is a prospect target. The EL applications EL952, EL953, EL954 and COM 011 all contain old mine/prospect shafts and adits. A sizeable mine was historically developed on EL954 which was located on a structural shear zone, this EL together with the adjacent EL952 are considered a good target area. There is an old mine located within EL953 that is associated with a major antiform, this is also considered to be a good target. COM 011 has some structures associated with graphite mineralization and is considered a reasonable target.

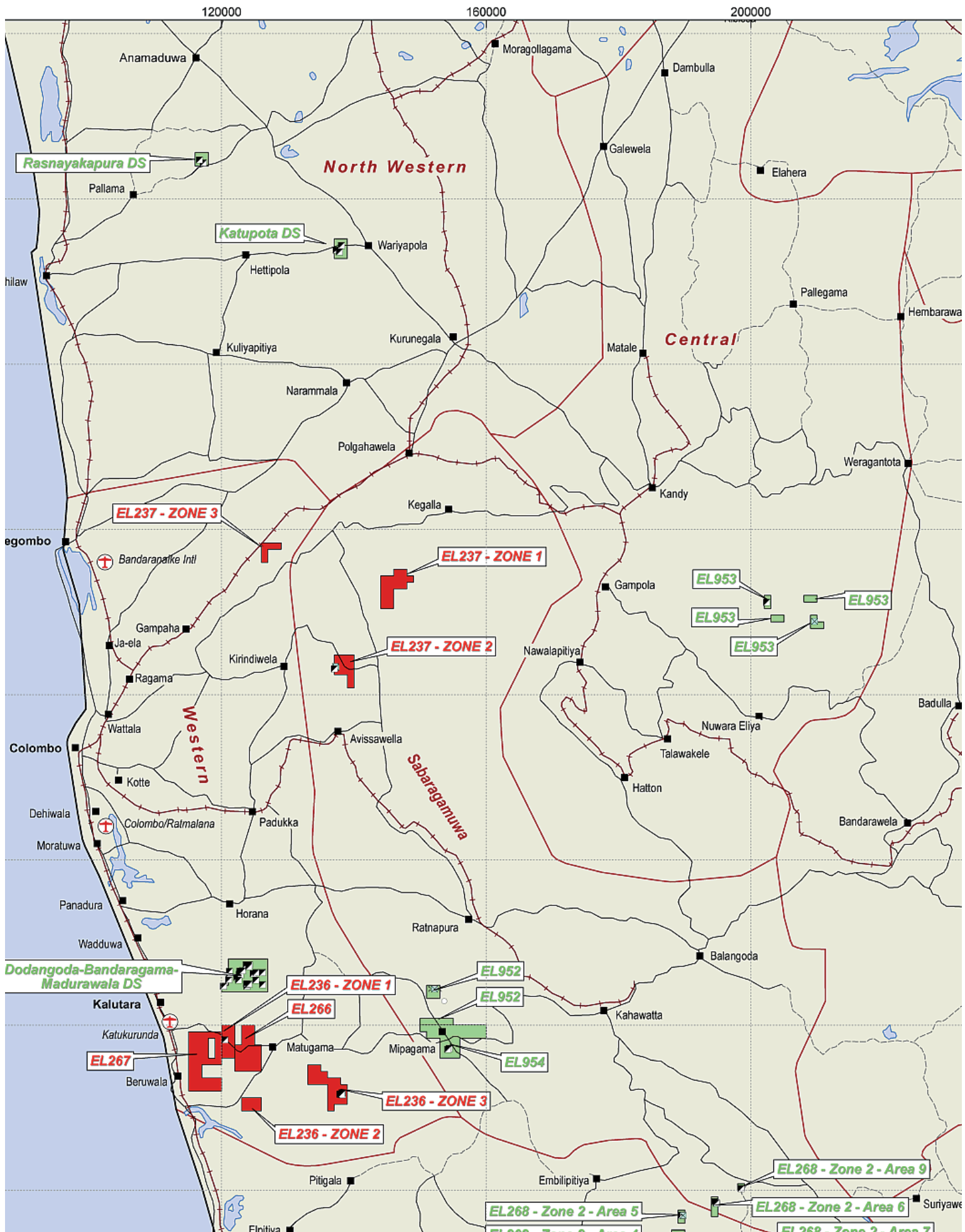
Viculus are proposing exploration programmes for the tenements including:

- (i) Mapping and trenching,
- (ii) Geophysical surveys(EM and resistivity) – initially airborne followed by ground surveys,
- (iii) Accessing/dewatering old adit and shafts to allow mapping and sampling,
- (iv) Core drilling to test targets and delineate mineralised zones,
- (v) Geological/structural modelling and resource estimation where possible.

CSA is satisfied that the proposals are suitable for the graphite licences.

The “footprint” of the Lanka Graphite SL EL's is good with regards to the distance from ports (less than 120 km), infrastructure and electrical and water supply aspects. Road infrastructure is good with sealed primary and secondary roads to within a few kilometres of the old mine areas. Road access is suitable for light vehicles. However, during the two monsoon rainy seasons, access is likely to be difficult on the tertiary gravel roads and tracks. The labour force in the country appears to have good skills which are a plus factor with regards to the “footprint” as well. The Colombo port is the only one in South Asia with a deep water terminal. The port of Galle is positioned on the southwest coast of Sri Lanka.

The high grade (>97%C) and size (lump to fines) of Sri Lankan graphite gives the graphite a price premium for existing markets and position it to be a possible prime source material for the new battery market (as the anode to Li, V etc. cathodes). For the possible graphene market the Sri Lankan graphite also has the potential to be a prime source raw material.



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1 Introduction

Viculus is a publicly listed company on the ASX (ASX: VCL).

Euro is an unlisted public company that owns 70% of Lanka Graphite Holdings Pvt Ltd, a company incorporated in Sri Lanka which holds 100% of the issued share capital of Lanka Graphite Pvt Ltd (No. PV 90062) (“Lanka Graphite SL”).

Pursuant to Chapter 6 of the Corporations Act, Viculus wishes to make an off-market takeover bid to acquire all the shares in Euro and thereby secure an interest in the Exploration Licences and Licence Applications owned by Lanka Graphite SL.

CSA Global Pty Ltd (“CSA”) has been commissioned by Viculus to prepare an Independent Geologist’s Report (“IGR”) on the company’s graphite projects in Sri Lanka. The report is based on information supplied by Lanka Graphite SL, information obtained from the Sri Lankan Geological Survey and Mines Bureau (GSMB), and from site visits to company’s Exploration Licences (ELs) by the Independent Geologist (“author”).

The objective of this Technical Report is to describe the geology of the projects, and comment on requirements for further work as well as the prospectivity of the Exploration Licences.

The legal status associated with the tenure of the Tenements has not been independently verified by CSA. The author has seen original copies of the ELs as held by Lanka Graphite SL. The master copies of the ELs are held by the GSMB under the control of the Director General. The present status of the Tenements listed in this report is based on information provided by Viculus, and the report has been prepared on the assumption that the Tenements are, or will prove to be, lawfully accessible for evaluation.

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 15th August 2014 and could alter over time depending on exploration results, commodity prices and other relevant market factors.

1.1 Principal Sources of Information

This Report has been based upon information available up to and including 15th August 2014. CSA has based its review of the Tenements on information provided by Viculus, along with technical reports prepared by government agencies and other relevant published and unpublished data.

CSA has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based.

CSA completed site visits to both the Lanka Graphite SL project areas between 5th–8th July 2013 and 9th–14th November 2013, in producing this report.

During the site visit the author was assisted by Mr Yoshiaki Tamura, a consultant of Euro based in Sri Lanka, Mr Supun Perera of GSMB, and Mr Mangala Ranaraje, who represents the company Lanka Graphite Pvt Ltd. The author had meetings with Mr Jitto Arulampalam, the Executive Chairman of Euro Petroleum during both site visits.



As part of the site visits CSA completed a review of the technical aspects of the projects, including previous work, geology, planned exploration and prospectivity.

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of the 15th August 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

1.2 Author of the Report

This Report has been prepared by CSA. The primary author of the report is CSA's Principal Geologist Mr Robert Barnett MSc, a Registered Professional Natural Scientist with SACNASP-400106/06, who has worked for over 40 years as a professional geologist with experience in the exploration for, evaluation and mining of mineral properties within Africa and worldwide. Mr Barnett has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

1.3 Independence

Neither CSA, nor the authors of this report, has or has had previously, any material interest in Viculus or the Tenements. CSA's relationship with Viculus is solely one of professional association between client and independent consultant.

CSA is an independent geological consultancy. Fees are being charged to Viculus at a commercial rate for the preparation of this report, the payment of which is not contingent upon the conclusions of the report. The fee for the preparation of this report is approximately \$40,000.

No member or employee of CSA is, or is intended to be, a director, officer or other direct employee of Viculus. No member or employee of CSA has, or has had, any shareholding in Viculus.

There is no formal agreement between CSA and Viculus as to Viculus providing further work for CSA.

1.4 Declarations

This Report has been prepared by CSA at the request of, and for the sole benefit of Viculus. Its purpose is to provide an independent geological report with the intention of providing Viculus with an assessment of what work and additional data is required to allow CSA to draft an Independent Technical Assessment of the Lanka Graphite SL tenements.

It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

The information in this report that relates to the Lanka Graphite SL Projects is based upon information compiled by Mr Robert Barnett, RPNS, who is a Member of the SACNASP. Mr Barnett is employed by CSA Global Pty Ltd, independent resource industry consultants. Mr Barnett has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Barnett consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. All parties have consented to the inclusion of their work for the purposes of this announcement.



1.5 Exploration Database

Viculus through its agreements to acquire Euro has acquired geological reports and exploration proposals from the Sri Lanka Geological Survey and Mines Bureau (GSMB). These reports include data and information from GSMB records and geological maps. CSA has not validated the data and information contained in the reports and therefore cannot comment on the quality of the data and information; however CSA notes that based on the data and information seen by CSA, the reports and proposals are considered to be suitable for initial planning.

1.6 About this Report

This technical report describes the prospectivity of the Tenements to host vein graphite. At the Lanka Graphite SL ELs 236, 237 and 268 areas, there has been relatively little work completed thus far, but historical exploration activities in the district and public domain information for the Lanka Graphite SL Project area supports the potential of the area to host vein graphite mineralisation types. In Lanka Graphite SL ELs 266 and 267 there has been no prospecting work to date as these areas were applied for on the basis of them covering part of the geological shear zones which also occur within EL236. The EL applications COM 011, EL952, EL953 and EL954 all show evidence of historical graphite mining or prospecting.

The geology and mineralisation are discussed, as well as the evidence of historical mining activity. An effort is made to summarise available data so as to contain the size and readability of the report. Maps of the areas are presented and statistics are provided.

2 About Graphite

For readers unfamiliar with graphite the following summary (derived from Whitehouse, 2007) is provided.

2.1 Nature and Occurrence

Graphite is one of three forms of naturally occurring carbon, the others being charcoal and diamond. It is a black to grey, lustrous, mineral that crystallises in the hexagonal system, is soft (Moh's hardness of 1–2) and has a specific gravity of 2.1–2.2 t/m³. Plumbago and black lead are old names for graphite, owing to its lead-like appearance. Graphite is compressible and malleable, an excellent conductor of heat and electricity and is highly refractory — with a melting point of 3650°C. Thermal oxidation of natural graphite begins at about 300°C, and it is commonly stable and chemically unreactive at lower temperatures. Natural graphite is also typically resistant to chemical degradation, thermal shock, shrinkage and oxidation.

Three discrete commercial types of natural graphite are recognised (Harben and Kužvart 1996):

- (i) flake (also referred to as crystalline or disseminated flake);
- (ii) crystalline vein (or lump); and
- (iii) amorphous (microcrystalline).

Flake graphite is the most important commercially. The name refers to graphite that occurs as thin disseminated flakes in metamorphic rocks.

Crystalline vein graphite consists of coarse, platy or needle-like crystals in veins, mainly in Precambrian igneous and metamorphic rocks.

Amorphous graphite is massive microcrystalline graphite, generally derived from thermally metamorphosed coal seams or carbonaceous sedimentary rocks.

Graphite (flake and crystalline) is graded according to carbon content and particle size, whereas amorphous graphite is classified mainly on the basis of its carbon content. High-purity graphite (up to 99.9% carbon) is also produced synthetically in electric furnaces from calcined petroleum coke.

World Inferred Resources of graphite currently exceed 750 Mt (Olson 2005). China and India are the largest producers, accounting for about 70% of the world's natural graphite production (about 800,000 tpa in 2004). Other important sources include Russia, Ukraine, Brazil, Mexico, Korea, Canada and Madagascar. Sri Lanka is the main producer of crystalline vein graphite.

2.2 Deposit Types

Graphite deposits of commercial interest occur widely in regionally or thermally metamorphosed sedimentary rocks and in hydrothermal and metasomatic deposits. Harben and Kužvart (1996) identified five deposit types.

1. Early magmatic deposits (rare)
2. Deposits formed by concentration and crystallisation of carbon (from coal or carbonaceous sedimentary rocks) during regional or contact metamorphism

3. Vein deposits
4. Contact metasomatic (skarn) deposits
5. Residual deposits.

Most of the world's production of flake graphite comes from deposits of disseminated graphite in regionally metamorphosed rocks of Precambrian age. Marble, gneiss and schist are the most common host rocks and in many cases have been intruded by pegmatite veins. The graphite was formed from organic material or bituminous and coaly materials in the original sediments. Deposits may be up to 35 m thick and several kilometres or more long. Mined flake graphite deposits commonly have grades of 10% to 12% graphite but grades of up to 60% have been reported in Madagascar. Madagascar has what are probably the largest resources of high-grade flake graphite in the world (Taylor 1994).

Mexico and South Korea are important sources of amorphous graphite. The largest known deposits of crystalline vein graphite occur in Sri Lanka. Contact metasomatic or hydrothermal deposits are mined in Canada and the USA. Such deposits are generally small and of relatively low grade and account for only a minor proportion of global production.

2.3 Applications

Graphite 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.

The principal uses of natural graphite are in foundry facings, steelmaking, refractories, crucibles, pencils and lubricants (Harben 1999). Flake (80–99% carbon), amorphous (70–85% carbon), and highly crystalline graphite (90–99% carbon) are graded using carbon content and other criteria, including ash content and ash chemistry according to likely applications. Graphite is graded according to carbon content and particle size, whereas amorphous graphite is classified mainly on the basis of its carbon content.

Processing of natural and synthetic graphite to 2500°C produces high-purity graphite with up to 99.9% C and the ability to introduce selected promoter elements, such as boron and silicon into the graphite structure (Harben 1999; Crossley 2000). This enhances the consistency, lubricant properties and conductivity of the graphite. Crystalline graphite is preferred for making crucibles, while amorphous graphite is used in foundry facings, steelmaking and refractories

The characteristically low coefficient of friction of natural graphite renders it highly suitable for coatings, pencils, powder metallurgy, refractories, lubricants and batteries. Low-quality graphite can now be used in high-technology applications, which were once the domain of synthetic material. Compared to synthetic graphite, natural graphite has a significant cost advantage.

Opportunities for recycling natural graphite are limited since it tends to be gradually consumed during use in such applications as refractories or brake linings. Used electrodes can be re-formed into electrodes or as a substitute for amorphous graphite. The use of recycled graphite refractories in such products as brake linings and thermal insulation is growing.

3 Economics and Market Potential

The market for graphite has three key components:

- flake and vein graphite at about 400,000 tpa;
- amorphous at about 600,000 tpa; and,
- synthetic at 1,500,000 tpa.

China accounts for about 70–80% of the world graphite supply (flake and amorphous) with Canada, North Korea, Mexico (amorphous), India and Brazil being the other major suppliers.

Sri Lanka has unique coarse grained very high quality graphite. Historically Madagascar has been a major graphite supplier. Table 2 shows the world graphite supply in 2011 and 2012.

There has been speculation that China, in line with other industrial minerals such as magnesite and rare earths, will begin to restrict supply of graphite, particularly if (or rather when) technological advances bring in significant new markets. It is also speculated that the graphite mines in China are ageing and that some may be closed down thereby reducing supply. The country has also closed mines recently for environmental reasons.

Existing markets for graphite are focussed on:

- refractories (melting point 3650°C),
- foundries (refractory properties) and steel (carbon additive but subject to carbon substitutes),
- Brake linings (thermal conductivity),
- lubricants (lack of interlayer bonds and hence ease of delamination) and
- batteries (small at present but predicted to increase as discussed below).

This group of markets (excluding batteries) is forecast to continue to grow at its long term growth rate of 5% p.a.

The Global demand for graphite, based on market usage, in 2011 was 33% electrodes, 20% refractories, 6% lubricants, 5% foundries, 5% graphite shapes, 4% batteries, 2% friction products, 1% re-carburising, and 24% others (Roskill's Natural and Synthetic Graphite: Global Industry Markets and Outlook, 8th Edition 2012). The high percentage for "Other" uses is a reflection of the complicated nature of the graphite market in that the mineral finds a very wide variety of uses which defy categorization.

Vein graphite has the highest "degree of crystalline" perfection of all conventional graphite materials. In many applications vein graphite may offer superior performance since it has slightly higher thermal and electrical conductivity, which result from its high degree of crystalline perfection. Vein graphite also has the highest degree of cohesive integrity of all natural graphite materials. High cohesive "energy" means that vein graphite is easy to mould and can be formed into solid shapes without the aid of a binder addition (from Asbury website).

The future market for graphite is forecast to expand. This is due to two important developments; i.e. (i) graphite being the anode for Li ion batteries, and (ii) advances in thermal technology and acid leaching techniques to upgrade graphite to +99%C.



The second above mentioned development is of particular importance as it leads to the first being a new market for graphite. The wider range of markets for high grade graphite is carbon graphite composites, electronics, foils, friction materials and special lubricants. For use in Li ion batteries graphite has to be purified to 99.9% C and converted to a spherical form. This compares to magnesia carbon refractories, a present high grade market, which requires graphite with 95 -99% C.

Graphite is seen as a future “green” mineral. This is due to its use in:

- (i) high temperature composites in wind turbines;
- (ii) energy storage in fuel cells and flow batteries; and
- (iii) its use in Lithium ion batteries.

However, these potential uses for graphite are still in the research stage and it is possible that either graphite will not end up as the preferred raw material or that synthetic graphite may be the preferred one.

There is a great deal of speculation with regards to a version of graphite known as Graphene. This is where a single molecule-thick layer of graphite is produced by either chemical vapour deposition or by mechanical exfoliation. There is some controversy over this with some research scientists insisting that true one molecule thick graphene can only be produced by the chemical process. This potential product is very much in the research and development stage with graphite companies working together with large chemical companies.

Table 1 below shows the range of graphite published prices by the Industrial Minerals publication. The prices in March 2012 were at the high end of the price range due to a restriction in supply from China which pushed prices up. The prices at July 2013 reflect the present depressed state of the general commodities market. According to verbal communication to the author during the site visit by GSMB staff the price for Sri Lankan graphite has stayed at close to USD\$2000/ton.

Actual prices will be a function of the restricted supply, long term supply agreements and the high quality of the graphite.

Table 1: Industrial Minerals Graphite Price List

INDUSTRIAL MINERAL PRICE LIST FCL CIF EUROPEAN PORT		
Graphite Grade	USD\$ March 2012	USD\$ July 2013
Medium +100# - 80#; 85 - 87% C	1500–1900	800–1100
Fine - 100# 90% C	1400–1800	850–1050
Medium Flake +100# - 80#; 90% C	1500–2000	950–1100
Large Flake +80#; 90% C	2000–2500	1200–1600
Fine -100#; 94 - 97% C	2000–2400	900–1200
Medium +100# - 80#; 94 - 97% C	2200–2500	1100–1300
Large Flake +80#; 94 - 97% C	2500–3000	1400–1500

Note: 80# = 0.180mm, 100# = 0.150mm

Table 2 below shows the world graphite supply in 2011 and 2012 as published by the USGS Mineral Commodity Summaries 2013 USGS.

Table 2: US Geological Survey World Graphite Production Data (USGS Mineral Commodity Summaries 2013)

WORLD GRAPHITE PRODUCTION (USGS DATA)		
Country	Mine Production Tons 2011	Mine Production Tons 2012
Brazil	73,000	75,000
Canada	25,000	26,000
China	800,000	750,000
India (ROM)	150,000	150,000
North Korea	30,000	30,000
Madagascar	4,000	5,000
Mexico	7,000	8,000
Norway	2,000	7,000
Romania	20,000	7,000
Russia	14,000	14,000
Sri Lanka	4,000	4,000
Turkey (ROM)	10,000	10,000
Ukraine	6,000	6,000
Other	7,000	7,000
Total	1,150,000	1,100,000

Note that the above figures for world graphite production include both flake and amorphous graphites. The production figures for Sri Lanka have dropped dramatically from those quoted by the USGS for 2010 and 2011 which were put at 11,000 tons for each year. This may be a problem of accurate data availability rather than real changes in production.

Sri Lankan graphite has the potential to be a significant supplier of graphite to the new markets for graphite; specifically the battery and graphene markets.

The higher grades of flake graphite have a carbon content in the region of 95–97%C. This has to be upgraded to 99.9% by methods including heat and acid treatments.

Also there is the requirement for the graphite to be in the spherical form for the new battery uses. While the battery business is still in the research stage, there are still uncertainties as to which raw material, and if graphite, which form of graphite, will succeed as the material of choice in the long term.

However, the large particle size and high purity (+97%C) of Sri Lankan graphite could make it a prime raw material for these markets.

At present the process to convert flake graphite to spherical graphite has very low recoveries; an example (presented in Roskill's Natural and Synthetic Graphite: Global Industry Markets and Outlook, 8th Edition 2012) is 19,800kg of graphite mined ore at 5% graphite content, producing 990kg after mechanical separation, flotation and milling, reduced to 33kg 95%C after being converted into a spheroid shape and to 28.5kg spheroid graphite at 99.5%C.

It is recommended that research should be conducted in regards to the recovery of spheroid graphite from the high grade Sri Lanka graphite.



3.1 Competitor Activity

Within Sri Lanka there are two operating mines, Bogala Graphite Ltd (owned by Ms Graphit Kropfmeul AG group of companies), and Kahatagaha Graphite Ltd (state owned).

The Australian based company, Bora Bora Resources Ltd has Exploration Licences totalling 49 km² in the region of the Kahatagaha mine and 281 km² under application (Australia's Paydirt July 2013).

In Canada the company Canada Graphite Inc. has issued a press release (6 August 2013) that the company plans a drilling programme on its claims over the old Miller Graphite Mine that is claimed to have mined, in 1900, vein lump graphite of similar quality to the Sri Lankan graphite.

4 History of 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. The size and purity of the graphite veins allowed for simple hand mining in the weathered horizon and also for simple hand dressing procedures.

The existence of graphite in Sri Lanka was known for a few centuries. The first record was in 1675 when the Dutch Governor Rykloft Van Goens in writing to his successor mentioned about the existence of Graphite in Sri Lanka. There is also evidence to say that during the Kandyan era, iron ore had been melted in graphite crucibles.

Trade in graphite, mainly for the pencil industry, seems to have been in existence form the 16th century. But it is only during the British time that this mineral was mined and exported, to be used in making crucibles for the casting of bomb shells and cannon balls. Graphite has been exported from Sri Lanka for the last 160 years, and in 1899 the mineral earned Rs. 2.2 million which was 22% of the total foreign exchange earnings at that time.

From about the middle of the nineteenth century to early 1870's is a period during which graphite established itself as one of the major export industries of the island. Among the factors contributing to the development of the graphite industry at this stage, was the growing demand for Sri Lankan graphite due to its high carbon content. This quality graphite was particularly required by the crucible industry which was rapidly emerging in Great Britain and USA perhaps activated by the American civil war.

The period 1869 to 1918 may be characterized as a period of great activity for the graphite industry in Sri Lanka. This was the period that witnessed the scatter of nearly 3,000 graphite pit mines in the southwestern quarter of the island, with the introduction of modern of mining methods, namely pit mines with mechanical aids.

Mining of graphite expanded rapidly in the latter half of the 19th Century with peak production in the first two decades of the 20th Century. Peak production was during the First World War at about 33,000 short tons which was about 35% of the then world graphite consumption (Herath 2008). Thereafter production decreased due to the depletion of weathered graphite ore resulting in mining difficulties, and also to increasing mining in other countries, especially Madagascar. Production did increase during the Second World War but dropped again after that time. It is estimated that more than 1.2 million tons has been produced since 1880 (Harold A. Jr. 2006).

From 1917 to the present day, the graphite industry slipped down from being one of the major exports of Sri Lanka. In 1912 some graphite which matched the quality of that in Sri Lanka, was discovered in Madagascar. This resulted in stiff competition, the Madagascar graphite being extracted at a lower cost. The Sri Lankan production declined slowly but inexorably, with some outbursts of revival during World War I and II. The share of Sri Lanka, which was half the world trade in graphite prior to 1912, had fallen to less than 2 per cent in 1980.

The State Graphite Corporation of Ceylon was established in 1971, after the nationalization of the graphite industry. On this occasion the three mines of Kahatagaha, Kolongaha and Walakatahena were grouped into a single entity, the Kahatagaha-Kolongaha Mine. The Bogala mine was already the result of the merger of several old small mines, producing from the same ore bodies. At first these two mines were the sole producing units of the new Corporation known as State Mining and



Mineral Development Corporation. The experimental graphite mine of Rangala was opened in 1973. The one at Ragedera was opened in 1976. After few years of operation, the Rangala and Ragedara mines were abandoned.

In eighties, the only two graphite mines exist in the country were Kahatagaha-Kolongaha and Bogala mines and both mines were operated by the State Mining and Mineral Development Corporation. In 1989, the Kahatagaha–Kolongaha mine was privatized and after few years of working, it was abandoned.

In 1996, the Kahatagaha –Kolongaha mine was taken over by the government and so far it is being run smoothly with limited production (average of 600-1,000 metric tons per year).

In 1992, the Bogala mine was privatized and it was taken over by a German firm. So far the mine is in operation with fair production (average of 3,000-5,000 metric tons per year).

Between 2000–2003, the Aluketiya mine was operated by a private firm and in 2003 it was abandoned.

Ragedara mine, which was abandoned in early 1980's, was recommenced in 2011 as an experimental mine with limited production.

Bogala Graphite Limited was purchased by Graphit Kropfmuehl of Germany in 2000. This mine is said to be supplying about 5,000 tons per year product.

On 10th June 2013 the Industrial Minerals website published a statement by the Sri Lankan government-owned Kahatagaha Graphite Ltd as follows:

“The Sri Lanka government plans to develop its domestic graphite industry through the encouragement of foreign investment”, and “The government also plans to encourage companies to complete their downstream processing in Sri Lanka rather than simply exporting the crude ore”.

In this regard it is noteworthy that the privately owned Bogala Graphite Ltd announced in 2010 that its parent company was to move the production of graphite-based lubricants to Sri Lanka (Industrial Minerals 12th April 2010).

5 Geological Setting and Mineralisation

5.1 Regional Geology

Ninety per cent of Sri Lanka is underlain by Proterozoic high-grade metamorphic rocks, principally gneisses; with Phanerozoic sediments being restricted to the coastal regions. These have been mapped as comprising three Complexes; i.e. The Highland/Southwestern Complex, the Vijayan Complex, and the Wannu Complex. Figure 2 shows a simplified geological map of Sri Lanka. Note that the southern contact between the Wannu and Highland Complexes is poorly defined.

Isotopic data indicate that Sri Lanka's evolution during the Proterozoic comprised the tectonic assembly of three distinctive crustal units into one 'package' representing a small portion of the Gondwana supercontinent, probably lying adjacent to Madagascar, Mozambique and Antarctica (in their Neoproterozoic configuration).

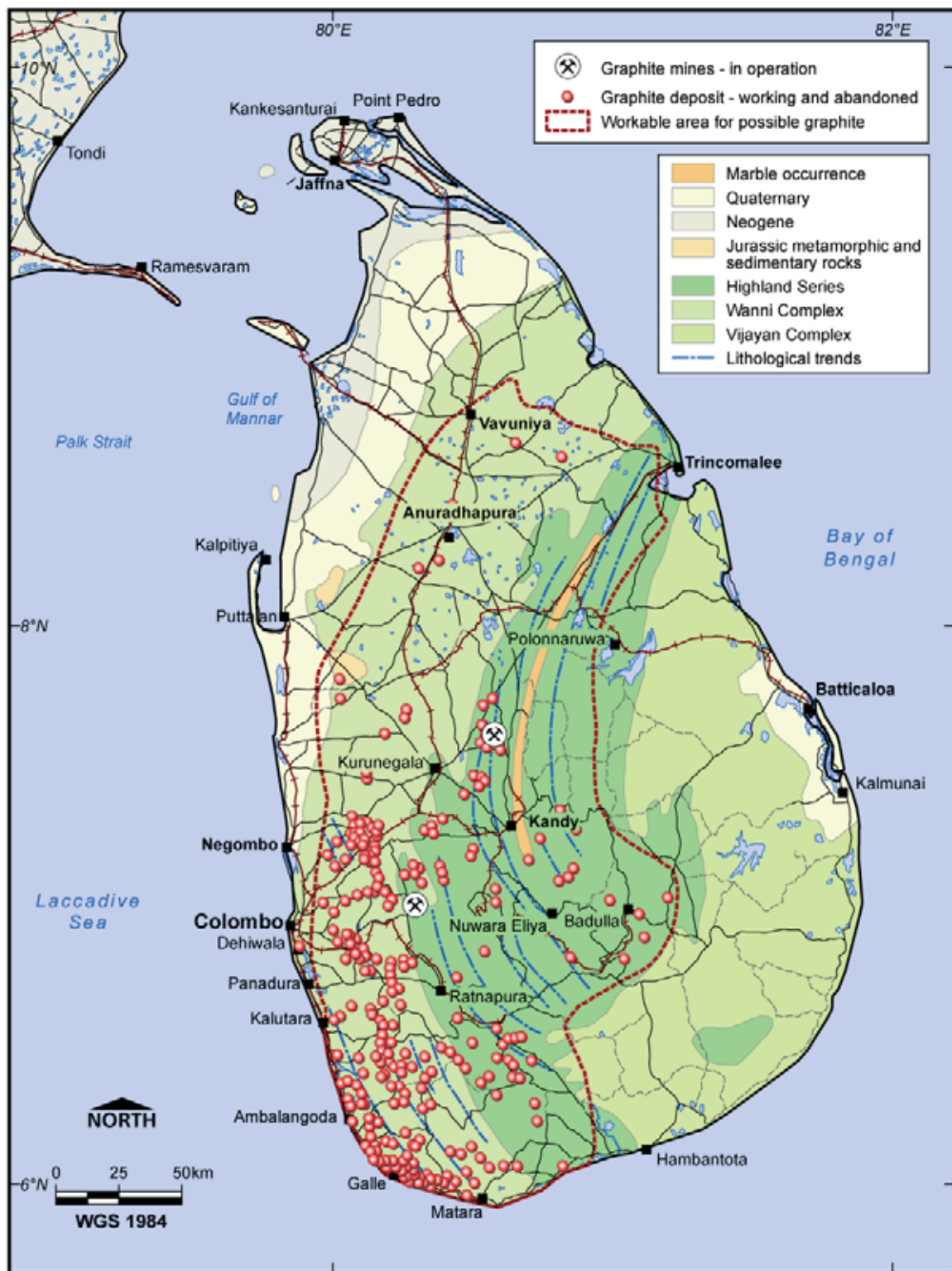
A map of the graphite occurrences in Sri Lanka is shown in Figure 2. It can be seen that the deposits occur both within the Wannu and Highland Complexes mainly in the south western part of the country.

The Highland Complex is the largest unit forming the backbone of the Precambrian rocks of Sri Lanka. This is known as the granulite terrain of Sri Lanka with the predominant rocks being varieties of charnockite, undifferentiated metasediments, quartz feldspar, garnet-sillimanite-graphite schists, quartzites, marbles, calc-gneisses and granulites.

The Wannu Complex consists of granitoid gneisses, charnockite gneisses and granites. The contact with the Highland Complex is poorly defined.

The eastern Vijayan Complex consists of biotite/hornblende gneisses and scattered bands of metasediments and charnockite gneisses. Small plutons of granites and acid charnockitic gneisses are found near the east coast of Sri Lanka.

The geology of Sri Lanka has been re-mapped in this century and a new series of 1:100,00 scale sheets published a scanned compilation of this work is shown in Figure 28.



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Figure 2: Simplified Geology Map of Sri Lanka, showing distribution of historical graphite mines

5.2 Vein Graphite Geology

The graphite vein geology is the subject of a number of academic papers and is best summed up, in CSA's opinion by Dinalankara (1991) as follows:

Many of the graphite veins are emplaced by hydraulic fracturing into favourable dilational structural zones and date to these latter stages of uplift and cooling, where they are associated with fluids rich in Na, CO₂, Cl and F.

The vein type graphite deposits of Sri Lanka are strongly structurally controlled. These deposits are confined to close to tightly folded, upright or steeply dipping overturned, horizontal or gently plunging anticlines and domal structures, synclinal deposits being very rare.

Regional deformation had been responsible for the remobilization of the original strata bound graphite into cores of domes and low pressure zones of the antiforms. Refolded folds, hinge zones, flexural folds, and fold culminations are some of the traps formed by deformation.

As a result, zones of high graphite concentration are found only in the axial region of the folds. During a later event, graphite migrated into the local fracture systems. Hence there is a positive correlation between the local fracture systems and the veins, both 'ac' and shear fractures being favourable for graphitization.

Even though well-developed fractures are abundant in graphite bearing areas, all of them are not mineralized in view of the fact that some of these fractures have not crossed the graphite reservoirs.

Although Dinalankara (1991) states the source of the graphite veins is remobilized graphite from within the original strata this is still the subject of some debate.

The reader is referred to the paper by Katz (1987) contends that "during ... metamorphic devolatilization, vast quantities of fluids [are] developed and under deep seated granulite facies grades they [are] rich in CO₂." Some authors also point out that calc-silicate rocks could also have contributed CO₂ to the metamorphic fluids as metamorphic grade increases.

The recent geological re-mapping on 1:50,000 scale with published maps on a scale of 1:100,000 has identified numerous shear zones as also being associated with vein graphite occurrences.

An important feature of the vein deposits is the association of pegmatite and quartz veins as well as, in one report, a syenite dyke. It is postulated that as the fractures in the fold hinge zones were being opened up by tensional forces or by volatiles being injected under high pressure that the sequence of fracture infilling was

- (i) pegmatite/syenite,
- (ii) quartz, and
- (iii) graphite

In many cases thin layers of pyrite are associated with the graphite. It should be noted that in the literature on Sri Lanka graphite there is considerable discussion as to the sequence of deposition from the volatile solutions with co-precipitation with quartz and repeated precipitation cycles occurring. The wall rocks can also undergo metasomatic alteration with enrichment of alkalis, biotite, hornblende and garnet formation.

Figure 3 shows an idealised picture of a graphite vein with the three types of graphite (i.e. flaky, needle and powder). The graphite veins occur both along the strike of the fold hinges, commonly NNW/SSE as well as in secondary fractures typically at right angles to the fold hinge. They can vary in

width from slivers to a few centimetres to over one metre. The form of the graphite veins can pinch and swell and also can end abruptly. Sometimes the veins are of limited extent and can be better described as lenses.

The three forms of graphite; i.e. flaky, needle and powder; can be present in one vein and are related to the depositional conditions including structural and volatile pressure. Minor movements within the veins gives rise to fine graphite powder with slickenside features.

The thickness of veins deemed economically viable for mining vary with as narrow as 5cm being reported. In some case the veins can occur in clusters. It is the authors opinion that the coarse size of the vein graphite and low ash values should allow for relatively simple ore crushing and flotation to upgrade the ore to $\approx 97\%$ C. This could allow for the inclusion, of both thin veins and graphite injected into pegmatites, quartz veins and along foliation planes in country rock, with the overall graphite ore zone. It is recommended that this possibility be taken into account for prospecting work and assessment.

Typical examples of graphite veins and fracture infilling are shown in Figure 4 to Figure 6.

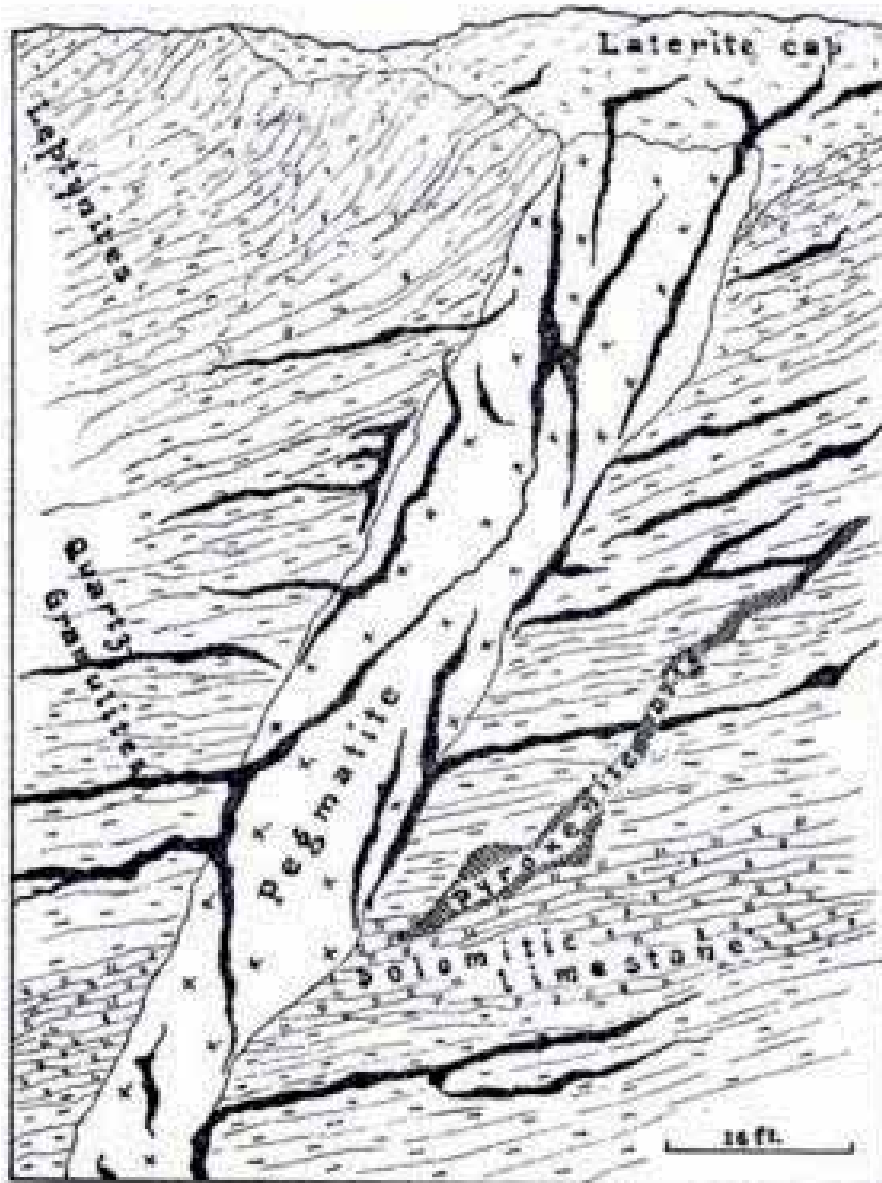


Figure 3: Generalised Section showing the Common Types of Graphite Veins in Sri Lanka Mines (after Wadia 1945)

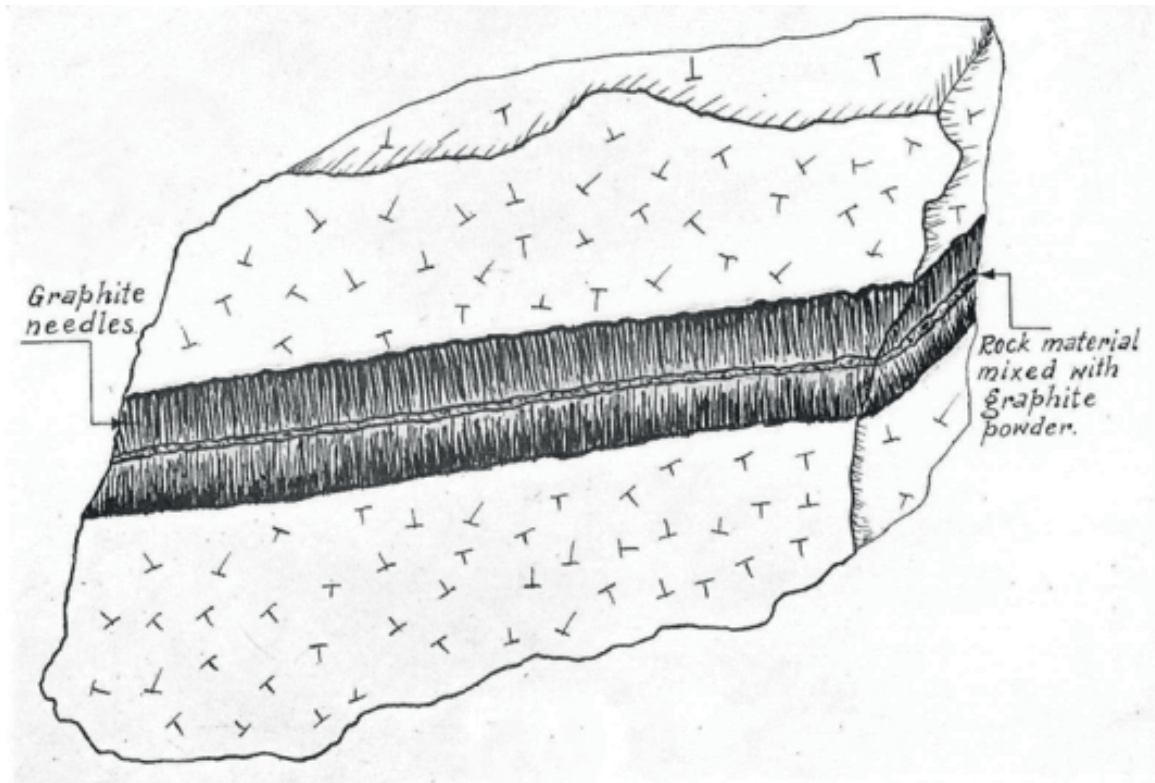


Figure 4: A Vein of Needle Graphite through Charnockite (after Wadia 1945)

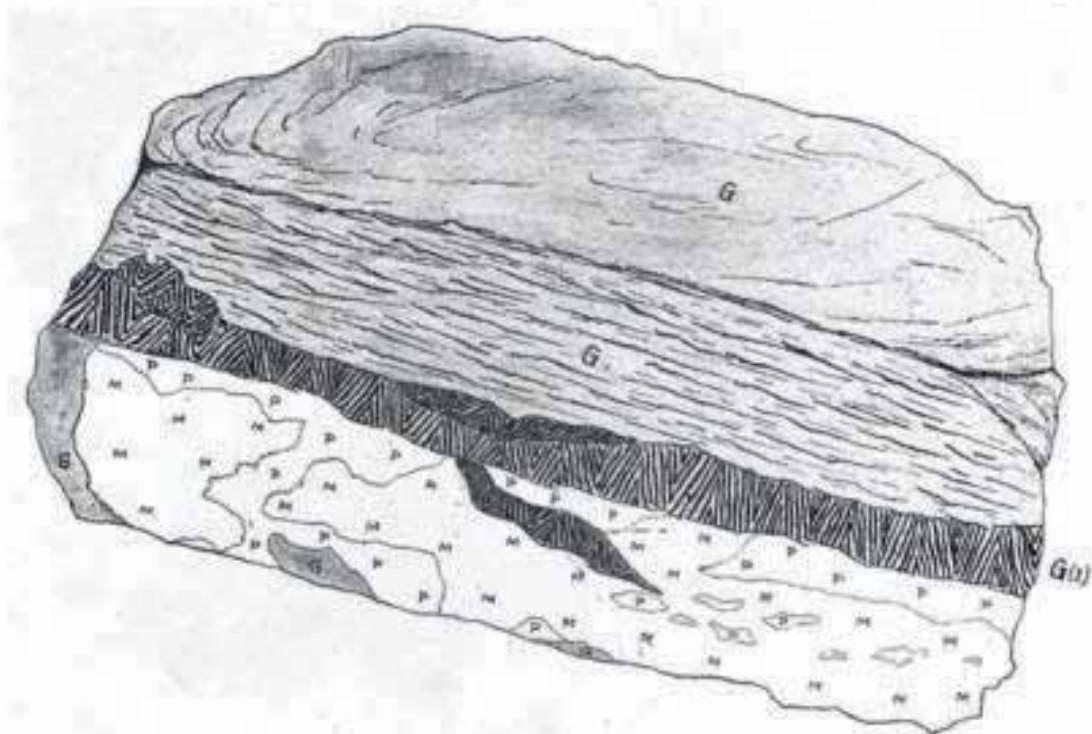


Figure 5: Example of a Complex Graphite Vein of Flaky Graphite (G), with Magnetite (M) with Pyrite (P) and Larger Flakes of Graphite (G (1)) (after Wadia 1945)

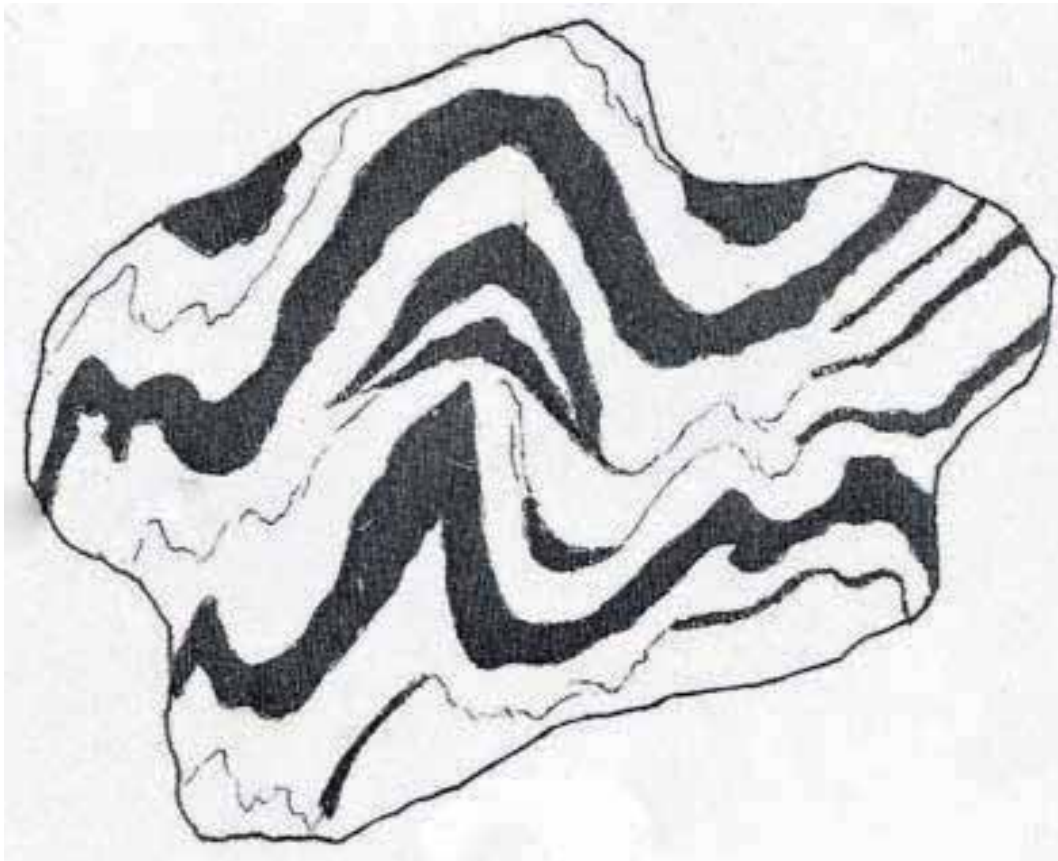


Figure 6: Example of Graphite Veins along Foliation Planes within Leptynite (after Wadia 1945)

6 Property Locations, Access and Infrastructure

6.1 Location

The project tenements (both granted and applications) are spread over a large part of southwestern and central Sri Lanka (see Figure 1). Details of each of these Exploration Licences and Applications are given in Table 3.

6.2 Access

All Exploration Licences are accessed by a combination of primary, secondary and tertiary roads and tracks. The primary roads which fall under central government control are good quality tar roads and well maintained. The secondary roads, which in both licence areas act as the last few kilometres access to the prospect sites, fall under local government authority. These roads are a mixture of secondary tar roads to local concrete tracks (see Figure 7, Figure 8, Figure 9). Tertiary roads or tracks exist to access small farms and the Exploration Licence areas. These are a mixture of gravel and compacted soil with concrete strips for steep inclines. In the case of ELs 236, 266, 267 and 268 part of the primary access is a new double lane highway from Colombo to the South West coastal region which is under construction. EL953 is situated in the mountainous area of Sri Lanka. Access into this area will be via a major new road that is under way including mountain passes.

The primary tar roads are all well maintained but this is not always the case with the local authority secondary roads. Throughout the region covering the Lanka Graphite SL ELs there is abundant evidence of road repair and road building. The concrete strips (tertiary roads) are sometimes combined with gravel roads with the concrete used in steep sections or where crossing some feature. These are in good condition. The soil/gravel tertiary roads are in fair condition with muddy patches being a problem after rain. It is the author's opinion that prospecting vehicles could access the licence areas in the non-monsoon seasons. However, mining equipment and vehicles will require some road building as well as road maintenance. Due to the hilly nature of the topography within the Licence zones it is recommended that core drills mounted on tracks be used as truck mounted drills will have a problem accessing drill positions.

In general the author has a good opinion of the road infrastructure in the Lanka Graphite SL EL areas.

All Licence areas have medium to small scale farms present on parts of them.

6.3 Infrastructure

Power lines, apparently three-phase 230V, extend to both areas visited by the author (Figure 7). It will need to be confirmed if spare power is available for mining purposes.

Water is abundant in both areas with a number of clear water streams and rivers. It is likely that underground water will be available as well. If water is used for mine ore processing purposes waste water should be recycled or purified with no contaminated water being released into the local drainage systems.

In general the infrastructure and access to the Exploration Licence areas is good from an exploration and mining perspective.

The port of Colombo is the only port in the South Asia region with a deep water terminal (Sunday Observer July 07, 2013). This deep water terminal is owned by Colombo International Container Terminals Ltd and has just been put into operation. On the south west coast the ports of Hanbantota and Galle can handle containers for export. Hence the shipping options for graphite exports are excellent.



Figure 7: Tertiary Gravel Road and Power Line close to the Flooded Vertical Shafts in Exploration Licence EL236.



Figure 8: Turnoff from Secondary Tar Road to Tertiary Gravel Road (RHS) leading to Old Adits in EL237 Area



Figure 9: Primary Tar Road Close to EL237 Area

6.4 Topography and Vegetation

The bulk of the Exploration Licences occur within in hills and valleys that form the transition zone between the coastal plain and highland area (see Figure and Figure 11). EL953 occurs in highland areas of central Sri Lanka.



Figure 10: Topography and vegetation in the region of old adits in EL237



Figure 11: Topography, vegetation and rice paddies in the region of flooded vertical shafts EL236

The natural vegetation of the transitional zone licence areas is classified as Tropical Lowland Wet Evergreen Forests with tall trees, broad foliage and undergrowth of creepers and vines. The natural vegetation has been significantly impacted by farming activities with rubber, rice and tea plantations present.

EL953 is in the Wet sub Montane Forest area. Again the area has been significantly altered by farming activities particularly tea plantations.

6.5 Land Use

Within and close to all the Exploration Licence areas the main economic activity is agriculture in the form of rubber plantations, rice paddies and tea farms. The farms are present in the valleys and hill sections with low gradient profiles. Cinnamon and pepper are also grown in the sections of the Licence areas. The size of the farms varies from large rubber and tea plantations to small scale rice, tea, cinnamon and pepper farms. There are small hamlets within and close to the Exploration Licence areas. There is a garment factory in the region of EL237. Situated to the south of EL011 is the coastal resort and fishing town of Weligama.

6.6 Climate

The climate of Sri Lanka is similar to that of southern India with two monsoons and two dry seasons. The monsoons occur in April to June and September to December as can be seen in Figure 12. The driest months are January and February while the “dry” period between the two monsoons has rainfall in the region of 50mm/month. Figure also shows the average monthly rainfall and temperature figures for Colombo. The temperature is fairly temperate throughout the year.

Figure 13 gives the rain isopachs for Sri Lanka which indicate that rainfall increases inland from Colombo.

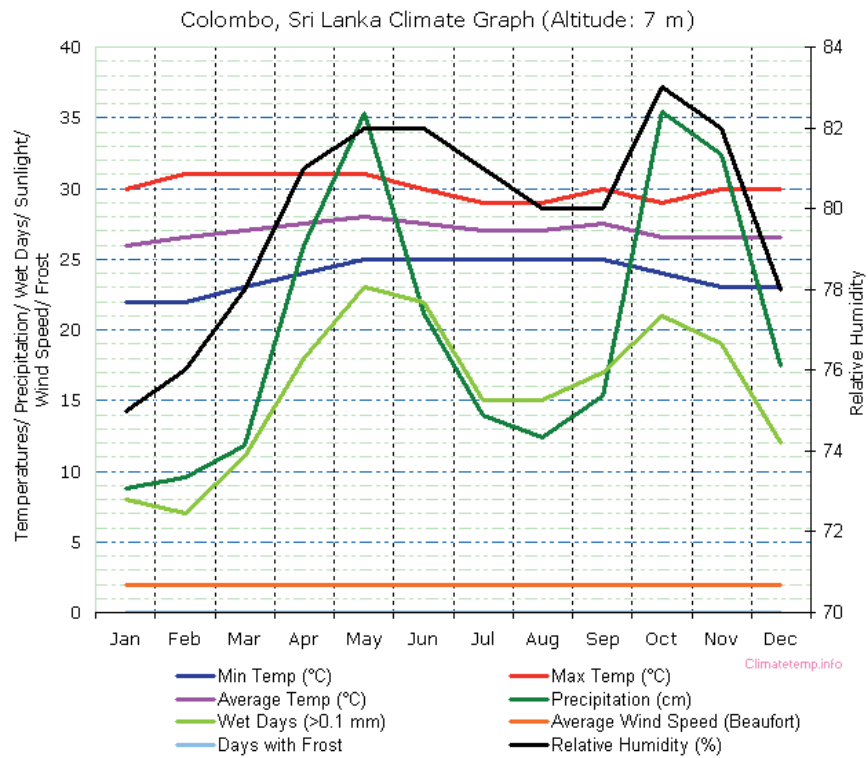


Figure 12: Temperature and Rainfall Graph for Colombo

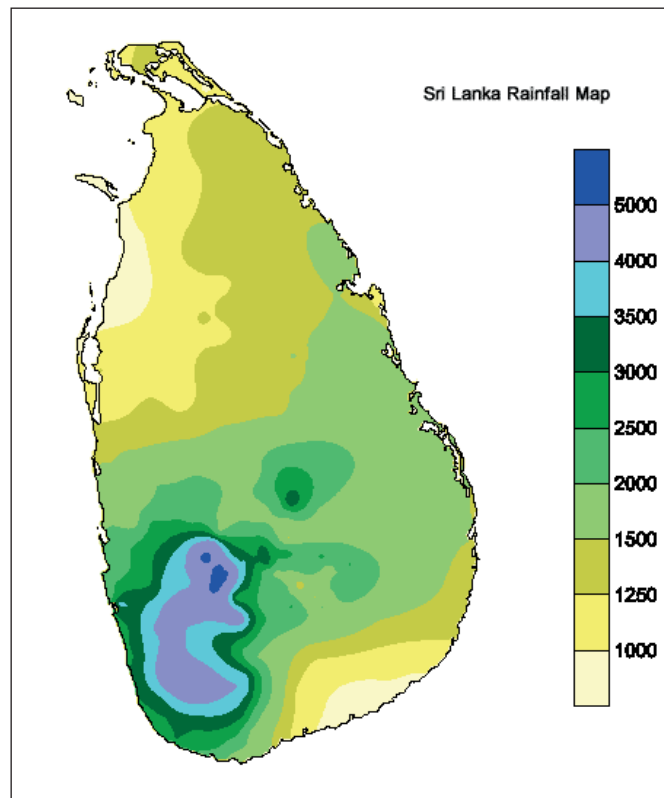


Figure 13: Rainfall isopach map of Sri Lanka

7 The Lanka Graphite SL Graphite Projects

Euro is an unlisted public company that owns 70% of Lanka Graphite Holdings Pvt Ltd, a Sri Lankan company which holds 70% of the issued share capital of Lanka Graphite SL.

Pursuant to Chapter 6 of the Corporations Act, Viculus wishes to make an off-market takeover bid to acquire all the shares in Euro and thereby secure an interest in the Exploration Licences and Licence Applications belonging to Lanka Graphite SL.

The local representatives of Euro and Lanka Graphite SL have worked as a team in applying for exploration licences for graphite in Sri Lanka

7.1 Lanka Graphite SL Exploration Licences

Lanka Graphite SL has applied for Exploration Licences from GSMB to exercise the exclusive right to explore all minerals, except for clay, limestone, uranium, thorium, and beryllium, lithium and coral for a period of two years. A special emphasis is given to graphite occurrences.

To date, five Exploration Licences have been granted by GSMB to Lanka Graphite SL in areas to the north, east and south of Colombo as summarised in Table 3 and shown in Figure 1. The consolidated area of the tenements (including pending applications) is 242 km².

The consent of the surface owners is required for prospecting purposes. There is no formal procedure for such consent and it is a matter consultation and negotiation with the concerned landowners.

The tenements and Sri Lankan mining law are fully discussed in the Independent Solicitor's Report.

Table 3: Lanka Graphite SL Exploration Licence and Applications

TENEMENT	ZONE	Province	1:50 000 Mapsheet/Number	Number of Grids (km ²)	Application Status	Date Granted	Date of Expiry	Expenditure Commitment
EL236	EL236 Zone 1	Western	Matugama, 80	10	Granted	29/05/2013	28/05/2015	\$ 5,940
	EL236 Zone 2			6				
	EL236 Zone 3			20				
				36				
EL237	EL237 Zone 1	Western	Attanagalla, 60	17	Granted	29/05/2013	28/05/2015	\$ 5,445
	EL237 Zone 2	Kegalle, Western	Attanagalla, 60	1.1				
	EL237 Zone 3	Western	Attanagalla, 60	5				
				33				
EL266	EL266	Western	Alutgama, 79	36	Granted	28/10/2013	27/10/2015	\$ 5,940
EL267	EL267	Western	Matugama, 80	22	Granted	28/10/2013	27/10/2015	\$ 3,630
EL268	Zone 1	Sabaragamuwa, Southern	Morawaka, 87 and Rakwana 81	26	Granted	28/10/2013	27/10/2015	\$ 8,415
	ZONE 2 - Area 1			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							
				51				
COM EL011	single block	Southern	Matarara, 91	18	Application	Application		\$ 29,370
EL952	Jatuwangoda Paragala Pimbura	Sabaragamuwa	Ratnapura, 74	9	Application	Application		
EL954	Kukulegama Pitigalakanda Kalawana	Sabaragamuwa	Matugama, 80	28	Application	Application		
EL953	Wadawala Pannala Walapane Landupita	Central	Hanguranketa, 62	9	Application	Application		
				242				

- All licences are valid for 24 months from grant, and there is an option for renewal if the requirements of the Licences and those of the Mines and Minerals Act No. 33 of 1992 are met.
- Lanka Graphite SL also have a number of additional tenement applications in preparation, that were not sufficiently advanced to include at this stage.

7.2 Local Project Geology

This area comprises high-grade lithologically and isotopically distinct Proterozoic metamorphic rocks of two crustal complexes juxtaposed and metamorphosed in the Neoproterozoic/early Phanerozoic. From west to east these are the Wannai Complex (WC) and associated Kadugannawa Complex (KC), and the Highland Complex (HC).

Lithological variation coupled with tropical weathering has given rise to a strongly featured topography of ridges and valleys, often highlighting map-scale folds within the metasediments. Ridge-forming rocks those used particularly to trace the regional structures - depend on the percentages of quartz, with quartzites, quartz-rich layer-parallel pegmatites and quartz-rich granitoids being the most resistant. The least resistant rocks are the dolomitic marbles, garnetiferous biotite-sillimanite gneisses and hornblende-bearing gneisses which form negative features and are usually very poorly exposed in the valley bottoms.

The oldest rocks in the area are the mainly paragneissic lithologies of the HC that crop out over much of the central and eastern parts of the map sheet [1]. Here a series of paragneisses - calc-silicate gneisses, dolomitic marbles, quartzites and quartz-schists, biotite-bearing quartzofeldspathic rocks, cordierite bearing pelitic gneisses and garnet-rich, -biotite-sillimanite-graphite gneisses (formerly termed 'khondalites') - are interlayered with each other and with more massive charnockitic gneisses probably of both para- and orthogneissic origin. 'Charnockitisation' is indicated to be of more than one age. These high-grade rocks have Nd-model ages between 2.0-2.8 Ga for their protoliths, and attained metamorphic temperatures approaching 900°C much later, between 610 and 560 Ma.

As elsewhere, lithological layering is everywhere parallel to foliation, with abundant evidence of extreme flattening and stretching of individual compositional layers in all lithologies. Tight to isoclinal intrafolial folds are common. All indications are that, as in other parts of Sri Lanka, the 'stratigraphy' is tectonic, being produced primarily during D₁, and D₂ deformation. A uniform and powerful sub-horizontal stretching lineation is defined by flattened quartz ribbons, mafic mineral aggregates and small fold-hinges.

7.2.1 EL236, EL266 and EL267

EL236 occurs within an area described as the Migahatenna-Pelawatta area of the 1:50 000 Matagama sheet (ref. GSMB geology 1:100,000 sheet Alutagama-Galle). In 2013 mapping of three grids within this EL was carried out by GSMB. The mapped area belongs to the Highland Complex of Sri Lanka and consists of high grade metamorphic Proterozoic rocks. The rocks form a series of medium-scale synformal and antiformal structures. A number of major shears and lineaments have been identified in the area.

In the text that accompanies the Alutagama-Galle geology sheet and in the publication Geology of the Country around Alutagama, Geological Survey and Mines Bureau, Memoir No. 3, by P.G. Cooray, 1995, it is stated that the Migahatenna-Pelawatta district, which includes EL236 and sections of ELs266 and 267, was a prime graphite producing area in the past.

The workings are described to be a range from medium sized underground mines to small artisanal pits. The depth of mining was mainly less than 100m and only a few mines had pumping capacity, including the mine observed in EL236 by the author (based on concrete base for a boiler).

The mines are described to have mined thin seams (a foot or 25cm is described as a thick seam in the area) and that the graphite occurs in veins, pockets and lenses. P.G. Cooray states that the thin veins often cross cut at different angles following joint directions.

The geology of the grid zones is shown in Figure 29, Figure 30, Figure 34 and Figure 35. These show that the Exploration Licence grids are associated with structural shear zones and have abundant old mine workings in the general area.

7.2.2 EL237

Exploration Licence EL237 is, according to the GSMB, underlain by rocks of the Wannu Complex; i.e. charnockitic gneisses, a range of biotite, sillimanite, garnet and hornblende gneisses some with graphite, quartzite, granitic gneisses and pegmatitic granitoid gneiss (Figure 31, Figure 32, Figure 33).

It should be noted that EL237 is situated in a region where the boundary between the Wannu and Highland Complexes is ill defined. Figure , Figure and Figure , show the geology of the three Grid Zones It is evident from the geology plans that a number of structural features; i.e. shear zones as well as antiforms and synforms; occur in the EL237 Grid Zones.

During the site visit to this exploration licence area, by the author, a number of small adits and vertical shafts were observed. An old prospect trench was also observed in which it was observed that the graphite occurred within a quartz/pegmatite in a scattered form. This was not deemed viable for mining by the old miners but may be of interest from the prospecting point of view taking into account the possibility that metallurgical crushing and flotation processes could recover the graphite successfully.

It is notable from the grid plans in the report that the adits and shafts occur close to the western boundary of the grids and extend into the area to the west of the EL237 grids. The Exploration Licence availability of these areas should be investigated.

7.2.3 COM 011

Geologically, the area covered by the proposed project belongs to the Highland Complex of Sri Lanka and entirely consists of granulite grade Proterozoic metamorphic rocks (Figure 40). The rocks encountered in and around the project area on regional scale are charnockite, charnockitic biotite gneiss, garnet sillimanite graphite gneiss, garnet sillimanite biotite gneiss and garnetiferous quartzite feldspathic gneiss. These rocks represent number of medium scale synformal and antiformal structures encountered in and around the proposed exploration area.

A northwest-southeast trending long shear zone cross cuts through the south western section of the proposed exploration area. A major synform also northwest-southeast trending is present in the centre section of COM011 which will make that part of the EL grids a lower priority graphite target.

7.2.4 EL952, EL954

Geologically, the area covered by the proposed project belongs to the Highland Complex of Sri Lanka and entirely consists of granulite grade Proterozoic metamorphic rocks. The rocks encountered in and around the project area on regional scale are charnockite, charnockitic gneiss, garnet sillimanite graphite gneiss, garnet sillimanite biotite gneiss, hornblende biotite gneiss, biotite hornblende gneiss, quartzite and minor calc gneiss (Figure 41). These rocks represent several tenths of

kilometres long and northwest-southeast trending bands and series of medium scale synformal and antiformal structures encountered in and around the proposed exploration area.

Northwest-southeast trending and several tens of kilometres long prominent shear zones cross cut both Zones-1 and 2 of the proposed exploration area. The shear zone that occurs in the southern set of Grids is the same one that occurs in the adjacent EL954 Application, and is associated with old graphite mines.

Furthermore, a west northwest-east southeast trending and several tens of kilometres long major lineaments could be identified within the northern set of grids of proposed exploration area. The author observed an old adit showing the presence of graphite on this lineament. In the area of EL954, graphite old mine workings observed by the author are associated with northwest-southeast striking shear zone in the centre of the EL area. Evidence of graphite impregnated quartz and pegmatite veins was observed in the mine rubble.

7.2.5 EL953

Geologically, the area covered by the proposed project belongs to the Highland Complex of Sri Lanka and entirely consists of granulite grade Proterozoic metamorphic rocks. The rocks encountered in and around the project area on regional scale are charnockite, charnockitic gneiss, garnet sillimanite graphite gneiss, garnet sillimanite biotite gneiss, hornblende biotite gneiss, biotite, quartzite, impure quartzite, crystalline limestone and pegmatite (Figure 42). These rocks represent several tenths of kilometres long and northwest-southeast trending bands and series of medium scale synformal and antiformal structures encountered in and around the proposed exploration area.

A northwest-southeast trending and several tenths of kilometres long antiform cross cuts the westernmost Grid Areas 1 and 2 of the proposed exploration area. A shear zone is also present which was observed by the author to have minor graphite associated with it in a road cutting.

Furthermore, northeast-southwest and northwest-southeast trending and several tens of kilometres long number of major lineaments could be identified within the area covered by proposed exploration area.

7.3 Past work on the Lanka Graphite SL Licences

Historical exploration for graphite in the Lanka Graphite SL ELs was in the form of adits, shafts and trenches excavated in the late 1800's and early 1900's. It was the habit of prospectors in those times to often prospect by opening up graphite veins found at surface by underground excavation. The small scale of the workings means that it is difficult to identify which shafts and adits are due to prospecting activity and which represent mining activity. It is the author's opinion that the presence and amount of mine waste rubble can be used to roughly estimate the degree of mining. Where little such rubble is associated with shafts and adits it is likely that such excavations were due to prospecting activity rather than mining.

In the Exploration Proposals for the Exploration Licences general comments are made based on discussions with elderly villagers. These indicate that the old mines were worked until the end of World War II, that only weathered rock was mined leaving good quality graphite veins in situ, and that problems were encountered by the old miners with ventilation and water pumping. It is clear which specific area these comments apply to and it is likely that these comments are typical of the old graphite mining areas in Sri Lanka.

7.3.1 EL236

EL236 occurs within an area described as the Migahatenna-Pelawatta area of the 1:50,000 Matagama sheet (ref. GSMB geology 1:100,000 sheet Alutagama-Galle). In the text that accompanies the Alutagama-Galle geology sheet and in Cooray (1995) it is stated that the Migahatenna-Pelawatta district, which includes EL236 and sections of ELs 266 and 267, was a prime graphite producing area in the past.

The workings are described to range from medium-sized underground mines to small artisanal pits. The depth of mining was mainly less than 100m and only a few mines had pumping capacity, including the mine site observed in EL236 by the author (based on a concrete base presumed to be for a boiler).

The old mines are described to have mined thin seams (one foot or 25cm is described as a 'thick' vein in the area) and that the graphite occurs in veins, pockets and lenses. Cooray (1995) states that the thin veins often cross cut at different angles following joint directions.

A report on geophysical prospecting over a selected section of the Meegahatenna area (Mudunkotuwa, 1985) describes the results of both electromagnetic and induced polarisation surveys of a selected area to test the suitability of these geophysical prospecting methods. The survey was designed to test for thin veins <50cm on average. The report concluded that the methods used showed a good responses; however, no follow-up drilling was conducted to confirm that anomalies were due to graphite mineralisation.

During the site visit to Exploration Licence EL236 area a number of flooded vertical shafts (see Figure) were pointed out to the author. Rock heaps of weathered gneiss and small samples of flake graphite (see Figure) were observed close to the said shafts. A concrete foundation for a boiler was also pointed out and small pieces of coal were found close by which helps to confirm that a boiler was present. Local inhabitants have informed the GSMB that the shaft was 150m deep but this will need to be verified.



Figure 14: Flooded Vertical Shaft in EL236 Area



Figure 15: Graphite sample found close to flooded vertical shafts in EL236

Offshoot

7.3.2 EL237

EL237 licence area includes old adits and trenches with some shallow vertical shafts as well as prospect trenches (see Figure 16 and Figure 17). The bulk of these follow a lineament along the south western boundary of the grid zone mapped in a recent GSMB mapping project conducted on behalf of Lanka Graphite SL (GSMB report 569).

Two grids (Grids 17 and 18) in this EL have been mapped by GSMB as part of the prospecting programme. The geology is paragneisses in a series of small to medium scale synformal and antiformal structures and intense shear zones.

It is notable from the grid plans in the report that the adits and shafts occur close to the western boundary of the grids and extend into the area to the west of the EL237 grids. The Exploration Licence availability of these areas should be investigated.

The report also states that the known graphite occurrences in the two grid areas are located in hornblende biotite gneiss rock band within the west limb of the Gonagala antiformal structure.

During the site visit to EL237 a number of adits and a shallow vertical shaft (Figure 16 and Figure 17) were observed by the author as well as a prospect trench across a quartz/pegmatite outcrop with graphite contained in a scattered form (Figure 18 and Figure 19).

It is evident from mapping that the old mine shafts in the grids concerned are closely associated with structural shear zones.



Figure 16: Adit in EL237 showing Graphite Coating on Sidewall



Figure 17: Vertical Shallow Shaft in EL237 with Horizontal Excavation possibly to follow a Vein



Figure 18: Graphite in a pegmatite found in a prospect trench on EL237



Figure 19: Graphite in quartz vein found in a prospect trench in EL237

7.3.3 EL266

To date no known mining work has been done on this licence area. The Exploration Licence is adjacent to Zone 1 of EL236 and was applied for on the basis that the 1:100,000 geology map shows the extension of the Kalutara - Matara Shear Zone through/or near the grids concerned. It is assumed that there is the potential for graphite mineralisation to be associated with this shear zone.

It is possible that small workings for graphite are present in the EL area but this will only be identified when detailed mapping of the EL grids is undertaken.

7.3.4 EL267

To date no known mining work has been done on this licence area. The Exploration Licence is adjacent to Zone 1 of EL236 and was applied for on the basis that the 1:100,000 geology map shows the extension of the Kalutara - Matara Shear Zone through/or near the grids concerned. It is assumed that there is the potential for graphite mineralisation to be associated with this shear zone.

It is possible that small workings for graphite are present in the EL area but this will only be identified when detailed mapping of the EL grids is undertaken.

7.3.5 EL268

A number of old shafts and adits are present on the various grids that make up this Exploration Licence. Little knowledge is known of these although villagers do comment on the number of people employed when mining was underway. An example of an old vertical shaft can be seen in Figure 20.



Figure 20: Old shaft in EL268

7.3.6 COM 011

This Exploration Licence Application area is close to and north of the coastal town of Weligama. The area has and is being intensively cultivated and is well developed. Old shafts and adits were

observed as well as vein graphite exposures in a road. One adit was entered by the author and a thin (<2cm) graphite vein was observed (Figure 21). No records of the old mining activity are available.



Figure 21: Graphite veins showing in an old adit in COM 011

7.3.7 EL952

Old adits and shafts occur on this Exploration Licence application but again there are no formal records.



Figure 22: Old adit in EL952 showing graphite skin on RHS surface

7.3.8 EL953

On this application area shafts and adits are again found with minor amounts of graphite mine rock rubble. There is also a road cutting with graphite associated with a shear zone exposed.



Figure 23: Graphite in a shear zone exposed in road cutting



Figure 24: Flooded declined adit in EL953

7.3.9 EL954

On this Exploration Licence Application area shafts are present at the top of a ridge associated with a shear zone. There is substantial graphitic, vein quartz and pegmatite waste rock in proximity to these

shafts showing that the area was mined in the past. Local inhabitants stated that the mine was operated by a British company pre Second World War.



Figure 25: Flooded shaft in EL954



Figure 26: Close up of graphitic quartz feldspar rock close to old shafts in EL954

7.4 Mineralisation and Exploration Models

The mineralisation and exploration models for all the Lanka Graphite SL ELs and EL applications are essentially similar.

The formation of vein graphite is deemed to be structurally controlled within the charnockitic and other metamorphic rock sequences that underlie the bulk of Sri Lanka.

The structures of importance are those resulting in tensional forces; notably antiforms and shear zones. The tensional forces allowed hydrothermal fluids generated during late phase structural deformation and metamorphism to flow into the related tensional zones.

The graphite was deposited from the hydrothermal fluids with the depositional sequence starting with quartz feldspar pegmatite followed by vein quartz followed, in turn, by graphite. In some cases sulphur in the form of pyrite was the last mineral deposited from the hydrothermal fluids.

The formation of hydrothermal fluids and resultant deposition of graphite was repetitive with a number of depositional cycles being recognised in some of the thicker graphite veins. Indeed such repetitive cycles of graphite deposition aided in the formation of the thicker veins.

The bulk of the graphite veins are steeply dipping in form being aligned with the late structural phase tensional zones.

As is common with the generation of late metamorphic phase hydrothermal fluids the injection of the fluids was associated with high pressure; i.e. an extreme form of the modern day “fracking” procedure used to open up water, oil and gas reservoirs.

This allowed for the injection of graphite hydrothermal fluids into fractured pegmatites and quartz veins associated with earlier cycles of hydrothermal fluid injection and deposition. In the past and, as far as the author is aware, at present these graphite containing pegmatites and quartz veins are not deemed of economic interest.

It is the author’s opinion that the coarse nature of graphite injected into the pegmatites and quartz veins could allow for these rocks to be a mineral target. In the old mining days the graphite vein material had to be hand cobbled which excluded such ore from being mined but with modern day mineral processing techniques, especially flotation, this type of ore may lend itself to simple metallurgical concentration.

The criss-crossing nature of graphite veins could also allow for the formation of a “stockwork” set of such veins. Again modern mineral processing techniques may allow for the economic extraction and processing of such ores.

7.5 Exploration Ranking

The Exploration Licences can be classified in three categories by priority:

7.5.1 Priority 1

ELs covering old mine areas with graphitic mine rubble in a favourable structural setting

EL236, EL237 and EL954 all show evidence of significant past graphite mining. Graphitic mine rubble and, in the case of EL237 trenches, show that graphite occurs within feldspar and quartz pegmatites, quartz veins and sometimes country rock.

It may be that the larger graphite veins, that were the target orebodies for the old miners, are associated with pegmatites and quartz veins impregnated with coarse graphite. With modern processing techniques, especially flotation combined with delamination milling, there may be potential to expand the mineralization target from graphite veins to include associated thin veins and graphite impregnated pegmatite, quartz veins and country rock.

These three ELs are considered prime graphite targets by CSA and the priority areas to apply electromagnetic surveying techniques. The EM results from these areas, especially EL236, can be used as an orientation study for other EM surveys in other Viculus ELs.

7.5.2 Priority 2

ELs with no known old mining activity but covering structural features associated with graphite mineralization and in close proximity to old mine areas

EL266 and 267 are over the structural Kalutara-Matara Shear Zone associated with the Migahatenna-Pelawatte graphite mining district (including EL236) and are good target areas for vein graphite from a theoretical aspect. These ELs should be investigated by an EM survey with the results compared to the EM results over EL236.

7.5.3 Priority 3

ELs with old mine shafts and adits with small amounts of mine rubble and variable structural geological features favourable for the development of graphite.

EL268, 952, 953 and COM/EL/011 all have old mine or prospect shafts and adits present. In the case of EL952 and 953 there are structural features in the form of antiforms and shears that can indicate the presence of graphite. In COM 011 and EL268 while there are old mine shafts and adits the structural geology favourable for graphite is less evident.

8 Work Planned by Lanka Graphite SL

Lanka Graphite SL commissioned the Technical Services Division of the GSMB to assist it to identify graphite target areas for Exploration Licence applications and to draft Exploration Proposals. This work was limited to field surveys to identify old graphite mining areas and the compilation of maps based on 1:50,000 geology regional geology maps showing geological and structural target areas. GSMB also consulted with local inhabitants as to historical mining information.

Exploration for graphite in Sri Lanka is still at an empirical stage. The presence of graphite occurrences and the presence of geological structures that control graphite deposits are key drivers for exploration. The unique style of graphite mineralisation and the electrical properties of graphite provide a compelling case for the application of electromagnetic surveying in graphite exploration.

Phases of work planned by Viculus are summarised below.

8.1.1 Mapping

This will comprise an initial use of aerial and satellite images to study the regional structure of the zones concerned. This will be followed up by mapping by foot traverses across the strike (assumed by CSA to be the strike of the fold hinges but may include shear zone strikes). Trenching will be used to expose the graphite vein areas; this will assist mapping and also allow for initial sampling of exposures.

8.1.2 Geophysical Surveys

Airborne electromagnetic systems such as VTEM permit the rapid testing of large areas for conductive zones. The geophysical results would be used to identify graphitic zones.

Follow-up ground EM surveys are needed to refine targets and planning drill holes to test the targets.

8.1.3 Cleaning and Dewatering of Adits and Shafts

At the end of the mapping and resistivity geophysical phases it is proposed to open up the old adits and to dewater some of the flooded shafts. This work will include putting in support where required, cleaning out loose rock and barring down loose sidewall and hanging rock. It will also include pumping out flooded vertical shafts.

The objective of this work is to allow access to graphite vein exposures for mapping and sampling purposes. This work will be used to supplement the data obtained from drilling.

8.1.4 Core Drilling

Following an integrated review of the mapping and geophysical data, a focused drilling programme will target the high priority targets. The purpose of the initial drilling will be to delineate graphite mineralisation, test geophysical targets and provide material to assess the properties of the graphite. Core drilling will be used because air drilling (RC percussion) tends to provide poor samples and significant graphite losses.

8.2 Proposed budget

CSA has reviewed the proposed GSMB exploration programme and initial prospecting budget and considers the exploration approach to be adequate. However additional recommendations are made by CSA in this regards.

Initially exploration will comprise mapping and trenching and interpreting the aeromagnetic data to identify geophysical anomalies similar in character to those seen at the old mine sites and know areas of graphite mineralization, as well as the structural setting of those prospects.

The high priority targets from this work will then have ground EM geophysical surveys completed followed by drill testing of the best targets.

A two year programme budget of AUD\$2–3 million has been outlined and is summarised in Table below. The budget provides for aerial geophysical targeting, sampling and rehabilitation in Year 1 to define targets, followed by ground EM, infill/additional sampling, core drilling and resource modelling in Year 2.

Table 4: Two year exploration budget breakdown for the Lanka Graphite SL Project (AUD\$)

Activity	Year 1		Year 2	
	Min	Max	Min	Max
Staffing, contractors & consultants	\$75,000	\$100,000	\$75,000	\$100,000
Field logistics	\$37,500	\$50,000	\$37,500	\$50,000
Mapping	\$30,000	\$50,000	\$15,000	\$20,000
Structural Geology & Modelling		\$45,000	\$15,000	\$30,000
Geophysics				
EM Airborne acquisition	\$150,000	\$250,000		
Ground EM Acquisition	\$70,000	\$120,000	\$50,000	\$150,000
processing & interpretation	\$30,000	\$45,000	\$25,000	\$50,000
Rehabilitation of old workings	\$10,000	\$75,000		
Core Drilling (HQ3)	\$150,000	\$300,000	\$150,000	\$400,000
Sample analysis	\$26,250	\$52,500	\$26,250	\$70,000
Metallurgical test work incl. petrography	\$25,000	\$45,000	\$50,000	\$75,000
Land Access fees & Compensation	\$40,000	\$50,000	\$50,000	\$100,000
Geological Modelling & Resource Estimation		\$40,000	\$50,000	\$150,000
Admin & Corporate Overheads	\$150,000	\$200,000	\$150,000	\$220,000
TOTALS	\$793,750	\$1,422,500	\$693,750	\$1,415,000

The proposed budget is considered consistent with the exploration potential of the Lanka Graphite SL tenements and is considered adequate to cover the costs of the proposed programme. The budgeted expenditure is also considered sufficient to meet the minimum statutory expenditure on the Lanka Graphite SL Project tenements.

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Glossary

Term	Definition
Adit	Horizontal mining tunnel to access an ore body.
Amorphous Graphite	Crystalline fine grained graphite where the crystalline size is not evident to the eye.
Antiformal Hinge Zones	Any fold whose form is convex upward is an antiform ,a hinge in an anticline is the locus of maximum curvature of the strata and the hinge zone is the zone of the fold associated with the hinge axis, which is an imaginary line connecting the hinges in the different strata in a two-dimensional cross-section through the antiform.
Artisanal Miner	Small scale miner self-employed and using mainly hand mining methods to mine informally often on a subsistence basis.
Assay Laboratory	A facility in which the quality of the ores are determined using analytical techniques.
Audit	Checking mechanisms to verify the veracity of results.
Bulk Sample	Large sample which is processed through a small-scale plant, not a laboratory.
Charnockite	Any orthopyroxene-bearing quartz-feldspar rock, composed mainly of coesite, perthite or antiperthite and orthopyroxene (usually hypersthene) formed at high temperature and pressure, commonly found in granulite facies metamorphic terrain. The charnockite suite or series is a particularly widespread form of Granofels. Granofels are one of the few non-foliated rocks to form under relatively high temperatures and pressures. It is of wide distribution and great importance in India, Ceylon, Madagascar and Africa.
Cross Section	A diagram or drawing that shows features transected by a vertical plan drawn at right angles to the longer axis of a geologic feature.
Density	Measure of the relative "heaviness" of object with a constant volume, density = mass/volume.
Deposit	Any sort of earth material that has accumulated through the action of wind, water, ice or other agents.
Diamond Drilling	A drilling method, where the rock is cut with a diamond bit, to extract cores.
Dip	The angle that a structural surface, i.e. a bedding or fault plane, makes with the horizontal measured perpendicular to the strike of the structure.
Domal Structure	Where antiforms have been refolded in one direction with the resultant formation of positive; i.e. Domes; and negative features.
Dressing	Processing of ore to remove waste rock.
Electro Magnetic Geophysics (EM)	Geophysical method using the measurement of secondary electromagnetic fields induced in the earth by the application of an electromagnetic field on the surface.
Estimation	The quantitative judgement of a variable.
Exploration	Prospecting, sampling, mapping, diamond drilling, geophysical surveys and other work involved in the search for mineralization.
Exploration Licence	A Licence issued by the Sri Lankan Government through the Geological Survey and Mines Bureau. The Licence entitles the Licence holder to prospect for designated minerals.
Fault	A fracture in earth materials, along which the opposite sides have been displaced parallel to the plane of the movement.

Term	Definition
Flake Graphite	Flat shaped graphite particles occurring as isolated flakes within a host rock. The flakes are sub 1mm to a few mm in two dimensions and sub 1mm in the third dimension.
Footwall	The underlying side of a fault, or ore body or stope.
Geophysics	The study of the Earth using quantitative physical methods to measure its electrical conductivity, gravitational and magnetic fields.
Gneiss	A rock type of granitic composition formed by high-grade regional metamorphic processes from pre-existing rock formations. It is layered and characterized by alternating darker and lighter coloured bands, called "gneissic banding".
Granulite	Medium to coarse grained rocks formed by high temperature metamorphism, composed mainly of feldspars with quartz and anhydrous ferromagnesian minerals.
Graphene	A single atomic layer of carbon molecules arranged in the graphite hexagonal pattern
Graphite	Graphite is a form of naturally occurring carbon being a lustrous mineral that crystallises in the hexagonal system, it is soft (H = 1–2) and has a specific gravity of 2.1 to 2.2.
Gravity Survey	A geophysical study undertaken from the surface or from the air which identifies variations in the density of the earth from surface to depth.
Grid	A 1 square kilometre block allocated in an Exploration Licence.
Groundwater	Water found beneath the surface of the land.
Hydrothermal Fluids	Upward flowing fluids originating from igneous or metamorphic geological events.
Igneous	Rocks resulting from the crystallization of a molten magma, either intrusive or volcanic.
Independent Geology Report	A public report that may be required by the Corporations Act Australia), the Listing rules of ALX or other recognised stock exchanges or for any other purpose that may involve the technical assessment and/or valuation of mineral and petroleum assets and securities. It must be produced by an expert geologist who is independent.
Indicated Coal Resource	An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
Metamorphism	Term used to describe the effect on rocks due to heat and pressure from geological conditions and events.

Term	Definition
Metasomatism	Chemical and/or mineralogical alteration of rocks by the action of hydrothermal fluids.
Migmatite	A partially melted rock due to metamorphism at high pressure and temperature resulting in a rock which is a mixture of the unmelted metamorphic and recrystallised metamorphic parts.
Mineral Resource	A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge including sampling. Mineral Resources are sub-divided in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mineralisation	Geological occurrence of mineral of potential economic interest, in this case graphite.
Pegmatite	A coarsely crystalline intrusive rock composed mainly of quartz, feldspar and mica. It is formed from late hydrothermal fluids during igneous and metamorphic events.
Precambrian	The name which describes the large span of time in Earth's history which spans from the formation of Earth about 4540 Ma (million years ago) to the beginning of the Cambrian Period, about 541.0 ± 1.0 Ma
Prospect	A deposit with the potential for economic extraction.
Quartz Veins	Planar occurrences of quartz infilling fractures in the rock at a late stage of metamorphic activity and formed from hydrothermal fluid deposition.
Rehabilitation	The process of restoring mined land to a condition approximating to a greater or lesser degree its original state. Reclamation standards are determined by the South African Department of Mineral and Energy Affairs and address ground and surface water, topsoil, final slope gradients, waste handling and re-vegetation issues.
Resistivity	Geophysical method used to measure the electrical conductivity of the earth thereby identifying conductive rocks such as graphite.
Resource Model	Technique of computer modelling geological and assay prospecting results to obtain a three dimensional model of the prospect deposit and apply geostatistical analysis to estimate a resource.
Sample	The removal of a small amount of rock pertaining to the deposit which is used to estimate the grade of the deposit and other geological parameters.
Sampling	Taking small pieces of rock at intervals along exposed mineralization for analysis (to determine the mineral content).
Sedimentary	Formed by the deposition of solid fragmental or chemical material that originates from weathering of rocks and is transported from a source to a site of deposition.
Shaft	A vertical excavation to access an ore body.
Shear Zone	Structural deformation of rock by shearing stress under brittle-ductile or ductile conditions at depths in high pressure metamorphic zones.
Short tons	A unit of mass for 2000 pounds equivalent to 907.18kg.
Syenite dyke	An igneous intrusion with a sub vertical planar form. Mineralogically it is similar to granite but with much less silica.



Term	Definition
Syncline	The opposite of an antiform in that the strata are folded with the strata convex downwards.
Synthetic Graphite	Produced by the calcination of carbon, typically petroleum coke.
Tenement	A general term for an Exploration and/or Mining Licence.
Tonnage	Quantities where the tonne is an appropriate unit of measure. Typically used to measure quantities of in-situ material or quantities of ore and waste material mined, transported or milled.
Tonne	Metric Ton.
Valmin	Australasian Code to provide for the independent assessment and valuation of mineral and petroleum assets and securities for Independent Expert Reports.
Vein Graphite	Occurrences of graphite in planar form and mainly sub vertical in orientation.
Ventilation	Process of moving air, normally by air fans, through underground mining areas.
Weathered Rock	Rock which has been broken down by the influences of water and air and which becomes softened and partially decomposed.
Winnowing	Ore processing by suspension of particles in air or an air flow with the intention to remove impurities.



Appendix 1: Maps

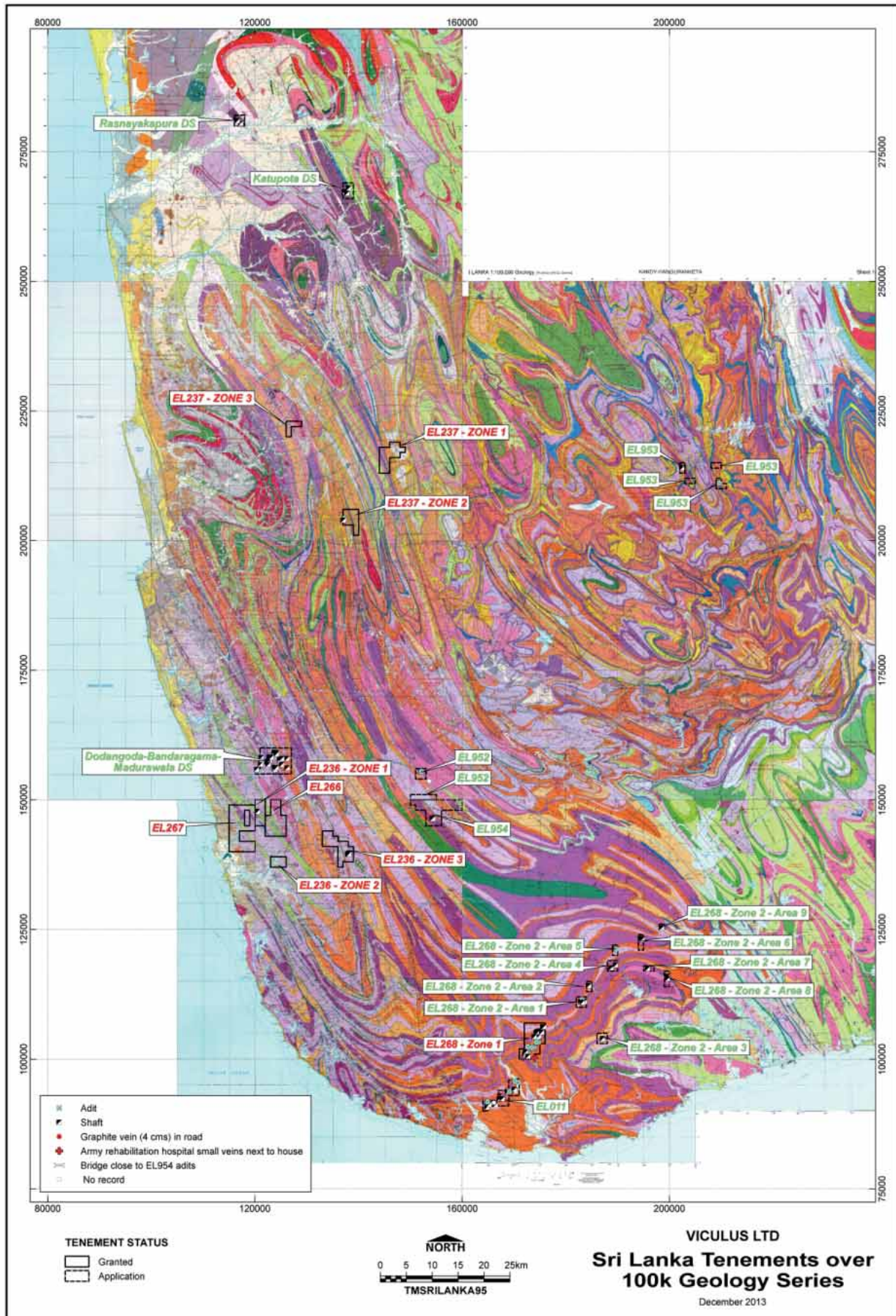


Figure 28: Regional 1:100,000 scale geology of Southwest Sri Lanka

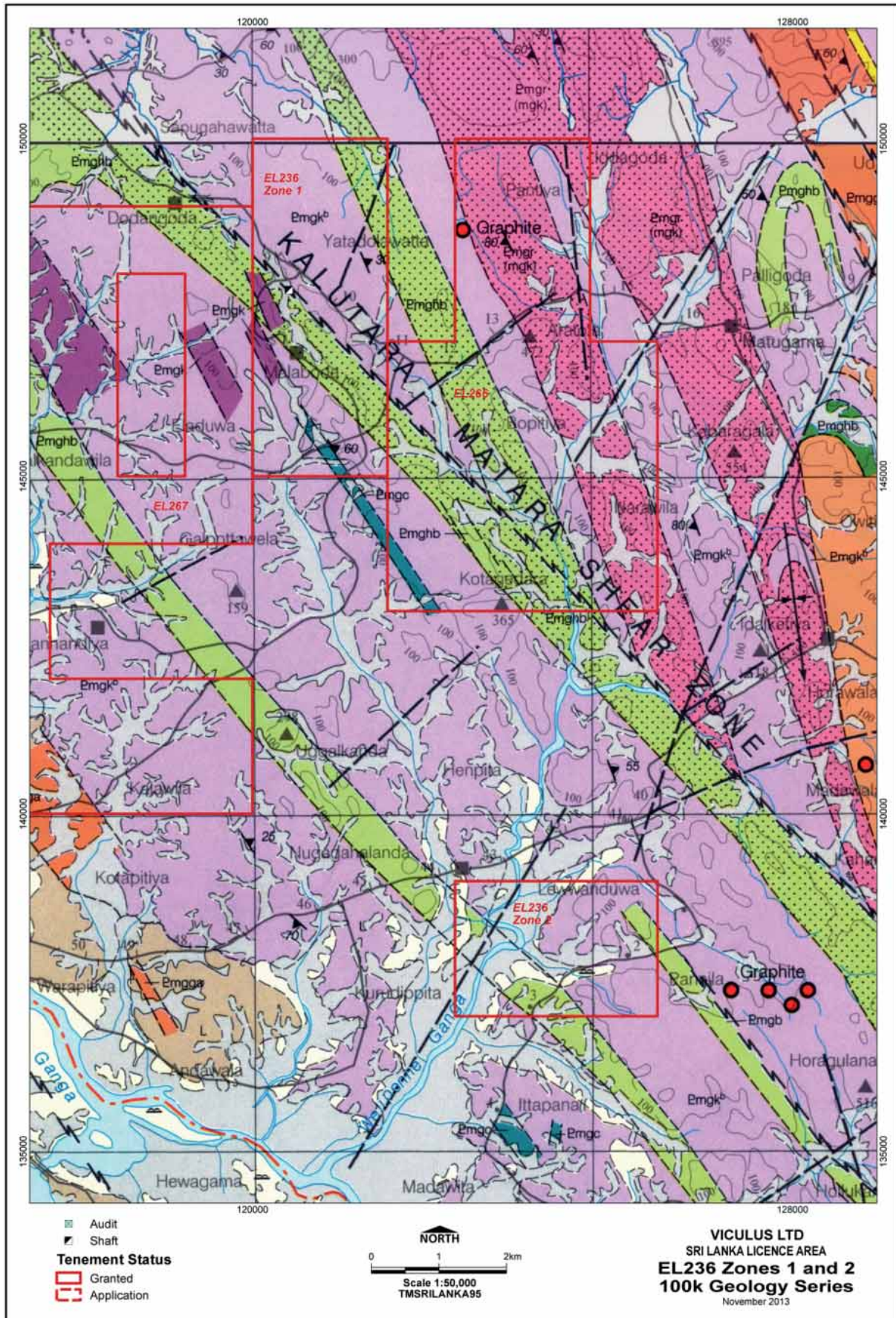


Figure 29: Geology of EL236 Zones 1 & 2

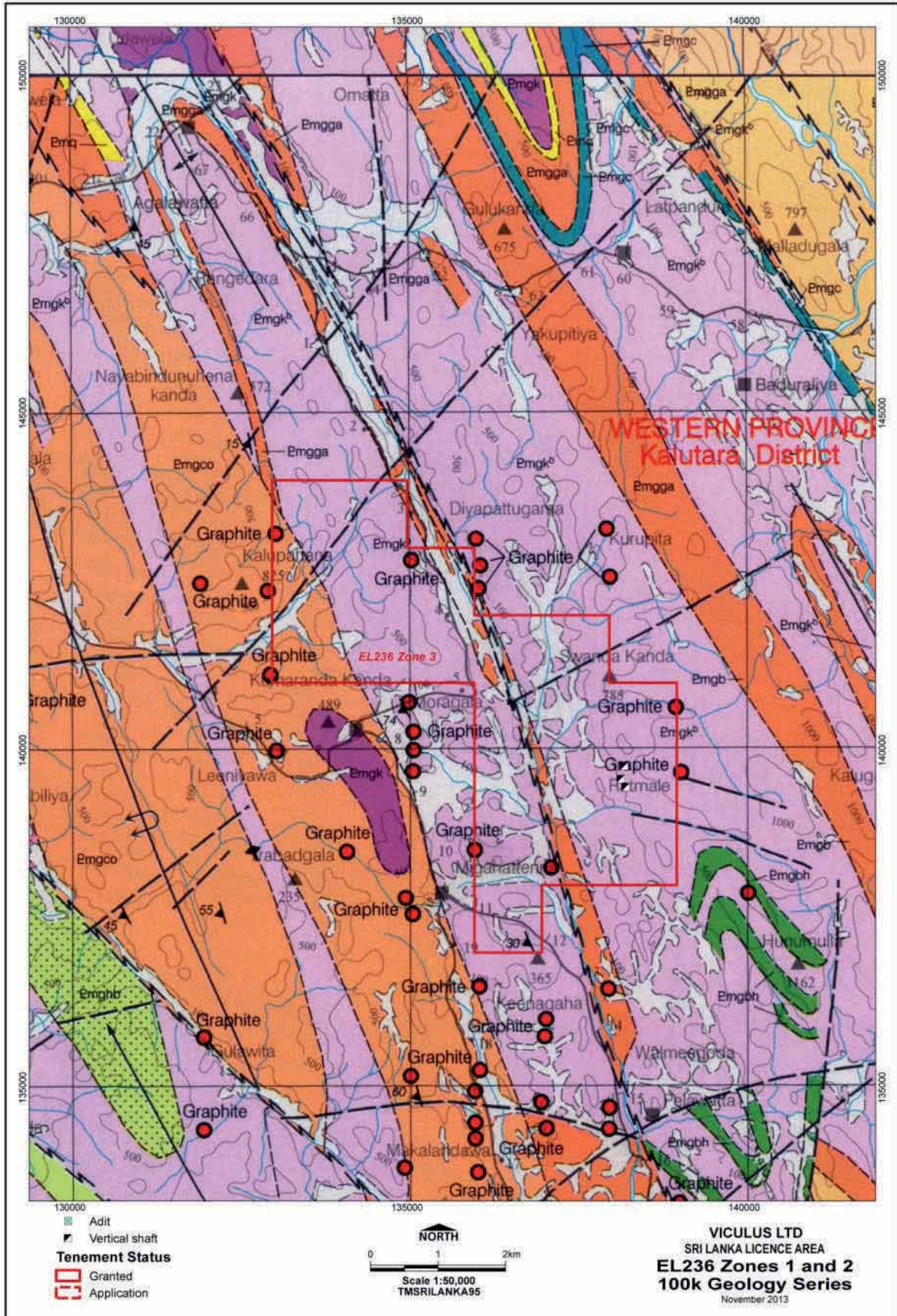
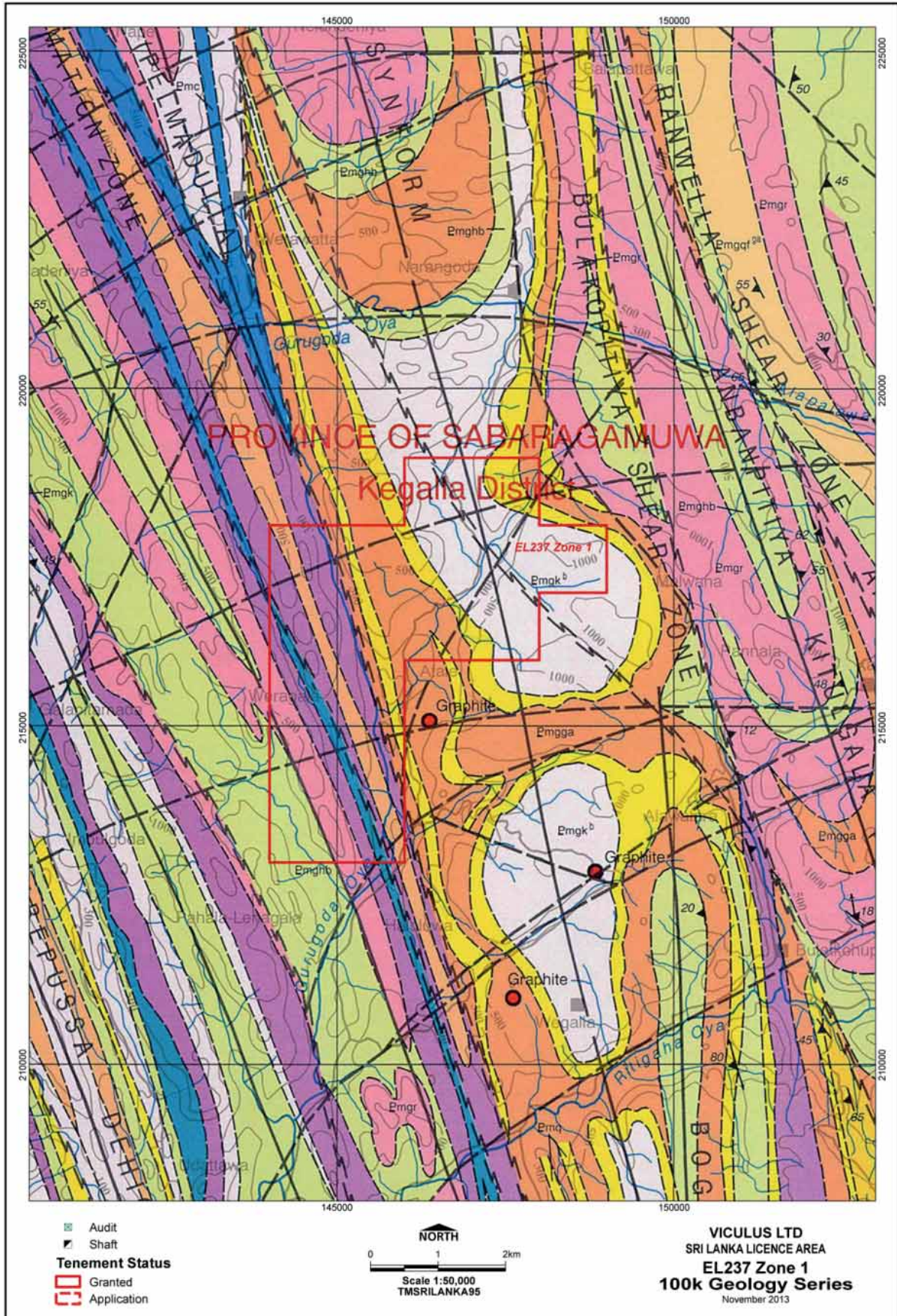
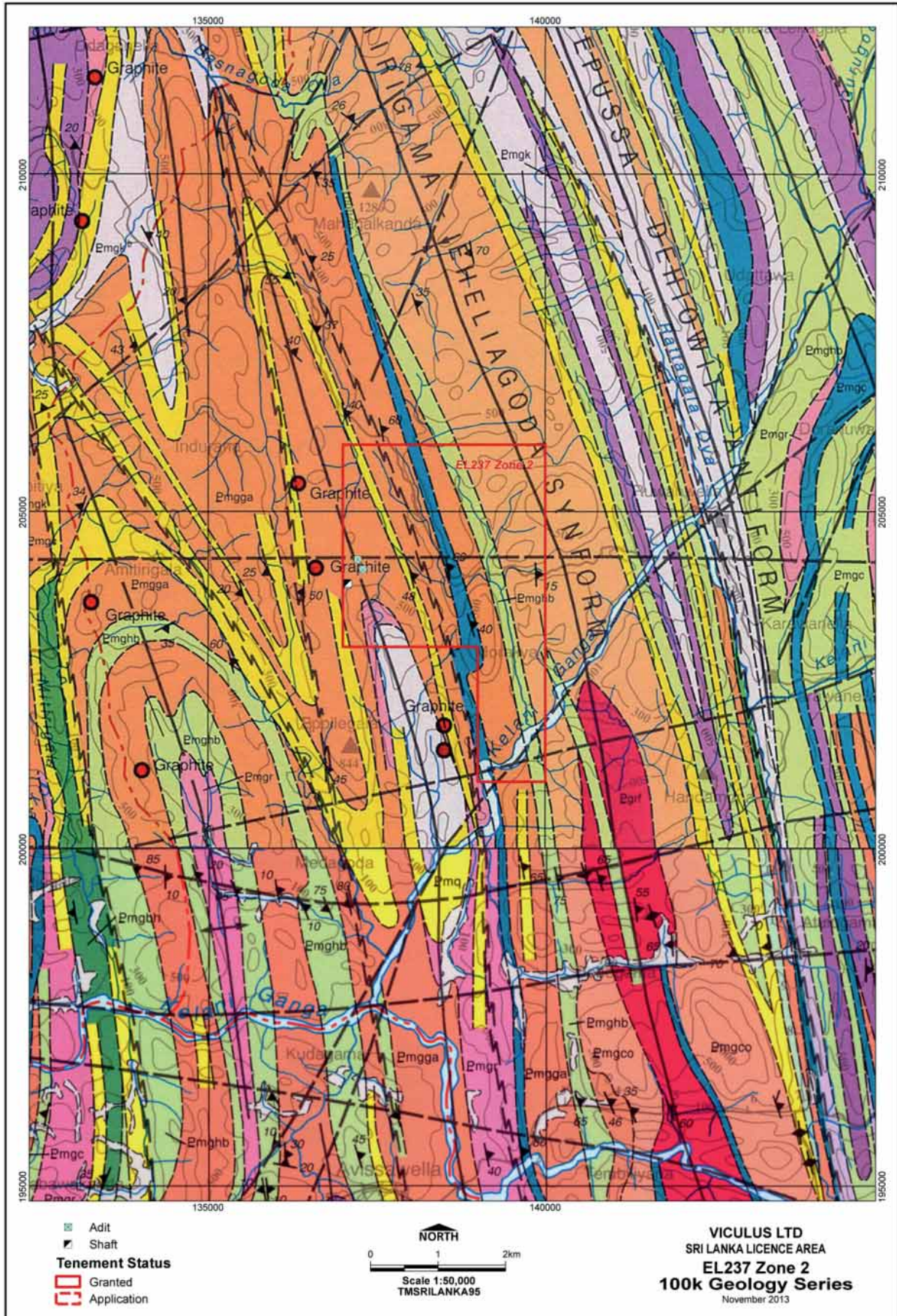


Figure 30: Geology of EL236 Zones 3



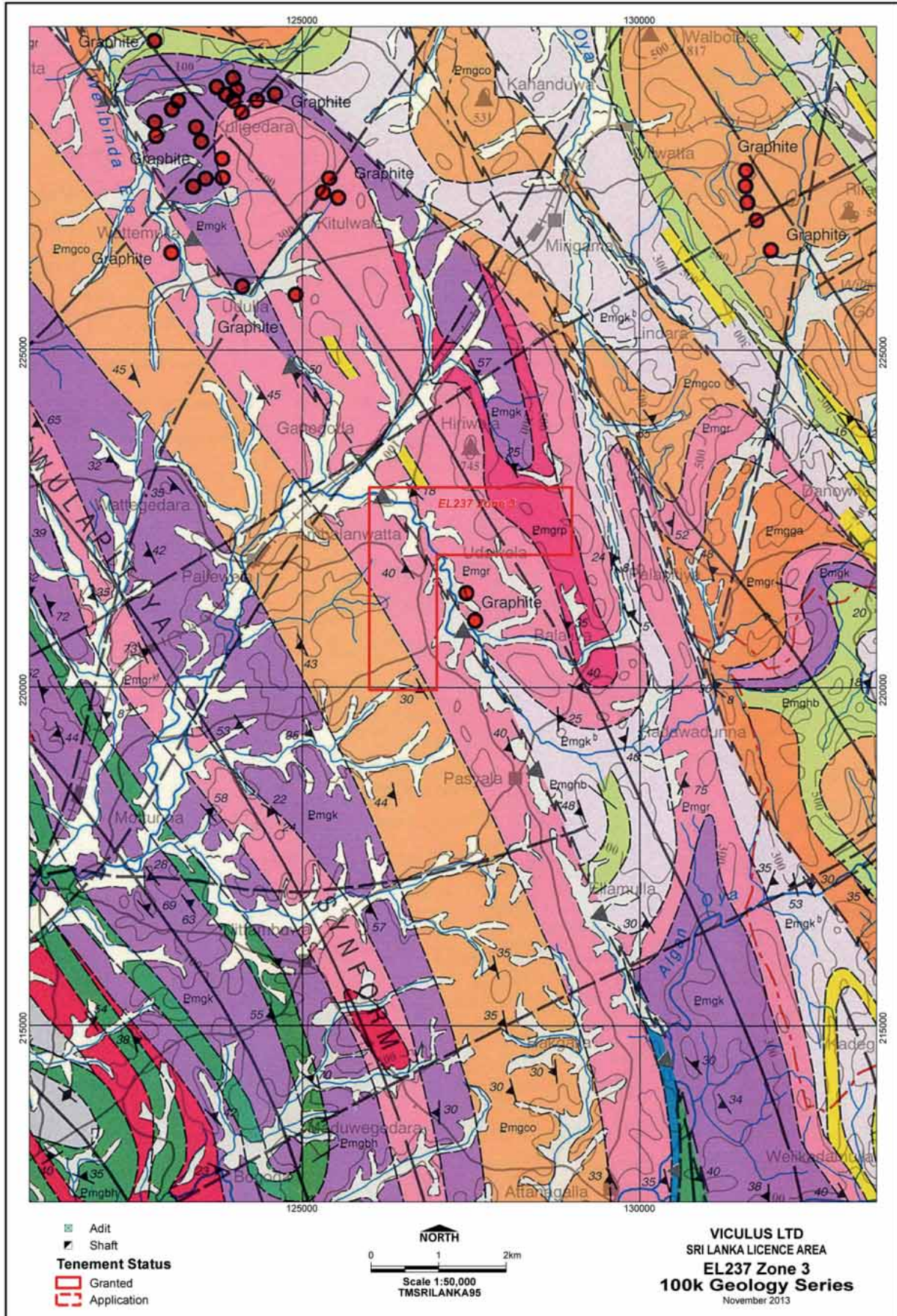
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Figure 31: Geology of EL237 Zone 1



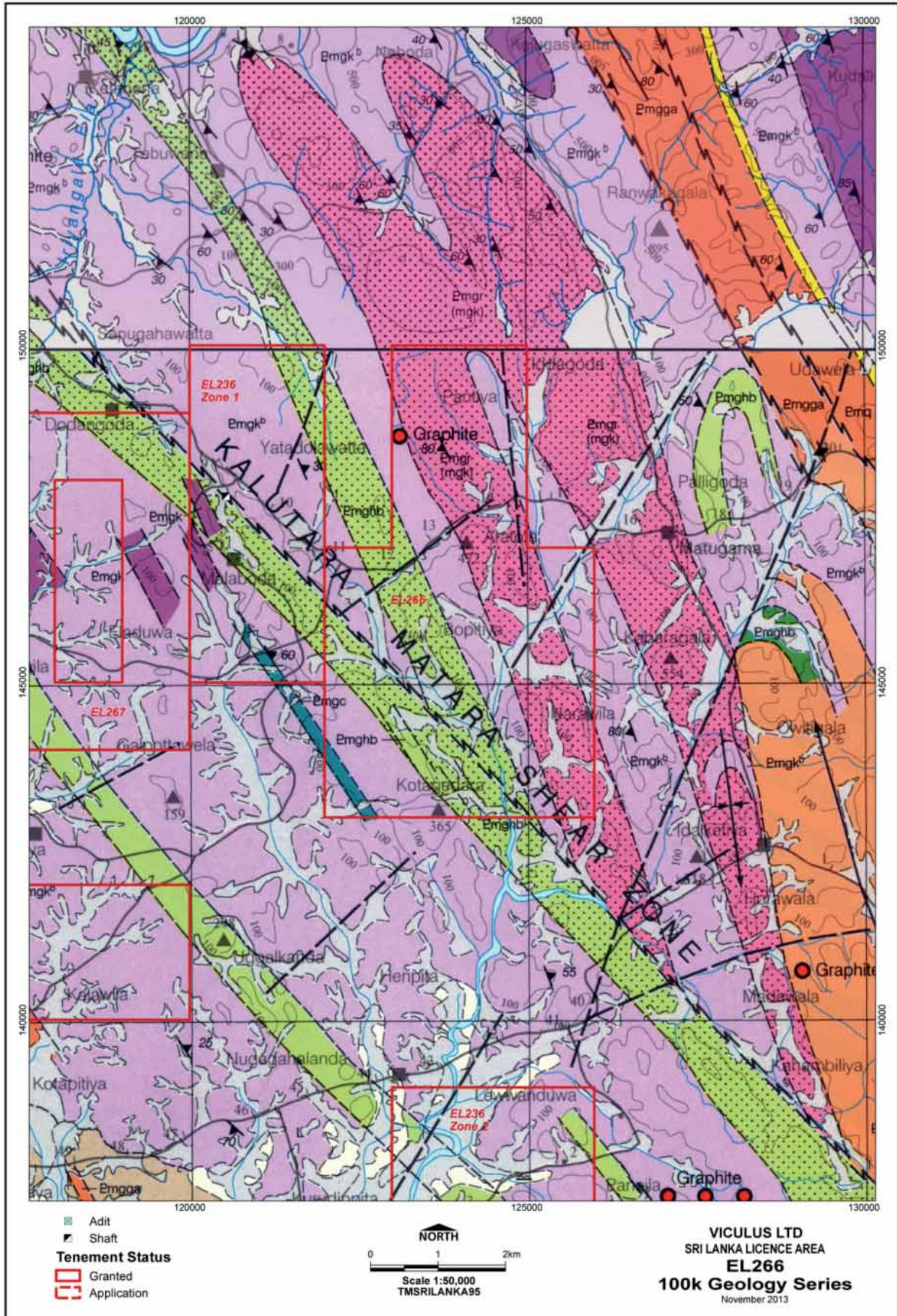
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Figure 32: Geology of EL237 Zone 2



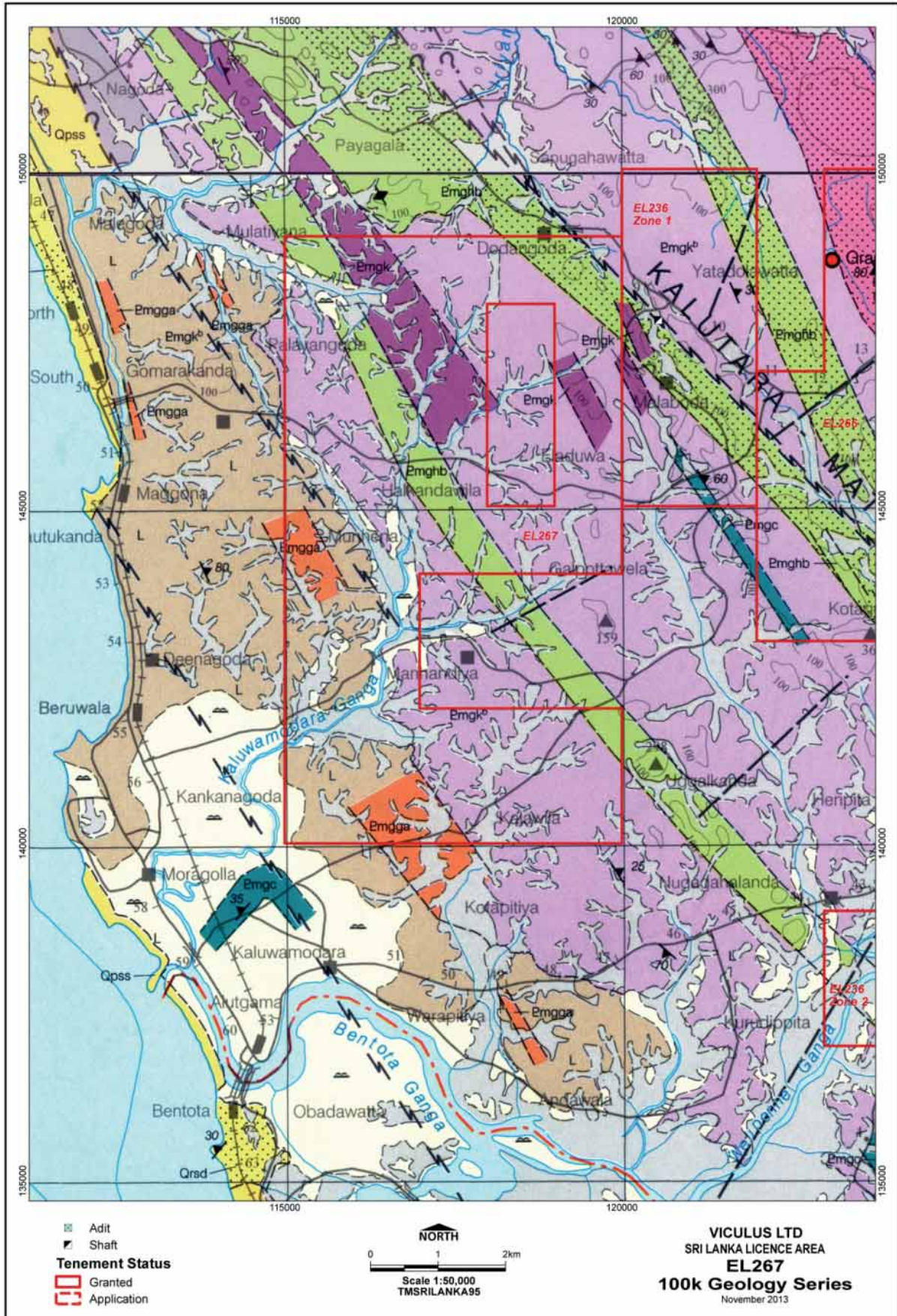
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Figure 33: Geology of EL237 Zone 3



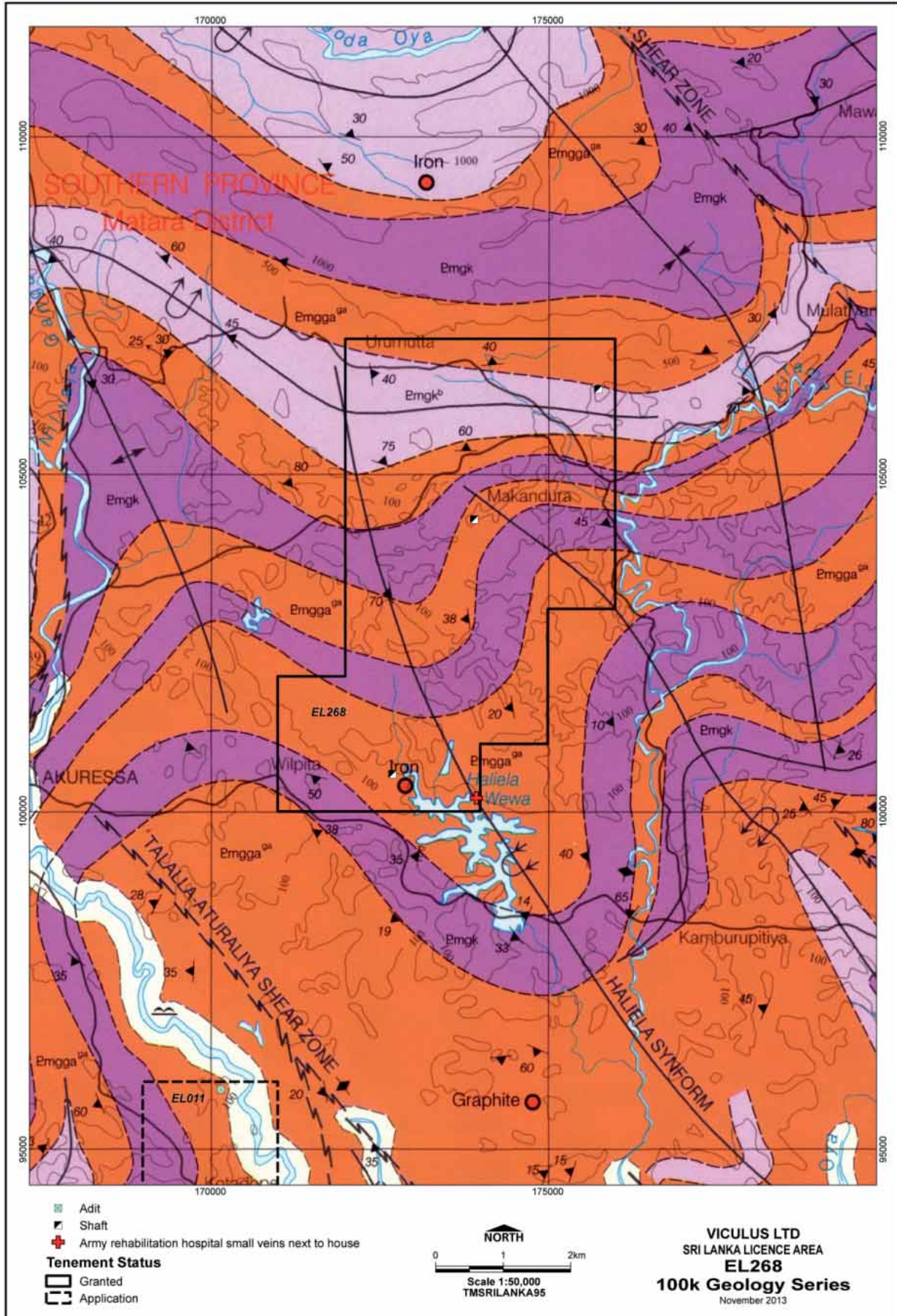
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Figure 34: Geology of EL266



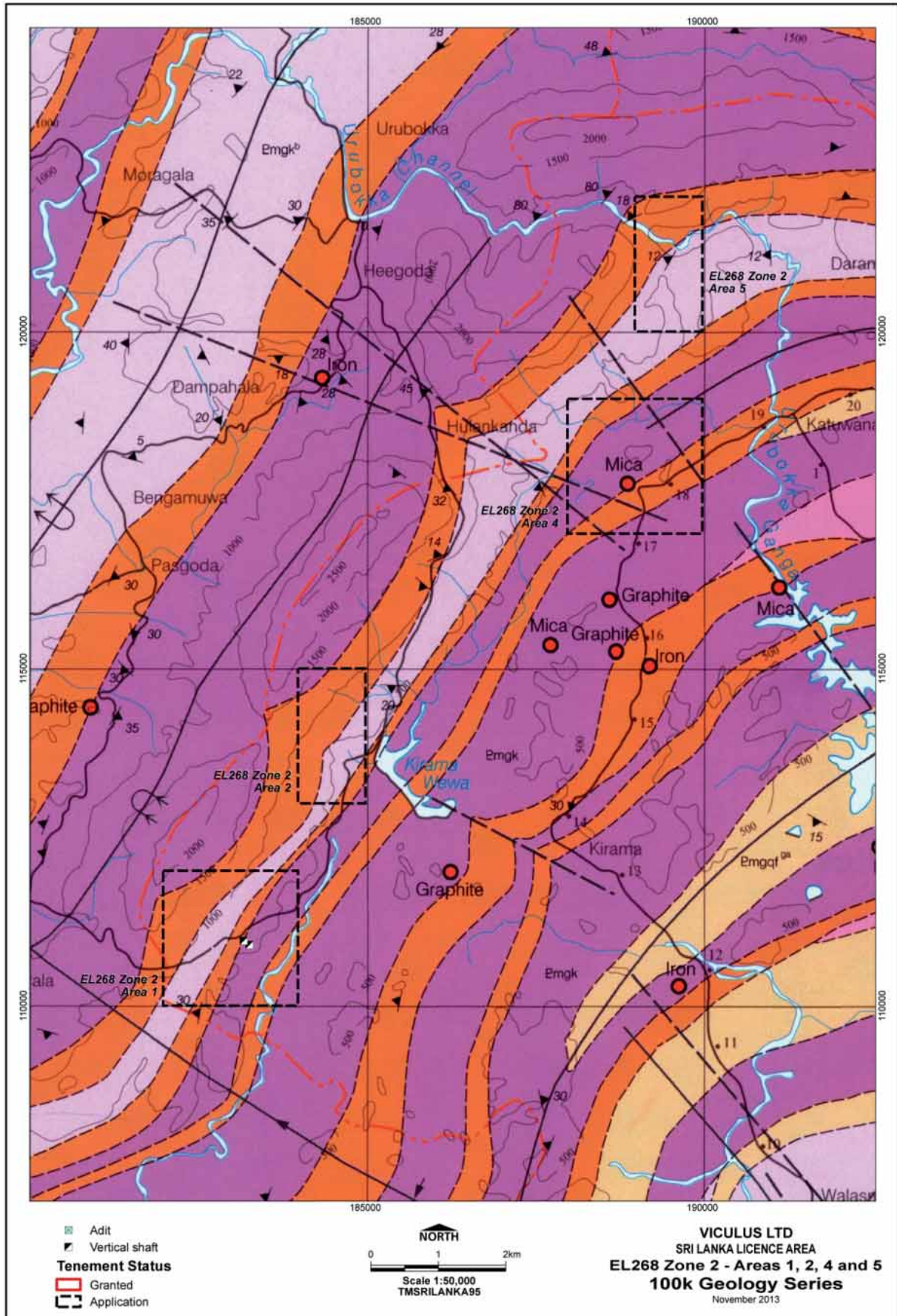
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Figure 35: Geology of EL267



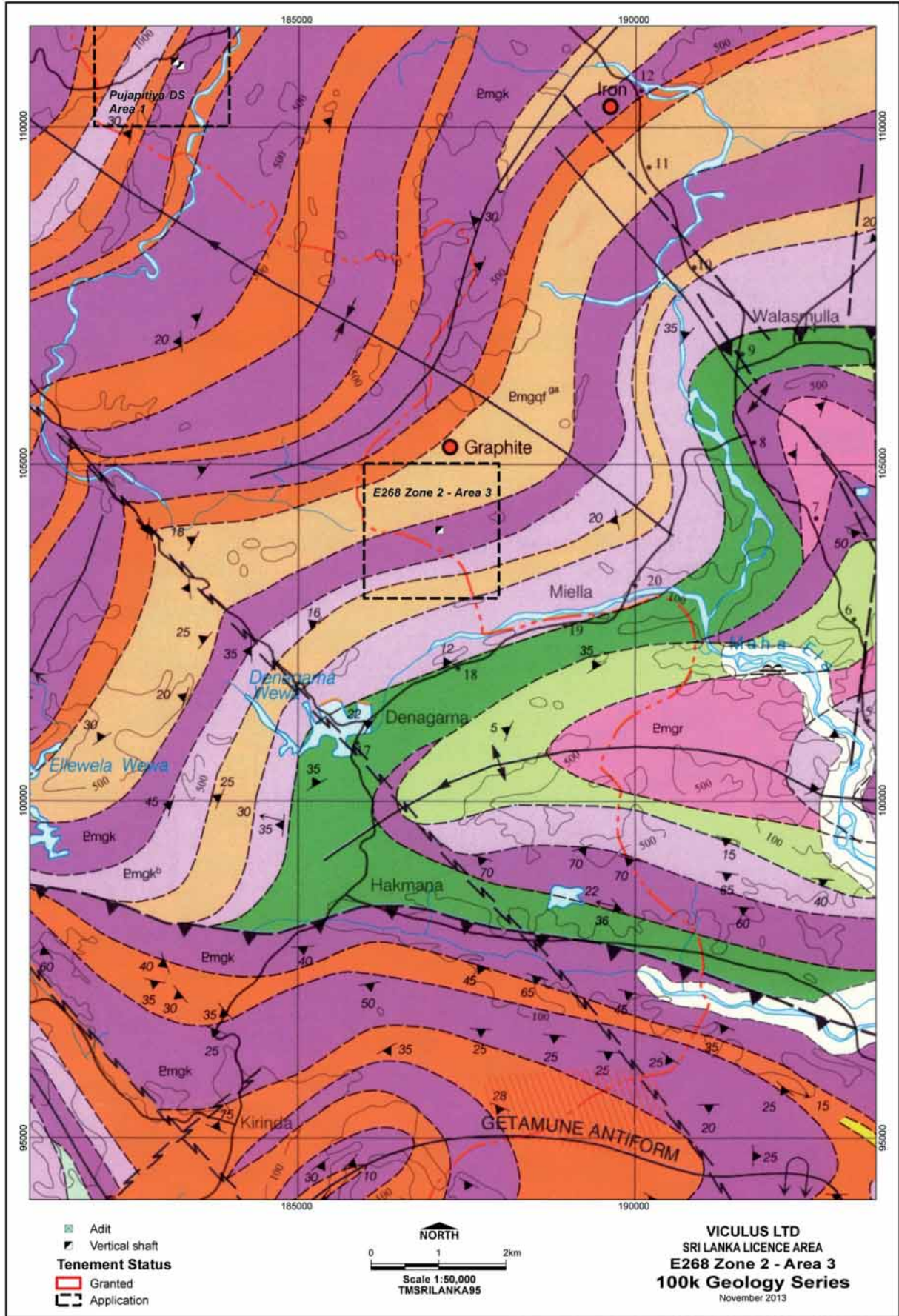
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Figure 36: Geology of EL268



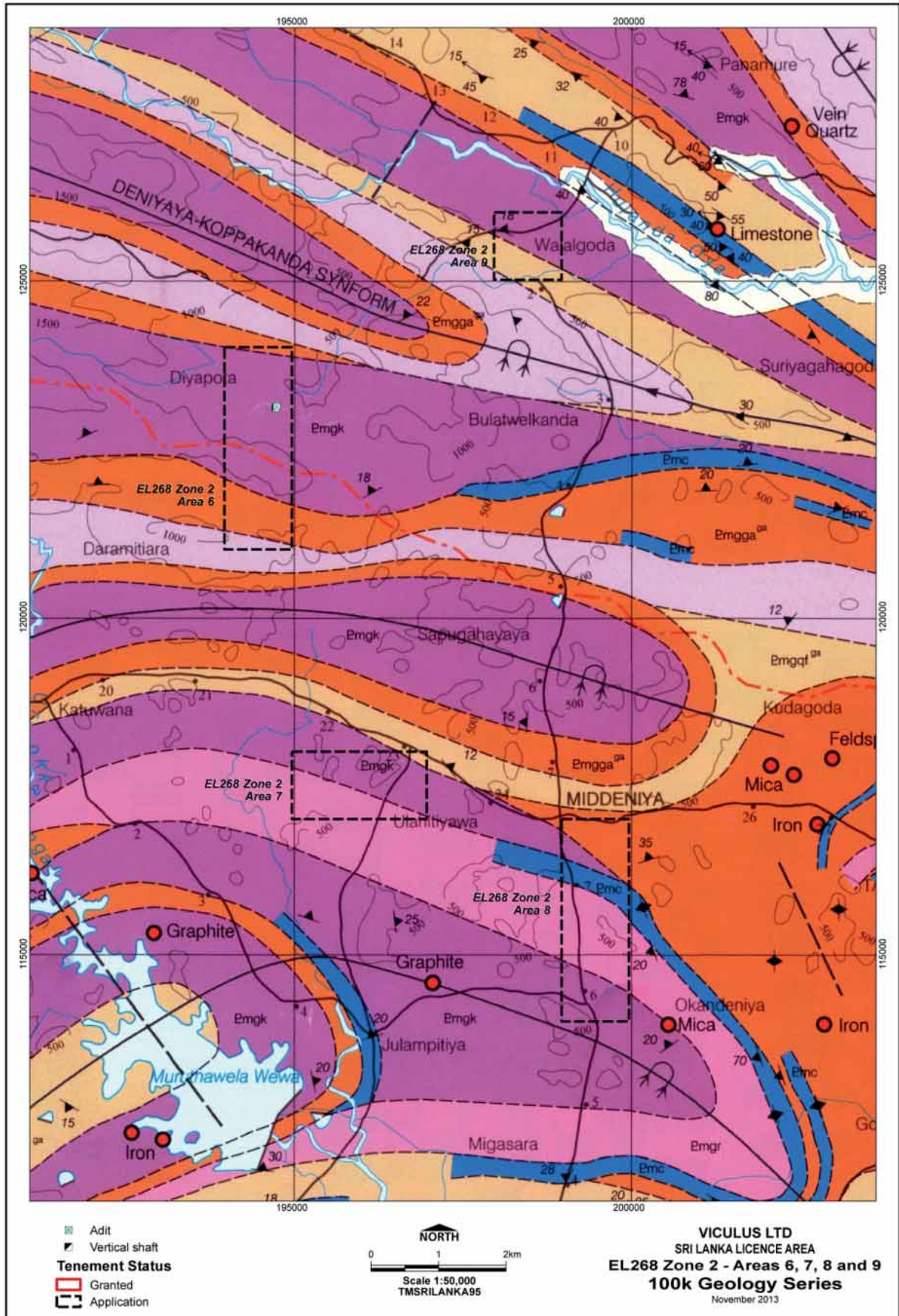
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Figure 37: Geology EL268 Zone 2 Areas 1,2,4, & 5



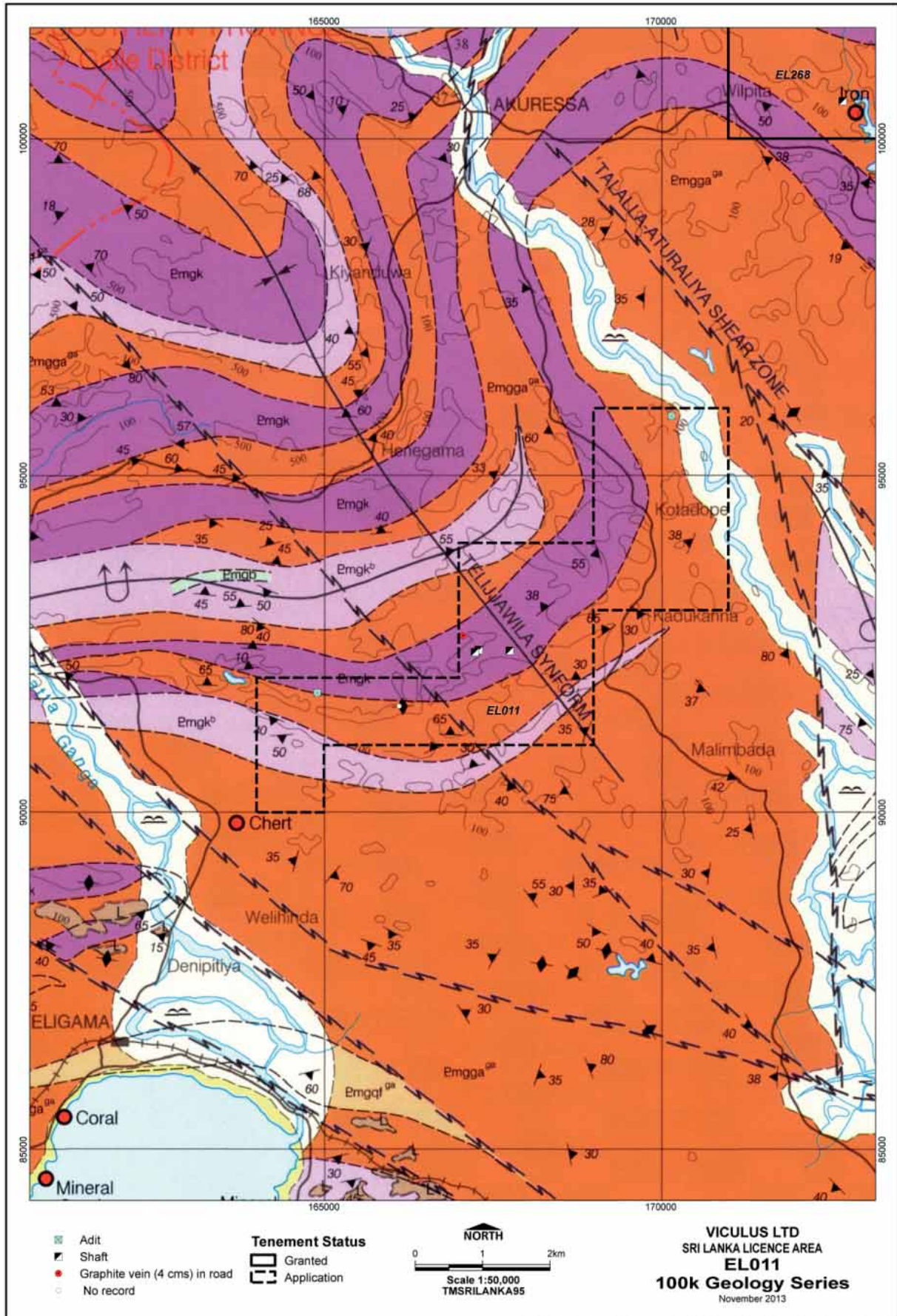
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Figure 38: Geology of EL268 Zone 2, Area 3



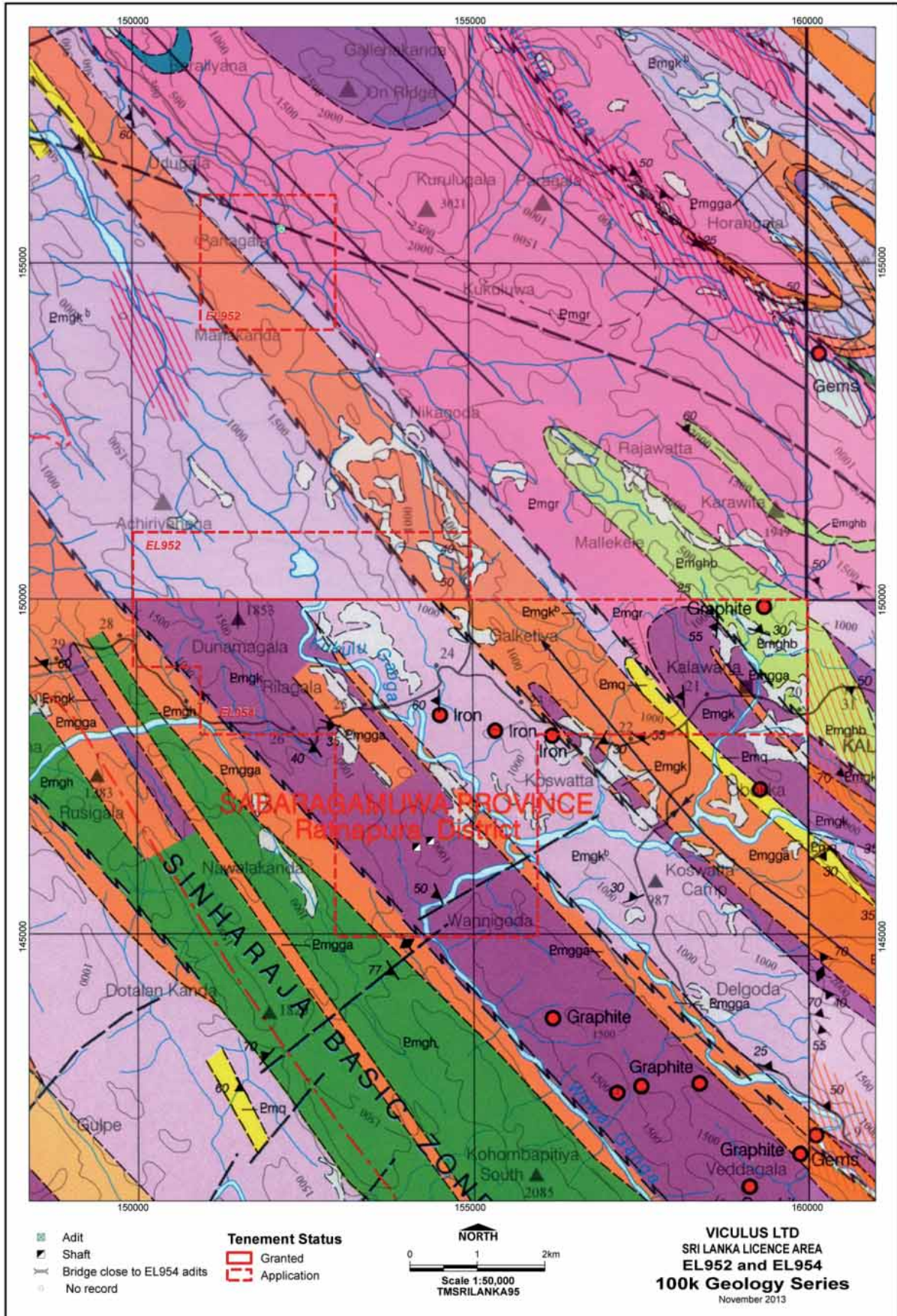
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Figure 39: Geology of EL268 Zone 2 areas 6, 7, 8 & 9



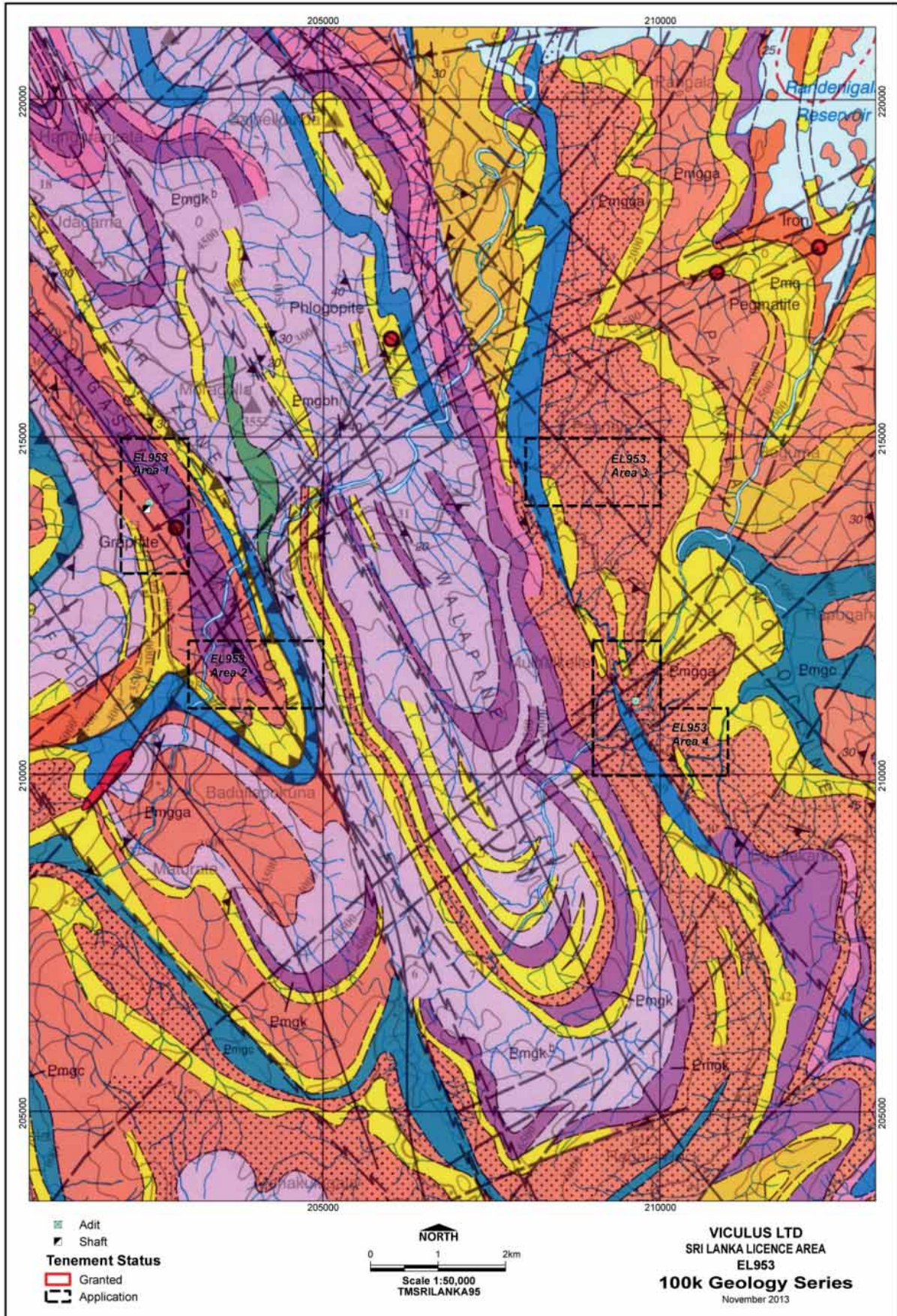
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Figure 40: Geology of EL011



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Figure 41: Geology of EL952 & EL954



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Figure 42: Geology of EL953

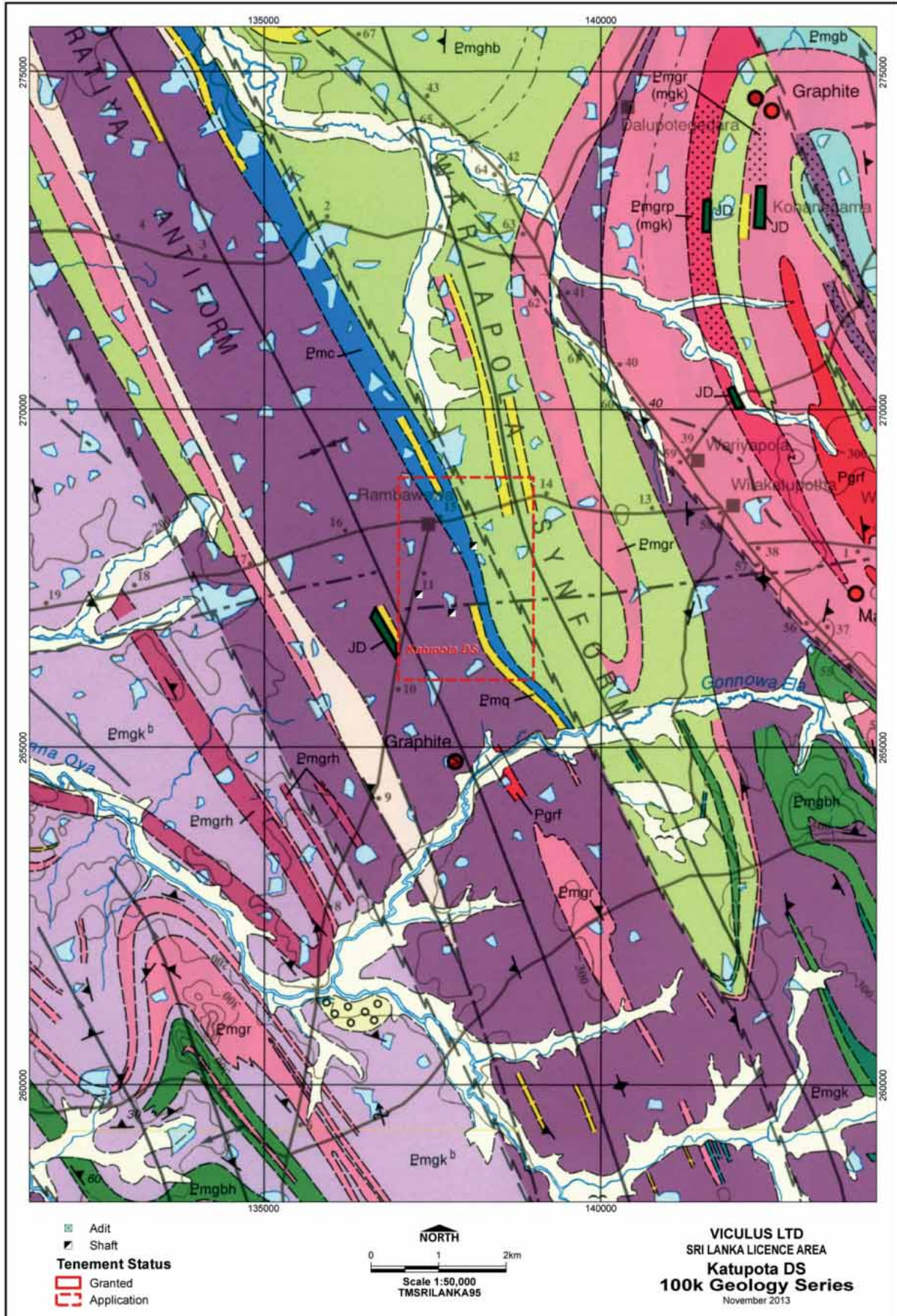


Figure 43: Geology of Katupota DS

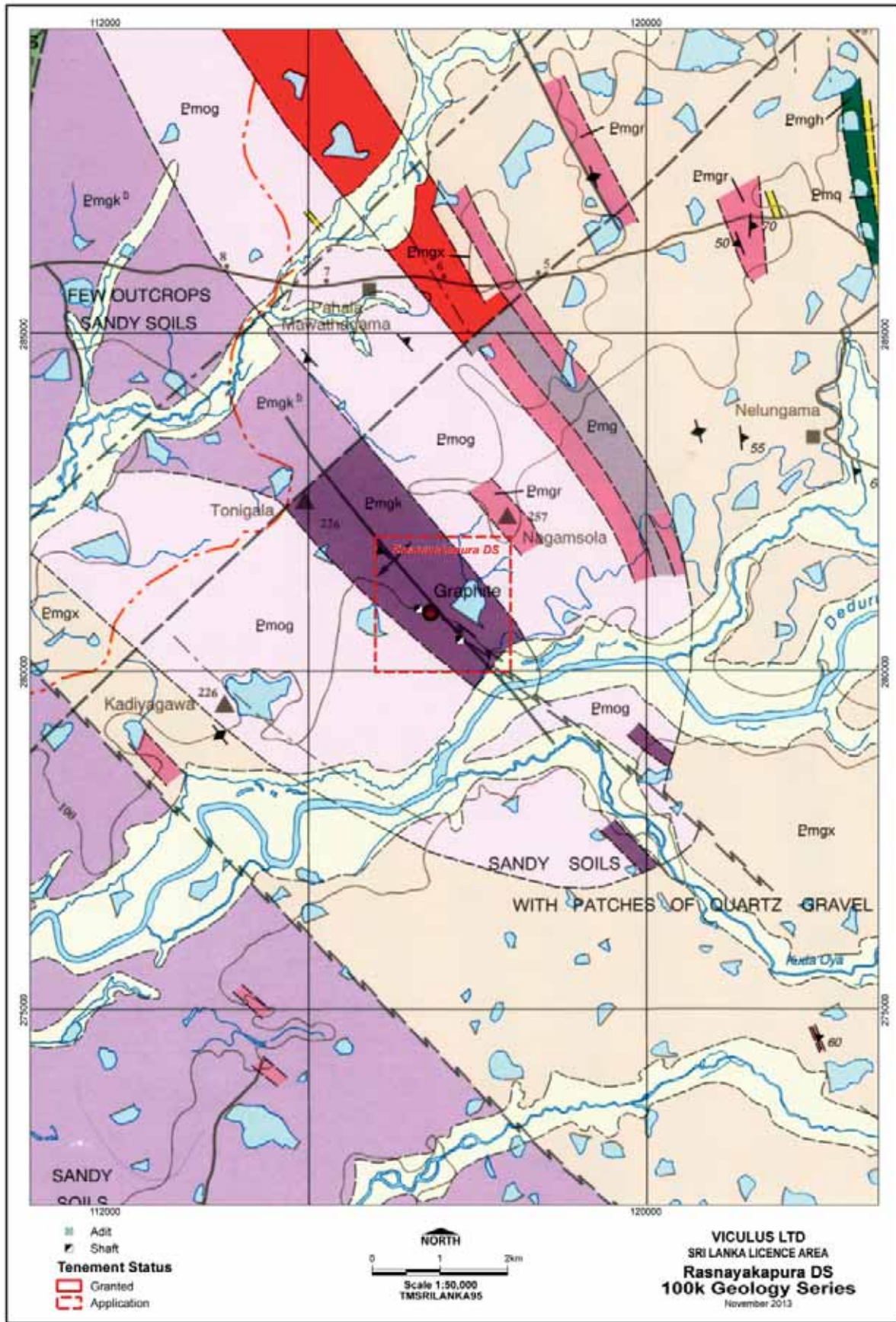


Figure 44: Geology of Rasnayakapura DS

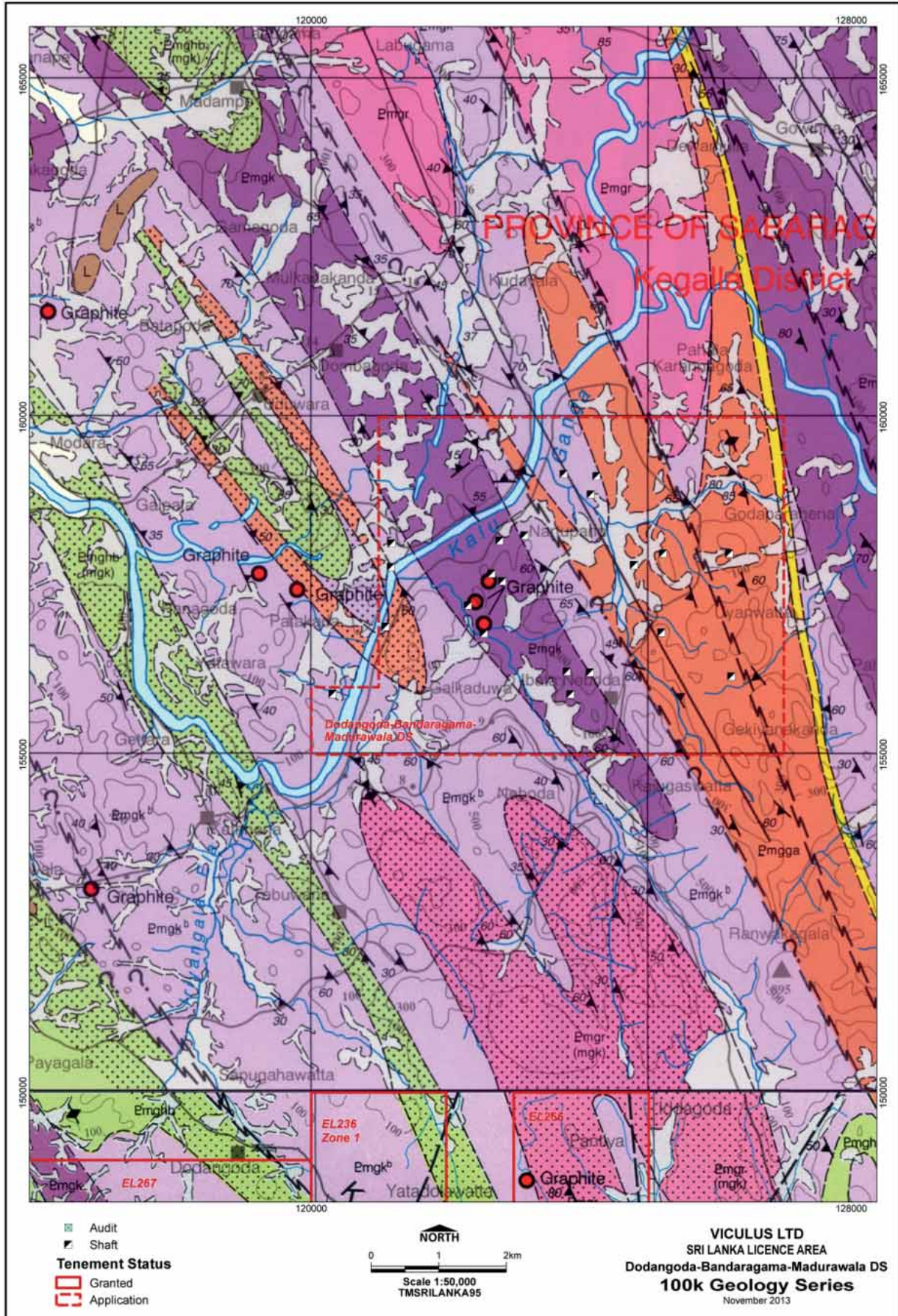


Figure 45: Geology Dodangoda-Bandaragama Madurawala DS



08

**FINANCIAL
INFORMATION**

08 | FINANCIAL INFORMATION

8.1 Introduction

This Section contains historical and pro-forma financial information for Viculus (VCL) Ltd. All information present in this Section should be read in conjunction with the Risk Factors outlined in Section 5 and the Independent Accountant's Report presented in Section 9.

To properly reflect the substance of the Proposed Transaction the combination of Viculus Ltd and Euro Petroleum Ltd (Euro) is accounted for based on reverse acquisition accounting principles. In a reverse acquisition, the legal subsidiary, Euro Petroleum Ltd (Euro), is deemed to be the acquirer and the legal parent, Viculus Ltd, is deemed to be the acquiree. It is believed this treatment is most appropriate given control over the combined entity vests with shareholders of Euro.

8.2 Historical Statement of Comprehensive Income

Set out below is a summary of the historical Statement of Comprehensive Income of Viculus Ltd (legal acquirer) and Euro Petroleum Ltd (legal acquiree) for the period from 01 July 2013 to 30 June 2014. The historical Statement of Comprehensive Income has been prepared on the basis of the significant accounting policies adopted by the Company set out in Section 8.4 and should be read in conjunction with the accompanying notes. The historical Statement of Comprehensive Income has been subject to review by the Independent Accountant as set out in their report in Section 9.

VICULUS LTD STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	VCL Audited For the Year ended 30th June 2014 \$
Revenue:	
Interest income	-
Total revenue	-
Expenses:	
Legal and Professional Fees	87,934
Employee Benefit expenses	99,580
Occupancy costs	15,486
ASX&ASIC Fees	1,383
Travel and Entertainment	24,722
Depreciation and Amortisation	1,024
Accounting and Audit Fees	43,320
Interest and Bank Fees	5,370
Other expenses	225
Loss before income tax expense	(279,044)
Income tax expense	-
Net loss after income tax expense	(279,044)
Other comprehensive income for the year, net of income tax	-
Total comprehensive loss for the year ended 30 June 2014	(279,044)

EURO PETROLEUM LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	EURO AUDITED 30th June 2014 \$
Revenue:	
Interest income	4,454
Total revenue	4,454
Expenses:	
Audit and Accounting fee	10,500
Directors Fee	8,000
Legal and Professional Fees	143,381
Bank Charges	2,068
Travel and Accommodation	88,131
Regulatory Cost	1,642
Consulting Fees	47,000
Advertisement and Promotion	32,727
Employment Expenses	102,746
Computer Expenses	2,199
Due Diligence Expenditure on tenements	441,740
Other expenses	43,926
Loss before income tax expense	(919,606)
Income tax expense	-
Net loss after income tax expense	(919,606)
Other comprehensive income for the year, net of income tax	-
Total comprehensive loss for the year ended 30 June 2014	(919,606)

8.3 Historical Statement of Financial Position and Consolidated Pro-Forma Statements of Financial Position

Set out below is the historical consolidated Statement of Financial Position of Viculus Ltd as at 30th June 2014 and the Consolidated Pro-Forma Statements of Financial Position as at 30th June 2014 (which represents the historical Statement of Financial Position as at 30th June 2014 adjusted for the Minimum Subscription and Full Subscription capital raising transactions and other pro-forma transactions as if those transactions had taken place on 30th June 2014.)

On 11 February 2014, Viculus Ltd announced its intention to make an off-market takeover bid for Euro Petroleum Ltd (Euro) and acquire all of its issued capital.

Consequently, the Company has prepared consolidated Minimum Subscription and Full Subscription Pro-Forma Statements of Financial Position as at 30th June 2014. Refer to Section 8.5 for further detail on pro-forma assumptions incorporated in the Minimum Subscription and Full Subscription Consolidated Pro-Forma Statements of Financial Position, including the acquisition of the issued capital of Euro.

The historical and pro-forma financial information has been prepared on the basis of the significant accounting policies adopted by the Company set out in Section 8.4 and should be read in conjunction with the accompanying notes. The historical and pro-forma financial information has been subject to independent review by the Independent Accountant as set out in their report presented in Section 9.

Reverse acquisition accounting

The proposed acquisition of Euro (the legal subsidiary) by VCL (the legal parent) is deemed to be a reverse acquisition, since the substance of the transaction is such that the existing shareholders of Euro will obtain control of VCL. AASB 3 Business Combinations (AASB 3) sets out the accounting principles to be followed in a reverse acquisition transaction. However, the Directors have concluded that VCL does not meet the definition of a business as prescribed in AASB 3 and, as such, it has been deemed that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3. Therefore, consistent with the accepted practice for

transactions similar in nature to the Acquisition, the Company has accounted for the Acquisition in the consolidated financial statements of the legal acquirer (VCL) as a continuation of the financial statements of the legal acquiree (Euro), together with a share based payment measured in accordance with AASB 2 Share Based Payments (AASB 2), which represents a deemed issue of shares by the legal acquiree (Euro), equivalent to the current shareholders interest in VCL post the Acquisition. The excess of the assessed value of the share based payment over the net assets of VCL as at 30 June 2014 has been expensed to the income statement as a listing fee.

Historical and Consolidated Pro-Forma Statements of Financial Position

	Notes	VCL Actual Audited 30 June 2014 \$	Euro Actual Audited 30 June 2014 \$	Minimum Subscription Consolidated Pro-Forma 30 June 2014 \$	Full Subscription Consolidated Pro-Forma 30 June 2014 \$
CURRENT ASSETS					
Cash and cash equivalents	1	6,446	48,462	2,164,954	3,664,954
Other Financial Assets	2	-	118,010	-	-
Trade and other receivables	3	12,616	33,946	12,616	12,616
TOTAL CURRENT ASSETS		19,062	200,418	2,177,570	3,677,570
NON CURRENT ASSETS					
Exploration and evaluation assets	4	-	-	2,000,000	2,000,000
Deposit for share Purchase	5	-	330,071	-	-
Plant and Equipment		6,650	2,435	9,085	9,085
TOTAL NON CURRENT ASSETS		6,650	332,506	2,009,085	2,009,085
TOTAL ASSETS		25,712	532,924	4,186,655	5,686,655
CURRENT LIABILITIES					
Trade and other payables		104,970	96,196	201,166	201,166
Borrowings		119,685	-	1,675	1,675
TOTAL CURRENT LIABILITIES	6	224,655	96,196	202,841	202,841
NON CURRENT LIABILITIES					
TOTAL NON CURRENT LIABILITIES		-	-	-	-
TOTAL LIABILITIES		224,655	96,196	202,841	202,841
NET ASSETS		(198,943)	436,728	3,983,814	5,483,814
EQUITY					
Issued capital	7	23,107,075	2,297,184	5,552,098	7,052,098
Reserves	8	-	-	48,950	48,950
Accumulated losses	9	(23,306,018)	(1,860,456)	(2,217,264)	(2,217,264)
TOTAL PARENT EQUITY INTEREST		(198,943)	436,728	3,383,784	4,883,784
OUTSIDE EQUITY INTEREST	10	-	-	600,030	600,030
TOTAL EQUITY		(198,943)	436,728	3,983,814	5,483,814

8.4 Summary of Significant Accounting Policies

The historical and pro-forma financial information has been prepared in accordance with the measurement requirements, but not all disclosure requirements, of Australian Accounting Standards, Accounting Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents of International Financial Reporting Standards ("A-IFRS"). In the view of the Directors of the company the omitted disclosures are not materially adverse to potential investors or inconsistent with any information contained elsewhere in the Prospectus.

The principal accounting policies adopted are stated below.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries on the basis they are controlled by the company (referred to as 'the Group' in this report). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognized as a contribution by or distribution to equity participants by the transacting entities.

Outside equity interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Outside equity interests consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the Outside equity interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(ii) Business Combinations

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Acquisition related costs are recognized in the profit and loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognized at their fair value at acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with AASB 12 Income Taxes and AASB 119 Employee Benefits respectively,
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payments awards are measured in accordance with AASB 2 Share Base Payments, and
- Assets (or Disposal groups) that are classified as held for sale in accordance with AASB 5 Non-Current Assets held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of acquisition date, is subject to a maximum of one year.

(iii) Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of non-controlling outside equity interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the Combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(iv) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximize, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximizes the receipts from the sale of the asset or minimizes the payments made to transfer the liability, after taking into account transaction costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable

market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(v) Going concern

The financial information has been prepared on a going concern basis. The financial information has been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern. The Company has incurred operating losses for the period ended 30th June 2014; however, the Company is expected to continue as a going concern on the basis that upon completion of the Offer, the Company will have sufficient cash reserves to cover expenditure for at least the next twelve months.

(vi) Significant judgments and key assumptions

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions in regards to carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are in relation to management's review of the carrying value of exploration and evaluation assets.

There have been no other significant judgments made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognized in the financial statements.

(vii) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to separate areas of interest, for which rights of tenure are current, are capitalized in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met;
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest that is continuing.

Capitalized exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalized exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Restoration, Rehabilitation and Environmental Expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs. Estimates of future costs are re-assessed at each reporting date.

(viii) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of a recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated separately and it generates cash inflows that are largely dependent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognized as a reversal to the extent of that previous revaluation with any excess recognized through profit or loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss

is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(ix) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(x) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognized at amortised cost less adjustments for impairment or uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xi) Trade and other payables

Trade and other payables are stated at amortised cost. Trade payables and other accounts payable are recognized when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(xii) Employee Benefits

Liabilities arising in respect of wages and salaries, sick leave and any other employee benefits expected to be settled in full within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(xiii) Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the consideration received, net of any related income tax benefit.

(xiv) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest

Revenue is recognized as the interest accrues to the net carrying amount of the financial asset.

(xv) Income Tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of comprehensive income.

(xvi) Other taxes

Revenues, expenses and assets are recognized net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xvii) Share-based payment arrangements

For equity-settled share-based transactions, goods or

services received are measured directly at the fair value, measured at a market price, of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

(xviii) Impact of Adopting New Accounting Standards and New / Revised Accounting Standards Not Yet Effective

The Company has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB), but not all disclosure requirements, that are relevant to its operations and effective for the period ended 30th June 2014.

Certain new accounting standards and interpretations have been published that are not mandatory for the period ended 30th June 2014 but are available for early adoption. The Company has not early adopted the new accounting standards. The Directors have given due consideration to these standards and interpretations and do not believe they will have any material financial impact on the financial information of the Company.

8.5 Consolidated Pro-Forma Statements of Financial Position

The Minimum Subscription Consolidated Pro-Forma Statement of Financial Position have been based on the historical Statement of Financial Position as at 30th June 2014 and reflects the following events and transactions as if they had taken place as at 30th June 2014:

- Acquisition by Euro Petroleum of a 70% underlying interest in Lanka Graphite Pvt Ltd, a company holding Tenements and Exploration License Applications in Sri Lanka over areas which may be prospective for graphite. The pro-forma financial information has been prepared on the basis that an amount of AUD1,070,000 is paid from the proceeds of the Offer in connection with the acquisition by Euro of its underlying interest in Lanka Graphite Pvt Ltd;
- Acquisition of Euro Petroleum Ltd by allotment and issue to the Euro shareholders of one (1) share in the company for every one (1) share held in Euro. As at 30th June 2014, number of shares issued in Euro was 39,289,100 and number of shares currently on issues are 40,795,100.
- Minimum Subscription of 17.5 million new ordinary shares for an issue price of \$0.20 per share for a total of \$3.5 million before costs; and
- Payment of share issue expenses of approximately \$354,000 in respect of the Minimum Subscription as if they had occurred as at 30 June 2014.

The Full Subscription Consolidated Pro-Forma Statement of Financial Position has been based on the Minimum Subscription Consolidated Pro-Forma Statement of Financial Position as at 30th June 2014, and incorporates the issue of an additional 7,500,000 new shares for an issue price of \$0.20 per share for a total of \$1.5 million with no additional share issue expenses.

The Company has not allowed for additional costs associated with the issue of an additional 7.5 million fully paid ordinary shares on the basis that VCL will not utilize the services of a broker to raise the additional capital.

8.6 Notes to the Financial Statements

	Audited VCL 30 Jun 2014 \$	Audited Euro 30 Jun 2014 \$	Minimum Subscription Consolidated Pro-Forma 30 June 2014 \$	Full Subscription Consolidated Pro-Forma 30 June 2014 \$
Note 1: Cash and Cash Equivalents				
Cash assets	6,446	48,462	55,008	55,008
Issue of fully paid ordinary shares under the Offer	-	-	3,500,000	5,000,000
Payment of Capital Raising expenses from proceeds of the Offer	-	-	(354,000)	(354,000)
Payment of tenement acquisition costs	-	-	(1,070,000)	(1,070,000)
Receipt of other receivables	-	-	33,946	33,946
	6,446	48,462	2,164,954	3,664,954
Note 2: Other Financial Assets				
Loan to VCL	-	118,010	-	-
	-	118,010	-	-
Note 3: Trade & Other Receivables				
GST Receivable and Sundry Debtors	12,616	33,946	12,616	12,616
	12,616	33,946	12,616	12,616
Note 4: Exploration and Evaluation Assets				
Acquisition of Tenements Rights	-	-	2,000,000	2,000,000
	-	-	2,000,000	2,000,000
Note 5: Deposit for Share Purchase				
Deposit Paid to Acquire share in Tenements	-	330,071	-	-
	-	330,071	-	-
Note 6: Trade & Other Payables				
Trade and other payables	104,970	96,196	201,166	201,166
Borrowings	119,685	-	1,675	1,675
	224,655	96,196	202,841	202,841

	Audited VCL 30 June 2014 \$	Audited Euro 30 June 2014 \$	Minimum Subscription Consolidated Pro-Forma 30 June 2014 \$	Full Subscription Consolidated Pro-Forma 30 June 2014 \$
Note 7: Issued Capital				

Ordinary Shares

VCL ordinary shares on issue (Pro Forma adjusted for proposed prospectus transactions as at 30 June 2014)

23,107,075 2,297,184 5,552,098 7,052,098

Movement in Issued Capital represented by the following transactions:

10,173,860,422 ordinary shares on issue as at 30 June 2014	23,107,075	2,297,184	23,107,075	23,107,075
Acquisition of Euro Shares as at 30 June 2014	-	-	2,297,183	2,297,183
Elimination of VCL balances via Reverse Acquisition	-	-	(23,107,075)	(23,107,075)
Reverse Acquisition Value of Share capital issued	-	-	108,915	108,915
Minimum subscription of 17.5 million shares at 20 cents per share	-	-	3,500,000	
Full subscription of 25 million shares at 20 cents per share	-	-	-	5,000,000
Cost attributable to raising capital	-	-	(354,000)	(354,000)
	23,107,075	2,297,184	5,552,098	7,052,098

	Number	Minimum Subscription Number of Shares	Maximum Subscription Number of Shares
On completion of the above transactions:			
the number of VCL ordinary shares on issue	10,173,860	10,173,860	10,173,860
the number of reverse Acquisition Euro shares	-	40,795,100	40,795,100
New Share issues	-	17,500,000	25,000,000
	10,173,860	68,468,960	75,968,960

Note 8. Reserves

Fair Value of Options to be issued to Directors at Current date (adopting Black-Scholes pricing model)

- - **\$48,950** **\$48,950**

Note 9: Retained Earnings/(Accumulated Losses)

	Audited VCL 30 June 2014	Consolidated Pro-Forma
VCL Balances at 30 June 2014	(23,306,108)	(23,306,108)
Euro Balances as 30 June 2014	-	(1,860,456)
Elimination of VCL balance via Reverse Acquisition	-	23,306,108
Cost of Listing (Reverse Acquisition Accounting)	-	(307,858)
Issue of Options	-	(48,950)
	(23,306,108)	(2,217,264)

9.1: Acquisition Accounting

The acquisition of Euro Petroleum Ltd has been treated as a reverse acquisition. Based on the ownership interests under the acquisition agreement, the value of the shares as at the date of reverse acquisition for the purposes of VCL's resulting interest in Euro Petroleum Ltd is \$108,915 (as based on the audited consolidated Financial position of Euro Petroleum Ltd as at 30 June 2014). After eliminating share capital and retained earnings this results in a cost of listing of \$307,858.

The net monetary liabilities assumed as a result of the transactions were;

	\$
Cash and Cash Equivalents	6,446
Trade receivables	12,616
Plant and Equipment	6,650
Trade payables	(104,970)
Borrowings	(119,685)
Net Monetary Liabilities	(198,943)

10: Outside Equity Interest

Euro in accordance with the information set out at Section 8.5 will acquire 70% of Lanka Graphite Pty Ltd for a consideration of \$1,400,071

The details of acquisition are shown below:

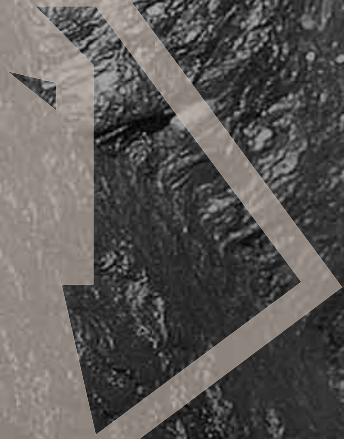
	\$
Acquisition consideration (i)	1,400,071
Net Assets acquired (Fair Value) :	
Exploration Licenses/tenements	2,000,000
Cash	101
	2,000,101
Outside Equity Interest	(600,030)
Goodwill on acquisition	-
	1,400,071

(i) \$330,071 has been paid and the balance of \$1,070,000 payable from prospectus proceeds



09

INVESTIGATING
ACCOUNTANT'S
REPORT



12 February 2015

The Directors
Viculus Limited
Level 18, 101 Collins Street
MELBOURNE VIC 3000

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have been engaged by Viculus Limited (the Company) to prepare this Investigating Accountant's Report (the Report) on the Historical and Pro Forma Historical Financial Information of the Company for inclusion in the Replacement Prospectus to be dated on or around 17 February 2015. The Replacement Prospectus will offer up to 25 million shares in the capital of the Company at an issue price of \$0.20 each to raise up to \$5 million before costs (the Public Offer). The Public Offer is subject to a minimum subscription of 17.5 million shares to raise \$3.5 million before costs.

The shares will be issued as fully paid ordinary shares and will, once issued, rank equally with each other and the existing shares.

The Replacement Prospectus is conditional upon the Company's proposed takeover bid for EURO Petroleum Ltd (EURO) and confirmation that the ASX will admit the Company to official quotation, subject to satisfaction of the terms and conditions prescribed by the ASX listing rules.

Assuming the takeover bid reaches completion, the Company will also issue 40,795,100 shares to EURO shareholders and 9,750,000 options (exercise price \$0.30 per option, expiring 24 months from the date of issue) to EURO optionholders, to acquire 100% of the capital of EURO. The takeover bid requires shareholder approval and is also conditional upon:-

- the Company obtaining at least 80% of all issued capital in EURO;
- the capital raising pursuant to this prospectus raising a minimum of \$3.5 million before costs through the issue of 17.5 million shares;
- the allocation and issue of shares and options to EURO shareholders and optionholders on the terms and conditions of the takeover bid; and
- EURO procuring completion of the acquisition of the legal interest in tenements and exploration licence applications contemporaneously with the completion of the acquisition of EURO by the Company, at which time the Company will pay the balance of the purchase price consideration of \$1.07 million to the Lanka Graphite SL vendor.

The Replacement Prospectus also takes into account the issue of 5.5 million options to directors of the Company, with an exercise price of \$0.30 per option, exercisable with 36 months of their date of this issue.

All options issued and referred to above are exercisable into fully paid ordinary shares of the Company, on a 'one for one' basis.

Expressions defined in the Replacement Prospectus have the same meaning in this Report.

2. Scope

Historical Financial Information

The Company has requested Stannards Accountants & Advisors Pty Limited (SAA) review the historical financial information of the Company and EURO which comprises:-

- The Statement of Comprehensive Income for the 12 months ended 30 June 2014; and
- The Statement of Financial Position as at 30 June 2014.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The historical financial information has been extracted from the audited financial reports of the Company and EURO for the period ended 30 June 2014, which was reviewed by SAA in accordance with the Australian Auditing Standards. It should be noted, the external auditor of the Company issued an "Emphasis of Matter" opinion in the Company's audited financial report for the year ended 30 June 2014 with respect to its capacity to operate as a going concern, which is contingent upon the availability of funds through future capital placements or debt funding. Reference should be made to Note 8.4 (v) regarding the Directors' current assessment of the 'going concern' assumption, in the preparation of its historical financial information and its proforma historical financial information. A similar 'Emphasis of Matter' opinion was provided on EURO's audited financial report for the 30 June 2014, pertaining to its capacity to operate as a going concern.

The historical financial information is presented in Section 8.1 to 8.6 of the Replacement Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporation Act 2001 (Cth).

Pro Forma Historical Financial Information

The Company has requested SAA to also review the pro forma consolidated historical statement of financial position as at 30 June 2014 for the Company and the entity it intends to acquire (EURO), referred to as the 'pro forma historical financial information'.

The pro forma historical financial information has been derived from the historical financial information of both the Company and EURO, after adjusting for the effect of any subsequent events described in Section 7 of this Report and the pro forma adjustments described in section 8 of this Report. That stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the subsequent events and transactions to which the pro forma adjustments relate, Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

3. Background

Viculus Limited is a public Company listed on the Australian Securities Exchange since 27 October 1997. At the date of this Prospectus, it does not carry out any significant business activities.

However, the Company has entered into a Heads of Agreement with EURO under which the Company will make an off-market takeover bid pursuant to Chapter 6 of the Corporations Act for all issued share capital in EURO ('Takeover Bid'). EURO has agreed to facilitate the Takeover Bid and recommend the Takeover Bid to its Shareholders, subject to:

- the conditions precedent described in Schedule 1 ('Conditions Precedent') being met; and
- no Superior Proposal emerging.

EURO holds a 70% shareholding in Lanka Graphite Holdings Pvt Ltd (No. PV 100591) (Lanka Graphite Holdings). The entity's wholly owned subsidiary, Lanka Graphite Pvt Ltd (No. PV 90062) ('Lanka Graphite SL'), owns tenements and exploration licence applications in Sri Lanka which may be prospected for graphite. We confirm that based on our enquiries, these entities have not traded since establishment and have incurred no liabilities or debts.

Lanka Graphite SL has been granted five (5) exploration licences over project tenements in the Western Province of Sri Lanka ('Tenements') and holds three (3) exploration licence applications ('Exploration Licence Applications') which may be prospective for graphite. A further exploration licence application has been applied for and is awaiting Sri Lanka Urban Development Authority clearance in order to be registered by Sri Lanka's Geological Survey and Mines Bureau formally as an exploration licence application.

Upon completion of the takeover bid and re-admission, the Company will conduct exploration activities on the tenements and will be entitled to the graphite mineralization at the tenements, if any.

Set out at Section 2.2 of the Replacement Prospectus is the proposed Group Structure, should the transactions envisaged by the Replacement Prospectus proceed as planned. We understand that the final acquisition structure may vary if required for the purposes of Sri Lanka Board of Investments approval but any such variation will not impact EURO acquiring an underlying equity interest of 70% of Lanka Graphite SL.

4. Director's Responsibility

The Directors of the Company are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that is free from material misstatement, whether due to fraud or error.

5. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements, ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion in this report.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

6. Conclusion

Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in Section 8.1 to 8.6 of the Replacement Prospectus does not present fairly, in all material respects, the financial performance of the Company and EURO for the 12 month period ended 30 June 2014 or their financial positions as at 30 June 2014 in accordance with the stated basis of preparation as described in section 2.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that the pro forma historical financial information as set out in the Section 8.1 to 8.6 of the Replacement Prospectus is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in section 2.

7. Subsequent Events

The pro-forma statement of financial position reflects the following events (subject to shareholder approval) that will occur subsequent to the period ended 30 June 2014:

- The Company will successfully complete its Takeover Bid for EURO;
- The Company will acquire 100% of the issued capital of EURO. In consideration for the Acquisition, the Company will issue 40,795,100 million shares and 9,750,000 options to the Vendors.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

8. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma statement of financial position is shown in Section 8.2 of the Replacement Prospectus. It has been prepared based on the reviewed financial statements as at 30 June 2014, the subsequent events set out in Section 7 of this Report, and the following transactions and events relating to the issue of securities under the Prospectus:

- The issue of 25 million shares at an issue price of \$0.20 each to raise \$5 million before costs based on the maximum subscription, or the issue of 17.5 million shares at an issue price of \$0.20 each to raise \$3.5 million before costs based on the minimum subscription pursuant to the Public Offer; and
- Total costs of the offer which are estimated to be \$354,000 (plus GST) based on both the minimum subscription and the maximum subscription, and which are to be offset against the Company's contributed equity.

9. Disclosures

Without modifying our conclusions, we draw attention to the Replacement Prospectus, which described the purpose of the financial information, being for inclusion in the Replacement Prospectus. As a result, the financial information may not be suitable for use for another purpose.

SAA nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fees due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Replacement Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully
Stannards Accountants and Advisors Pty Limited



Michael Shulman
Partner



10 SOLICITOR'S REPORT ON TENEMENTS





9th October 2014

Viculus Ltd
Level 18,
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Partners

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LL.M (Georgia), LL.M (Brussels)

NAOMAL GOONEWARDENA

Attorney-at-Law
ACA, ACMA, CFA, MBA (Sri J.)

CHANAKA DE SILVA

Attorney-at-Law

ARUNA SAMARAJEWA

Attorney-at-Law, LL.M (Monash)

SAMADHI T. GAJAWEERA

Attorney-at-Law

Dear Sirs

SOLICITOR'S REPORT ON LICENSES

This Report is prepared for the purposes of inclusion in the prospectus for the public offering of up to 25,000,000 shares at an issue price of AUD\$0.20 per share in the capital of Viculus Ltd (ACN 074 976 828) which has its registered office at Level 18, 101 Collins Street, Melbourne, Victoria 3000 in order to raise up to AUD\$5,000,000.

1. DEFINITION

Unless otherwise provided herein, the following terms as used in this Report shall have the respective meanings set forth below;

- a) **Act** means the Mines and Minerals Act No. 66 of 2009 (as amended);
- b) **Applications for Licenses** means the applications made to the GSMB for exploration licenses in terms of the provisions of the Act;
- c) **BOI** means the Board of Investments of Sri Lanka;





- d) **Company** means Viculus Ltd (ACN 074 976 828) having its registered office at Level 18, 101 Collins Street, Melbourne, Victoria 3000;
- e) **GSMB** means the Geological Survey and Mines Bureau of Sri Lanka;
- f) **Euro** means Euro Petroleum Limited (ACN 147 870 362);
- g) **Lanka Graphite Holdings** means Lanka Graphite Holdings (Private) Limited, bearing Company Registration No. PV 100591, having its registered office at No. 200, Colombo Road, Vanduragala, Kurunegala, Sri Lanka;
- h) **Licenses** means the Exploration Licenses issued by the GSMB to the License Holder in terms of the provisions of the Act;
- i) **License Holder** means Lanka Graphite (Private) Limited, bearing Company Registration No. PV 90062, having its registered office at No. 200, Colombo Road, Vanduragala, Kurunegala, Sri Lanka;
- j) **Prospectus** means the prospectus for the public offering of up to 25,000,000 shares in the Company, at an issue price of AUD\$0.20 per share in order to raise up to AUD\$5,000,000;





k) **Regulations** means the regulations made under the Act;

2. SCOPE

We have been requested to report on certain Licenses and certain Applications for Licenses in which the Company has an interest, as set out below. The details of the Licenses and the Applications for Licenses are set out in Part 1 of Appendix A of this Report.

This Report is based upon and limited to the documents reviewed, searches of public records made and clarifications obtained as set out in Section 3 and the limitations set out in Section 11 of this Report.

The land areas in respect of which the Licenses have been issued and Applications for Licenses are made, are located in Sri Lanka.

3. DOCUMENTS AND RESEARCH

For the purpose of this Report:

3.1. We have reviewed the following documents;

- (a) the Act and the Regulations made thereunder;
- (b) the Licenses issued to the License Holder;
- (c) copies of the Applications for Licenses made by the License Holder;
- (d) written confirmations given by the director of the License Holder dated 14th March 2014 and 30th September 2014.





- (e) a certified copy of the letter from the BOI dated 12th September 2014 bearing Reference No. EC/4/2149/14 addressed to Euro;
- (f) a certified copy of the letter from the BOI dated 16th September 2014 bearing Reference No. EC/4/2149/14 addressed to Lanka Graphite Holdings;
- (g) a certified copy of the letter from GSMB dated 11th September 2014 bearing Reference No. LD/BOI/43 addressed to the BOI;
- (h) written confirmations given by the company secretary of Lanka Graphite Holdings dated 30th September 2014;
- (i) certified copies of the share certificates evidencing the shares issued to Mr. Mangalasena Vijith Bandara Ranaraja and Euro in Lanka Graphite Holding;
- (j) a copy of the Minutes of the meeting of the Board of Directors of the License Holder, held on 19th September 2014, approving the transfer of one (1) share to Lanka Graphite Holdings;
- (k) a copy of the share transfer form dated 19th September 2014 evidencing the transfer of shares in the License Holder to Lanka Graphite Holding, for the purpose of paying stamp duty therefor;
- (l) certified copies of the relevant forms lodged with the Registrar General of Companies with respect to Lanka Graphite Holdings;
- (m) a copy of the letter sent by the Managing Director of the Company to the Manager of the Company Announcements Office, ASX Limited dated 4th August 2014 enclosing the Bidder's Statement dated 1st August 2014;





- (n) a copy of the aforesaid Bidder's Statement dated 1st August 2014 relating to the takeover offer made by the Company to acquire all the ordinary shares in Euro; and
 - (o) a copy of the Supplementary Bidder's Statement dated 25th August 2014 relating to the takeover offer made by the Company to acquire all the ordinary shares in Euro.
- 3.2. We have carried out a search of the records on the License Holder maintained at the office of the Registrar General of Companies, on the 16th May 2014, 9th September 2014 and 9th October 2014.
- 3.3. We have carried out a search of the records on the Lanka Graphite Holdings maintained at the office of the Registrar General of Companies, on the 9th September 2014 and 9th October 2014.
- 3.4. We have obtained independent clarifications from:
- (a) Officials of the GSMB and have relied on oral information provided by such officials on an informal basis during meetings with them on the 3rd January 2014, 10th January 2014, 16th May 2014 and 1st September 2014;
 - (b) Representatives of the License Holder relating to the Licenses; and
 - (c) The Company Secretary of Lanka Graphite Holding.
- 3.5. We have not received independent confirmation of the current shareholding or current directorship from the Company Secretary of the License Holder.





4. LICENSES

The Licenses comprise five (5) Exploration Licenses granted to the License Holder by the GSMB under the Act. These Exploration Licenses permit the License Holder to exercise an exclusive right to explore for Graphite within the areas specifically identified in each such License, by reference to grid units falling within the official licensing control system map of Sri Lanka.

The Applications for Licenses comprise three (3) pending and registered Applications for Exploration Licenses made by the License Holder to the GSMB under the Act.

A further application for an Exploration License has been lodged with GSMB, bearing No. COM 011. We have been informed that this application is presently awaiting clearance from certain governmental authorities. In the event the said Application No. COM 011 receives such clearances, it will be entertained and registered with GSMB as an Application for an Exploration License, making the total number of Applications for Exploration Licenses to be four (4).

If the Applications for Exploration Licenses are formally granted as Exploration Licenses, such Exploration Licenses will permit the License Holder to exercise an exclusive right to explore for Graphite within the areas specifically identified in each Application for a License, by reference to grid units falling within the official licensing control system map of Sri Lanka.

Part 1 of Appendix A hereto more fully provides details of the Licenses and the Applications for Licenses.

5. OVERVIEW OF REGULATORY REGIME

Under the Act, a license is required for any person to explore for, mine, transport, process, store, trade in or export any mineral. The GSMB is the body empowered to issue licenses.





An exploration license grants to the holder of the license the exclusive right to explore for all mineral categories authorized by the license. Each license specifies the limit of the land area and extent for which the license is granted, the mineral in respect of which the license is granted, the duration of the license and also the conditions subject to which the license is granted.

An application for renewal of a license may be made before its expiry. Where the GSMB is satisfied that the licensee has observed the terms and conditions attached to the license, as well as the required conditions of the Act and the Regulations, it may renew a license. A license may be cancelled if the GSMB is satisfied the licensee has contravened the terms and conditions of the license, the Act or the Regulations.

The GSMB is precluded from issuing licenses to explore or mine upon certain lands which are specified in the Act.

The Act also provides that the holder of a license has the right to enter and possess any area of land specified in the license, provided that, where the owner or state organization of any such area of land is in possession of such area of land, the holder of the license shall not exercise such rights except with the consent of such owner or state organization.

Under the Regulations, an application for an industrial mining license may be made by the holder of an exploration license in respect of the area for which the exploration license has been granted to such person.

A licensee is required to pay to the GSMB fees, royalties and area rent at rates prescribed in the Regulations.

Section 6 below, provides a description of the nature and key terms of exploration licenses as set out in the Act and potential successor licenses.

Additionally, in the letter to the BOI dated 11th September 2014 bearing Reference No. LD/BOI/43, the GSMB has stated that the export of graphite is not permitted





without value addition and the project proponents should enter into a Mineral Investment Agreement with the Secretary of the Ministry of Environment and Renewable Energy as per the Act and the Regulations.

6. DESCRIPTION OF THE LICENSES

6.1. Exploration Licenses

Right to mine: The holder of an exploration license has the exclusive right to explore for the mineral categories authorized by the license and with special approval of the Minister to process, trade, and export restricted amounts of such minerals for cash flow purposes in association with an approved advance exploration program.

Right of entry to land: The holder of an exploration license is entitled to enter the land for the purposes of exploration for minerals with employees and contractors and such vehicles, machinery and equipment as may be necessary or expedient. However, the holder of an exploration licence shall not exercise such right except with the consent of the owner or occupant of the land.

Area of land: The minimum area of exploration permitted in respect of an exploration license is one (1) square kilometer in one (1) basic metric grid unit and the maximum is one hundred (100) square kilometers in one hundred (100) metric grid units.

Term: An exploration license is deemed to be in operation from the date it is granted and is renewable every two (2) years. An application for renewal should be made prior to the expiry of the term specified in the license or renewed license.

Conditions: Exploration licenses are granted subject to various standard conditions, including conditions relating to minimum expenditure, the payment of prescribed rent and royalties and observance of environmental





protection, and reporting requirements. These standard conditions are detailed in Part 2 of Appendix A of this Report. A failure to comply with these conditions or obtain an exemption from compliance may lead to forfeiture of the exploration license.

The provisions in the Regulations relating to the Annual Minimum Value of the Acceptable Technical Work are set out in Part 3 of Appendix A.

Relinquishment: The holder of an exploration license may relinquish any part of the licensed area on or prior to the date on which the two (2) year period of the license expires.

Addition: Subject to the maximum area restriction, additional units may be added to an existing exploration license.

Exclusive right to apply for mining license: The holder of an exploration license has the exclusive right to apply for a mining license application over any of the land subject to the exploration license. Any application for a mining license must be made prior to the expiry of the exploration license. The exploration license remains in force until the application for the mining license is determined.

Transfer: Legal or equitable interest in an exploration license may be transferred or given as security, subject to such conditions as may be specified in the license.

6.2. Industrial Mining License

Right to apply: Only the holder of an exploration license may apply for an industrial mining license in respect of the area for which an exploration license has been granted.





Term: An industrial mining license is valid for such period as may be determined by the GSMB based on the documentation of mineral reserves established by an Economic Viability Report.

Renewal: The holder of the industrial mining license shall have the exclusive right to renew the license. The period for which the renewal is approved shall be determined by the GSMB, having regard to the documents submitted by the licensee of the available reserves and commercial production thereof.

Right to mine: the holder of an industrial mining license has the exclusive right to explore for, mine, process, trade in and export all minerals mined within the area specified in the license. Within a period of two (2) years of the license being granted, the holder of the license should commence commercial production, unless an extension has been allowed by the GSMB. Failure to do so may result in the termination of the license by GSMB or reverting it to an exploration license.

Transfer: Legal or equitable interest in an industrial mining license may be transferred or given as security subject to such conditions as may be specified in the license.

7. ACCESS TO LAND SUBJECT TO THE LICENSES

As referred to in Section 6.1 above, the right of a license holder to enter the land specified in the license is subject to the consent of the owner or occupant of the land.

It is necessary for a license holder to enter into an agreement with the relevant landowner or occupier for this purpose. Section 2 of the Prevention of Fraud Ordinance No.60 of 1947 (as amended) requires any promise, bargain, contract or agreement affecting any land or immovable property to be in writing, signed by the respective parties or their authorized representatives in the presence of a licensed





notary public and two or more witnesses present at the same time and duly attested by such notary and witnesses. The section reads as follows:

"No sale, purchase, transfer, assignment, or mortgage of land or other immovable property, and no promise, bargain, contract, or agreement for affecting any such object, or for establishing any security, interest, or incumbrance affecting land or other immovable property (other than a lease at will, or for any period not exceeding one month), nor any contract or agreement for the future sale or purchase of any land or other immovable property, and no notice, given under the provisions of the Thesawalamai Pre-emption Ordinance, of an intention or proposal to sell any undivided share or interest in land held in joint or common ownership, shall be of force or avail in law unless the same shall be in writing and signed by the party making the same, or by some person lawfully authorized by him or her in the presence of a licensed notary public and two or more witnesses present at the same time, and unless the execution of such writing, deed, or instrument be duly attested by such notary and witnesses."

We have been advised by the License Holder that they have not entered into any agreements with owners or occupiers of the lands relevant to the Licenses for the purpose of acquiring such consent. We have also been informed that they intend to enter into such agreement in the near future.

8. COMPANY'S INTEREST IN THE LICENSES

The License Holder, Lanka Graphite (Private) Limited, is a company duly incorporated in Sri Lanka, bearing Company Registration No. PV 90062.

At present, the License Holder has one (1) issued share, the holder of which is Lanka Graphite Holdings. The details relating to the License Holder are set out in Part 1 of Appendix B.





Lanka Graphite Holdings is a company duly incorporated in Sri Lanka and bearing Company Registration No. PV 100591. Details of Lanka Graphite Holdings are set out in Part 2 of Appendix B.

Euro holds a 70% shareholding in Lanka Graphite Holdings, with the remaining 30% of Lanka Graphite Holdings being held by Mr. Mangalasena Vijith Bandara Ranaraja.

We have been instructed that, it is proposed that, pursuant to a takeover bid the Company will acquire all issued shares in Euro.

At present therefore, the Company does not hold any shares or interest in the License Holder. However, as noted above, 100% of the said shares in the License Holder are at present held by Lanka Graphite Holdings. 70% of the issued shares in Lanka Graphite Holdings are at present held by Euro. Accordingly, in the event the Company acquired all the issued shares of Euro (as we have been instructed) and the shareholding structure set out above remains unaltered, the Company will acquire the beneficial ownership of 70% of the License Holder, through the intermediary companies.

9. SECTION 17 OF THE BOARD OF INVESTMENT OF SRI LANKA LAW NO. 4 OF 1978 (AS AMENDED) (“the BOI Act”)

We are instructed that Euro and Mr. Mangalasena Vijith Bandara Ranaraja have applied for tax concessions from the BOI under section 17 of the BOI Act, by an investment application forwarded to the BOI on or around the 6th August 2014, on behalf of Lanka Graphite Holdings.

Under Section 17(1) of the BOI Act, the BOI is empowered to grant special concessions to companies satisfying specific eligibility criteria which are designed to meet strategic economic objectives of the Sri Lankan government.





A successful applicant will enter into an agreement with the BOI pursuant to Section 17(2) of the BOI Act to modify, exempt or vary the application of identified laws in keeping with the BOI Regulations and provide for certain tax concessions, exemptions from duties and/or foreign exchange control exemptions.

We have been instructed that by virtue a letter dated 12th September 2014 bearing Reference No. EC/4/2149/14, superseded by letter dated 16th September 2014 bearing the same Reference Number from the BOI, the BOI had accepted the aforementioned investment application forwarded by Euro for and on behalf of Lanka Graphite Holdings, subject to the terms and conditions stipulated therein and among others to be included in the agreement to be entered into with the BOI.

10. OPINION

Based on the foregoing, the provisions in the Act and the Regulations thereunder, the documents reviewed and the searches carried out as set out above, the information and clarifications provided by the representatives of the License Holder and on information provided by officials of the GSMB on an informal basis, to the best of our knowledge and belief as at the date hereof and subject to the assumptions and qualifications set out in this Report, we are of the opinion that;

- a. **(Status of the License Holder):** The License Holder is a private limited liability company duly incorporated under the laws of Sri Lanka, bearing Company Registration No. PV 90062 and having its registered office at No. 200, Colombo Road, Vanduragala, Kurunegala, Sri Lanka.
- b. **(The Issued shares of the License Holder):** The License Holder has issued only one (1) share. The sole shareholder of the License Holder is Lanka Graphite Holdings.





- c. **(Company's Interest):** The Company's interest in the Licenses is as set out in Section 8 above. At present, the Company does not hold any shares or interest in the License Holder;
- d. **(Standing of the Licenses):** the Licenses are valid and in force;
- e. **(Proceedings for Violation of License Conditions):** there are no proceedings pending in relation to any violation by the License Holder of any of the conditions of the Licenses; and
- f. **(Third party interests):**
 - 1) There appear to be no third party interests in the Licenses; and
 - 2) The lands to which the Licenses relate are neither owned nor occupied by the License Holder. Accordingly, the License Holder will have to enter into notarial agreements, in accordance with the provisions of Section 2 of the Prevention of Fraud Ordinance, to obtain the consent of the land owner or occupier to carry out exploration or mining activities thereon.

11. QUALIFICATIONS AND ASSUMPTIONS

This Report is subject to the following qualifications and assumptions:

- a. This Report and the opinions expressed therein are confined to and given in respect of the laws of Sri Lanka. We have not investigated and we do not express or imply any opinion on the laws of any other jurisdiction, and we have assumed that no other laws would affect the opinions stated herein.
- b. We express no opinion as to the genuineness of signatures on any document and for the purpose of this Report and the opinions expressed therein, we have assumed that the signatures appearing on documents are genuine.





- c. Where we have relied on certified copies, copies or extracts of documents, we have assumed that such certified copies, copies or extracts correspond with the originals of the respective documents.
- d. We have assumed the genuineness, accuracy and completeness of all documents, registers, extracts, responses, clarifications and other information referred to above or which were obtained from or given to us by the relevant department or authority or the representatives of the License Holder.
- e. We have assumed that there are no facts material to this Report or the opinions expressed therein, which do not appear from the documents examined by us and of which we have not been made aware.
- f. This Report does not cover any third party interests, including encumbrances, in relation to the Licenses that are not apparent from our searches and the documents and information provided to us.
- g. Unless apparent from our searches or the documents and information provided to us, we have assumed compliance with the requirements necessary to maintain a License in good standing.
- h. References in Part 1 of Appendix A of this Report to any area of land are extracted from details shown on the Licenses. It is not possible to verify the accuracy of the lands or their extents without conducting a survey and no such survey was carried out for the purposes of this Report.
- i. Where we have relied on searches and meetings, we cannot comment on any changes that may have occurred between the date of the searches and the date of this Report.





- j. We have not seen the contents of the Prospectus and make no representation or comment or express any opinion on the contents thereof.

12. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior written consent.

Yours faithfully,


~~NITHYA PARTNERS~~ 

NITHYA PARTNERS
Attorneys-at-Law
97A Galle Road,
Colombo 03.



APPENDIX A

PART I – LICENSE SCHEDULE

LICENSE	REGISTERED HOLDER	GRANT DATE	EXPIRY DATE	MINERALS	LOCATIONS	AREA SIZE	GRID NUMBERS
EL/236	Lanka Graphite (PVT)	29 May 2013	28 May 2015	Graphite	Western Province	36 km ²	135142 135141 136141 137141 136140 137140 138140 136139 137139 138139 136138 137138 138138 136137 133143 134143 133142 134142 133141 134141 123138 124138 125138 123137 124137 125137 120149 121149 120148 121148 120147 121147 120146 121146 120145 121145





EL/237	Lanka Graphite (PVT) Limited	29 May 2013	28 May 2015	Graphite	Western Province	33 km ²	146218 147218 144217 145217 146217 148217 144216 145216 146216 147216 144215 145215 144214 145214 144213 145213 137205 138205 139205 137204 138204 139204 137203 138203 139203 139202 139201 126222 127222 128222 126221 126220 147217
EL/266	Lanka Graphite (PVT) Limited	28 October 2013	27 October 2015	Graphite	Western Province	36 km ²	115140 115141 115142 115143 115144 115145 115146 115147 115148





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EL/267	Lanka Graphite (PVT) Limited	28 October 2013	27 October 2015	Graphite	Western Province	22 km ²	122143 122144 122145 122146 123143 123144 123145 123146 123147 123148 123149 124143 124144 124145 124146





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EL/268	Lanka Graphite (PVT) Limited	28 October 2013	27 October 2015	Graphite	Southern and Sabaragamuwa Provinces	51 km ²	171100 171101 172100 172101 172102 127103 172104 172105 172106 173100 173101 173102 173103 173104 173105 173106 174101 174102 174103 174104 174105 174106 175103 175104 175105 175106 182110 182111 183110 183111 184113 184114 186103 186104 187103





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Key to License Schedule

EL- Exploration License

LIST OF APPLICATIONS FOR EXPLORATION LICENSES

1. EL/2013/952
2. EL/2013/953
3. EL/2013/954





PART 2 - LICENSE CONDITIONS AND ENDORSEMENTS

1. It is the sole responsibility of the license holder to become familiar and comply with all provisions of the Mines and Minerals Act No. 66 of 2009 (as amended) ("Act") and its Regulations
2. The holder of a license issued under the Act shall not enter into work within the area of land specified in the license, except with the consent of the owner of the surface of such land (Section 51)
3. The holder of a license under the Act shall not have any right to explore for or mine any mineral used for the purpose of a building, without the additional specific agreement of the land owner. The owner or occupant of the surface of any land may mine and transport such materials for his personal use without requiring a license under the Act (Section 28(4))
4. The holder of a license under the Act shall not explore for any material near the following locations, without first obtaining the permission of the appropriate ministries responsible for the protection of such locations.
 - a. Burial grounds, cemeteries, ancient monuments, archaeological reserves.
 - b. Railway tracks, aerodromes, road, thoroughfares, power lines, public works, public buildings
 - c. Lakes, streams, tanks, bunds
 - d. Catchment areas, paddy fields, irrigation channels
 - e. Any land covered within the definition of coastal zone
 - f. Any land covered within the special areas defined by the Mahaweli Authority
 - g. Any land covered with in the jurisdiction of the Urban Development Authority
 - h. Wild life reservations, nature reserves, forest or parks





5. The holder of a license issued under the Act shall not be permitted to explore for any mineral in areas specifically designated as ancient or protected monuments, archaeological reserves, national heritage wilderness areas, strict natural reserves, nature reserves, jungle corridors or botanical gardens (Section 31).
6. The holder of an exploration license issued under the Act shall not conduct any significant ground disturbance within the license area without submitting a prescribed Restoration Plan for the approval of the Director General, Geological Survey and Mines Bureau prior to the commencement of any such activities (Regulation 12).
7. This license may, with notice from the Director General, Geological Survey & Mines, be amended by the deletion of any of the conditions set out or additions of new conditions.
8. The licensee, on satisfactory completion of exploration has the exclusive right to apply for an Artisanal or Industrial Mining License as the case may be within the area specified therein for all or part of the area held under this exploration license.
9. The licensee undertakes to comply with the law of Sri Lanka.
10. In addition to the above conditions the holder of this license should carry out exploration activities subject to the conditions, stipulated by the following Ministries/Departments/Authorities from which the concurrence has been obtained under Section 30 (1) of the Act.

Should strictly follow the conditions laid down in the letter issued by the Director, Urban Development Authority.

11. The holder should apply for a renewal at least 60 days prior to the date of expiry of the license.





12. Although the exploration license is valid for a period of two (2) years progress reports should be submitted to the GSMB before the end of every six (6) months. If the progress reports are not submitted in time or not having required progress, may lead to the cancellation of the exploration license without prior notice.
13. An extension of the exploration license after two (2) years can be granted if required conditions of the Act and its Regulations are fulfilled and satisfactory progress of the project has been shown.
14. A presentation should be carried out within thirty (30) days from the date of submission of the renewal application by the license holder, with the participation of his exploration team leaders, to explain exploration work carried out during the validity period of the license.
15. A detailed report on cost involvement certified by a Chartered Accountant should be provided with the renewal application.
16. The holder of the license should not exercise the rights conferred on him under Section 51 of the Act, except with the consent of the owner of the land.
17. Reports of Exploration activities should be submitted as per the Form 08 of the Mining Regulations and in addition to the TOR prepared by MIU.
18. Geological mapping should be carried out in 1:10000 scale at the initial stages to cover the entire exploration area permitted by the GSMB. However, at a subsequent stage detailed mapping at an appropriate scale (preferably 1:1000) should be carried out.
19. Every six (6) months progress reports should be submitted with simple bar charts giving the physical targets and progress as a percentage.





20. Exploration activities should not be conducted within the lands belonging to the Forest Department.
21. Proper action should be taken to station a mining engineer before entering to abandoned mines to check harmful gases and Oxygen level.
22. After the exploration activities, all the excavated areas should be rehabilitated under the supervision of GSMB staff
23. A qualified staff should be employed by the License Holder to establish an adequate ventilation system during cleaning adits and shafts of the abandoned graphite pits.
24. The license holder should pay the Rs. 5,000/- as inspection fees for every month.
25. Exploration activities should be monitored by the Bureau every three months period.
26. All exploration area should be rehabilitated simultaneously with exploration activities.
27. The license holder follows the all safety measures to ensure the safety of the workers of the site.
28. Mining Engineer should inspect the site in every two months period and submit a report (relevant inspection charges should be paid by the license holder).
29. Section 35 (4) of the Act - Every license issued under this Act shall in addition to the conditions referred to in subsection (2) of section 30 have attached thereto, *inter alia*, the following conditions :
 - (a) that the exploration, mining, processing, trading in and export of minerals authorized by the license shall not be conducted in a fraudulent, reckless, grossly negligent or willfully improper manner;
 - (b) that the licensee shall notify the Bureau, of the discovery of minerals discovered by him in the exercise of his rights under the license;





- (c) that the licensee shall in the exercise of his rights under the license, comply with all written laws relating to the protection of the environment, health and safety standards and the protection of natural resources;
- (d) that the licensee shall on the completion of the exploration or mining authorized by the license, rehabilitate the land to which such licensee relates, to such condition as may be specified;
- (e) that the licensee shall not suspend, curtail or cease the activities authorized by the license for a period exceeding six months, except with the prior permission of the Bureau ;
- (f) that the licensee shall comply with the provisions of this Act and any regulation made thereunder;
- (g) that the licensee shall maintain such books, records, other documents and materials as are required by the Bureau, to be maintained by him and shall enter the required particulars therein;
- (h) that the licensee shall pay to the Bureau, the fees in respect of such license and any other payments he is required to pay by virtue of or under such license, within such period as may be required by this Act or any regulation made thereunder;
- (i) that the licensee shall afford any authorized officer of the Bureau, access to any premises in which any activity authorized by the license is carried on and to make available to such officer, all books, records and other documents maintained by the licensee as required by the license ; and to comply with any lawful direction or order given by such officer;
- (j) that the licensee shall submit to the Bureau such reports, and give to the Bureau such notices, within such period, as he is required to submit or give, by any provision of this Act or any regulation made thereunder.





PART 3 - THE ANNUAL MINIMUM VALUE OF ACCEPTABLE TECHNICAL WORK PERFORMED

Mining (Licensing) Regulations No. 1 of 1993 (as amended)

- Regulation 4 (10)

The holder of an Exploration License shall perform, or cause to be performed, such technical work as is specified in Part III hereof. All such technical work shall be documented and submitted for approval to the Bureau before the end of the validity period of the license. The annual minimum value of acceptable technical work performed shall be-

a) For an Exploration License area not exceeding 64 Sq.km.

<i>During year</i>	<i>Value per Sq.km. per year</i>
	<i>Rs. Cts</i>
1 and 2	20,000.00
3	40,000.00
4	80,000.00
5	100,000.00

b) For an Exploration License area exceeding 64 Sq.km.

<i>During year</i>	<i>Value per Sq.km. per year</i>
	<i>Rs. Cts</i>
1 and 2	10,000.00
3 and 4	20,000.00
5 and 6	40,000.00
7 and 8	80,000.00
9 and 10	160,000.00

- Regulation 4 (11)

All technical work in excess of the annual maximum value performed by the holder of the Exploration License may, if submitted within the validity period of such a





license during which such work was conducted, be carried forward to be credited to the next term of such a license; upon an application being made for the renewal of such Exploration License.

Reporting requirements in respect of Technical Work for Exploration License as set out in Part III of the Mining (Licensing) Regulations No. 1 of 1993 (as amended) as mentioned above:

- Regulation 11

- (1) A holder of an Exploration License shall, initially within three months from the date of issue of such a license, provide to the Bureau, a work program giving details of the activities for planned for every three months for the period in which the license will be valid. Such details of work shall be furnished with the application for subsequent renewal of such a license.
- (2) All technical work submitted to be credited in the renewal of an Exploration License shall contain such particulars, plan and maps as are specified on Form 8 hereto.
- (3) Reports of such technical work shall be submitted to and approved by the Bureau prior to the date of the Exploration License, namely before the end of the second, fourth, sixth and eight year.

- Regulation 12

An Advanced Exploration Restoration Plan containing such particulars, plans and maps as are specified in Form 9 hereto shall be submitted to the Bureau by the holder of an Exploration License and approved by the Bureau prior to the commencement of any advance exploration activities.

- Regulation 16

All licensees shall be responsible for the timely revision and updating of any of the information stated by them in the reports, plans, summaries, logs and notices submitted to the Bureau.





- Regulation 17

- (1) The confidentiality period for Exploration License Technical Work Reports shall be two years from the date of submission of such reports to the Bureau.
- (2) All information submitted in reports, plans, summaries, logs and notices during the terms of an Artisanal Mining or an Industrial Mining License or a Trade License shall remain confidential until the termination of any such license, or unless the Bureau receives permission in writing from the licensee to allow public disclosure, of such information;

Provided however that;

- i) The Bureau may compile and publish relevant consolidated statistics relating to an Artisanal Mining, Industrial Mining activity or a Trading activity;
- ii) such obligations of confidentiality shall not apply to information disclosed to a third party or otherwise placed in the public domain, by the licensee.





Form 8 - Regulation 11 as referred to above

(Regulation 11)

Form 8

**BI-ANNUAL/ANNUAL TECHNICAL WORK REPORT
EXPLORATION LICENSE**

All reports of technical work shall contain

1. Particulars of technical work performed during the preceding License Period (state year/s): _____
2. Relevant Plans and Maps: _____

Note:

- (1) Separate Report shall be submitted in duplicate for each license.
- (2) The report shall contain:
 - a) Title (include license no: date, author)
 - b) Table of contents
 - c) List of figures/tables
 - d) Index map (1:50,000 series or equivalent)
 - e) Executive summary of work performed
 - f) License and report information-
 - (i) Area covered by report
 - (ii) Registration dates
 - (iii) Name of licensee
 - (iv) Name of person/s submitting technical data and analysis
 - g) Report of work performed:
 - (i) Prospecting, photogrammetric, remote sensing, other reconnaissance interpretations
 - (ii) Geological surveys
 - (iii) Geochemical (soil, silt, water, rock) surveys
 - (iv) Geophysical (airborne, ground) surveys
 - (v) Drilling (specify type, equipment used)





- (vi) Restoration of excavations (Form 9)
- (vii) Mineralogical/ Metallurgical analysis
- (viii) Other information (specify)

h) Itemized Cost Statement:

- (i) Field charges (applied at 100%, where approved)
 - (a) for surveys number of days and charges per day or number of lines – line kms and charges per line-km.
 - (b) for analysis – number of samples and charges per sample.
 - (c) for drilling number of meters and charges per meter and set ups.
 - (d) Other documented charges directly related to technical and restoration work performed within the license area.
- (ii) Overhead charges (acceptable to a maximum of 20% of total expenditure):
 - (a) Secretarial services
 - (b) Drafting services
 - (c) General office expenses in Sri Lanka
 - (d) Purchase of equipment
 - (e) Legal expenses and other fees
 - (f) Compensation paid to legitimate owners of land
 - (g) Overseas and local transportation charges relevant to work performed
 - (h) Other charges (specify)

i) Plans and Maps:

- (i) Plans of site, mine and infrastructure
- (ii) Geological survey Map
- (iii) Geophysical survey Map
- (iv) Drill hole/sample location Map
- (v) Geochemical Map
- (vi) Location and access (on larger scale plans and maps)





3. Appendices:

- (i) assays, analytical results
- (ii) analytical sample, test location sites
- (iii) analytical methods, detection limits, certified laboratory report
- (iv) typed drill logs and associated assays
- (v) geophysical logs, instrumentation data
- (vi) detailed maps, plans, sections, where necessary to clarify text





Form 9 - Regulation 12 as referred to above

(Regulation 12)

Form 9

EXPLORATION LICENSE
ADVANCED EXPLORATION RESTORATION PLAN

Exploration License No.: _____

All Advanced Exploration Restoration Plans shall contain the following particulars, plans and maps: _____

- (1) Location of proposed site and excavation activities: _____
- (2) Size and description of all excavations (trench, pit, stripping, shaft, decline, dewatering)
- (3) Time Frame within which such excavation activities and restoration work are to be completed: _____
- (4) Extent of all proposed constructions (temporary): _____
- (5) Description of all materials to be-
 - (a) Excavated
 - (b) Disturbed
 - (c) Used in construction
- (6) Estimated cost of restoration work to be progressively conducted over a specified time frame: _____
- (7) Financial performance guarantee: _____
- (8) Map of the area under advanced exploration.

Note:- Advanced Exploration Restoration Plan – Status and Update

is to be included as a substantive section of each Bi-Annual/Annual Technical Work Report, where applicable (Form 8)





Appendix B

Part 1 – License Holder’s Details

- **Company Name** : Lanka Graphite (Private) Limited
- **Company No.** : PV 90062
- **Date of Incorporation** : 20th December 2012
- **Address** : No. 200, Colombo Road, Vanduragala, Kurunegala
- **Nature of the Company** : Private limited liability company
- **Directors** : Mangalasena Vijith Bandara Ranaraja
530821811V (ID Numbuer)
No. 200, Colombo Road, Vanduragala, Kurunegala
- **Shareholders** : in terms of the information currently available in the Office of the Registrar General of Companies Mr. Mangalasena Vijith Bandara Ranaraja is indicated as the owner of the single issued share of the License Holder. However, as set out in Clauses 3.1 (j) and (k) of our Report, we have been furnished with copies of;
 - the Minutes of the meeting of the Board of Directors of the License Holder, held on 19th September 2014, approving the transfer of one (1) share to Lanka Graphite Holdings; and
 - the share transfer form dated 19th September 2014 evidencing the transfer of shares in the License Holder to Lanka Graphite Holding, for the purpose of paying stamp duty therefor,





which evidences the transfer of this share by Mr. Mangalasena Vijith Bandara Ranaraja to Lanka Graphite Holdings. Accordingly, the present holder of this share is Lanka Graphite Holdings.

- **Company Secretary** : Aparajitha Ariyadasa
19, Mambulgoda, Pannipitiya
SEC/1/ (b) (1) 2003/2383





Part 2 - Lanka Graphite Holdings' Details

- **Company Name** : Lanka Graphite Holdings (Private) Limited
- **Company No.** : PV 100591
- **Date of Incorporation** : 29th August 2014
- **Address** : No. 200, Colombo Road, Waduragala, Kurunegala
- **Nature of the Company** : Private limited company
- **Directors** : Mangalasena Vijith Bandara Ranaraje
530821811V (NIC Number)
No. 200, Colombo Road, Waduragala, Kurunegala
- Indrajit Solomon Arulampalam
N 5826676 (Passport Number)
No. 200, Colombo Road, Waduragala, Kurunegala
- **Shareholders** : Euro Petroleum Ltd – 70 shares
Mangalasena Vijith Bandara Ranaraje – 30 shares
- **Company Secretary** : Epitawela Arachchige Sandhya Kumudinie Samarasekara
No 194, Ramukkana Junction, Bandaragama
SEC/1 (b) (1) 2006/3715



11 MATERIAL CONTRACTS



11 | MATERIAL CONTRACTS

The Company or Euro have entered into various agreements which the Board consider to be material and relevant to potential investors in the Company. Set out below is a summary of these material contracts.

List of Material Contracts:

1. Term Sheet between the Company and Euro;
2. Heads of Agreement between the Company and Euro;
3. Share Sale Agreement entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings AUS;
4. Deed of Variation entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings AUS;
5. Memorandum of Understanding between the Lanka Graphite SL Vendor, Lanka Graphite AUS and Euro;
6. Share Sale Agreement between Lanka Graphite SL Vendor and Lanka Graphite Holdings.
7. Loan Agreement between the Company and Euro;
8. Approval letter from Sri Lankan Board of Investments;
9. Shareholder agreement for Lanka Graphite Holdings Pvt Ltd
10. Director's Deeds of Indemnity, Insurance and Access
11. Director's Service Agreements and Executive Employment Agreements; and
12. Restriction Agreements.

The whole of the provisions of the agreements are not repeated in this Prospectus.

1. **Term Sheet between the Company and Euro;**

The Company entered into a non-binding Term Sheet with Euro on 28 August 2013 ('Term Sheet').

The material terms of the Term Sheet were as follows:

- The Company would acquire, free of encumbrances, all of the issued capital of Euro, inclusive of all rights, title and interest of Euro in the Tenements and Exploration Licence Applications;
- The proposed consideration for the acquisition was the allotment and issue to the Euro Shareholders of one (1) ordinary share in the Company for every one (1) share held in Euro, and the allotment and issue to the Euro option holders of one (1) option in the Company for every one (1) option held in Euro.
- It was proposed that the Company seek approval of its members for a change of nature and scale of activities in accordance with the ASX Listing Rules and re comply with Chapters 1 & 2 of the ASX Listing Rules for the purposes of re – admission of VCL's shares to the official list of ASX once such member approval was granted for the change in nature and scale of the company's activities.
- It was proposed the Company would seek to raise between \$3,000,000 to \$5,000,000 by the issue of 15,000,000 to 25,000,000 ordinary shares at an issue price of \$0.20 per share under a prospectus capital raising. (Note: the minimum subscription under the Offer has subsequently been revised to \$3,500,000)
- Upon the Company acquiring 100% of the issued capital of Euro, Euro would procure the completion of the acquisition of the Tenements and Exploration Licence Applications by Lanka Graphite SL, and the Company would pay the balance purchase price consideration to the Lanka Graphite SL Vendor.

2. Heads of Agreement between the Company and Euro;

The Company entered into a legally binding Heads of Agreement for Implementation of Takeover Bid with Euro on 11 February 2014 ('Heads of Agreement'). Pursuant to the Heads of Agreement, it was agreed that the Company shall make a Takeover Bid to acquire the Euro Shares from the Euro Shareholders.

The material terms of the Heads of Agreement were as follows:

- As consideration for the acquisition of Euro Securityholders' Euro Shares and Euro Options under the Takeover Bid, the Company shall offer Euro Shareholders and Euro Optionholders the following consideration for the acquisition, such Shares and Options to be allotted and issued immediately following Completion and all necessary shareholder and other regulatory approvals being obtained:
 - (a) the allotment and issue to the Euro Shareholders of one (1) Share in the Company for every one (1) share held in Euro; and
 - (b) the allotment and issue to the Euro Optionholders of one (1) Option in the Company for every one (1) option held in Euro.
- The Company shall seek approval of its members for a change of nature and scale of activities in accordance with the ASX Listing Rules and re comply with Chapters 1 & 2 of the ASX Listing Rules for the purposes of re – admission of the Company's shares to the official list of ASX once such member approval has been granted for the change in nature and scale of the company's activities.
- Pursuant to this Prospectus issued in connection with the Company's application for re admission in accordance with Chapters 1 & 2 of the ASX Listing Rules, the Company shall procure that it raise between \$3,000,000 to \$5,000,000 by the issue of 15,000,000 to 25,000,000 ordinary shares at an issue price of \$0.20 per share. (Note: the minimum subscription under the Offer has subsequently been revised to \$3,500,000)
- Euro shall procure completion of the acquisition by it of the legal interest in the Tenements and Exploration Licence Applications contemporaneously with completion of the acquisition of Euro by the Company under the Takeover Bid, at which time the Company will pay the balance purchase price consideration of US\$1,070,000 to the Lanka Graphite SL Vendor (subsequently agreed to be paid in AUD).
- As at Completion of the Takeover Bid, the Board of Directors of VCL shall comprise four (4) persons, including one (1) director nominated by Euro.
- Euro agrees to cooperate with the Company to facilitate the Takeover Bid in the absence of a Superior Proposal.

Pursuant to the Heads of Agreement, it was agreed that the Takeover Bid shall be conditional upon the Conditions Precedent outlined in Schedule 1 of this Prospectus.

3. Share Sale Agreement entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings AUS

- The Lanka Graphite SL Vendor and Euro (via its subsidiary, Lanka Graphite AUS) entered into a share sale agreement on 27 April 2013 ('Share Sale Agreement'), whereby it was agreed that that Lanka Graphite AUS would purchase seventy (70) ordinary shares in Lanka Graphite SL, constituting 70% of the issued share capital of the Company, from the Lanka Graphite SL Vendor.
- As consideration for the share sale, the parties agreed that one million four hundred thousand United States dollars (USD\$1,400,000), would be payable in two instalments. The first instalment of US\$330,000 has been paid to the Lanka Graphite SL Vendor.

This agreement has since been superseded.

4. Deed of Variation entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings AUS

- The Deed varied the Share Sale Agreement dated 27 April 2013.
- Lanka Graphite Holdings AUS requested, and the Lanka Graphite SL Vendor agreed to, the variation of the Share Sale Agreement to include additional licence applications and to acknowledge the additional \$50,000 paid to the Lanka Graphite SL Vendor as an instalment payment towards the Purchase Price. This agreement has since been superseded.

5. Memorandum of Understanding between Euro, the Lanka SL Vendor and Lanka Graphite AUS

To facilitate Sri Lanka BOI approval, Euro and the Lanka SL Vendor entered into a memorandum of understanding ('MOU'). The material terms are as follows:

- The parties agreed that a new company, Lanka Graphite Holdings, shall be incorporated in Sri Lanka, named Lanka Graphite Holdings Pvt Ltd, with 70% of the issued capital in Lanka Graphite Holdings to be held by Euro and 30% to be held by the Lanka Graphite SL Vendor.
- In consideration of payment of US\$1,070,000 to the Lanka Graphite SL Vendor (subsequently amended to payment in AUD), the Lanka Graphite SL Vendor agrees to transfer 100% of the issued share capital of Lanka Graphite SL to Lanka Graphite Holdings within seven (7) days of entering a Share Sale Agreement for such share transfer.
- As a result, Lanka Graphite Holdings would hold 100% of the underlying interest in the Tenements and Exploration Licence Applications.

6. Share Sale Agreement between Lanka Graphite SL Vendor and Lanka Graphite Holdings

A Share Sale Agreement was subsequently entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings in or around September 2014. The material terms of the Share Sale Agreement were as follows:

- The Lanka Graphite SL Vendor agrees to sell, and Lanka Graphite Holdings agrees to purchase, 100% of the shares in Lanka Graphite SL.
- In consideration for such purchase, it was agreed that Lanka Graphite Holdings would pay the Lanka Graphite SL Vendor one million and seventy thousand Australian Dollars (AUD\$1,070,000), upon the earlier of:
 - (a) Euro successfully completing an event to achieve a listing on the ASX (eg: by way of acquisition by Viculus Ltd pursuant to the Takeover Bid); or
 - (b) 31 June 2015.
- The Lanka Graphite SL Vendor acknowledged that it has received the sum of US\$330,000 as at the date of the agreement from Euro, and that such amount was paid as a deposit to the Lanka Graphite SL Vendor and is paid in addition to the balance Purchase Price that is payable to the Lanka Graphite SL Vendor as referred to above.

7. Loan Agreement between the Company and Euro

The Company and Euro entered into a loan agreement on 29 August 2013, which was subsequently varied by agreement between the parties on or around 28 November 2014 ('Loan Variation'). The material terms of the agreement and Loan Variation are as follows:

- The parties acknowledge that, on or around 28 August 2012, Euro had lent \$20,000 to the Company at an interest rate of 10% per annum ('Loan').
- From 28 August 2012 to 30 June 2013, interest has accrued on the initial Loan advance made by Euro to the Company at a rate of 10% per annum, totaling \$1,684.00.
- The initial Loan has been supplemented by further advances made under the Loan Agreement, as follows:
 - (a) Further advance of \$18,000 on 4 September 2013;
 - (b) Further advance of \$50,000 on 13 March 2014; and
 - (c) Further advance of \$30,000 on 2 May 2014

(collectively referred to as 'the Advances').

The parties have agreed that interest should not be charged on the Loan and Advances made by Euro to the Company for the period after 30 June 2013.

Euro has therefore agreed to accept repayment of the Loan, Advances and accrued interest outstanding under the Loan Agreement on 30 June 2015.

8. Letter from Board of Investments of Sri Lanka dated 10 September 2014

By this letter the Board of Investment of Sri Lanka has approved Lanka Graphite Holdings investment application under Section 17 of the Board of Investments Law, and shall sign an Agreement with Lanka Graphite Holdings (Pvt) Ltd on the following conditions:

- The graphite exploration project will be entitled to a tax exemption period of 5 years, on the conditions that a minimum investment of over Rs. 100,000,000 in fixed assets should be made before 31 March 2015, and at least 90% of graphite output should be exported;

- All costs of the enterprise should be financed from foreign sources, without any recourse to domestic banks;
- The Director of Environmental Management and the Executive Director of Engineering Approvals at the BOI must provide site clearance for the project;
- The project should commence commercial operations on or before 31 March 2015; and
- Lanka Graphite Holdings must enter into a Mineral Investment Agreement with the Ministry of Environmental and Renewable Energy of Sri Lanka, specifying what project related items (such as plant and assets) may be imported.

9. Shareholders Agreement for Lanka Graphite Holdings Pvt Ltd

Euro, the Lanka Graphite SL Vendor and Lanka Graphite Holdings Pvt Ltd entered into a Shareholders' Agreement.

The material terms of the Shareholders' Agreement are as follows:

- The parties acknowledge that Euro holds 70 ordinary shares, being 70% of issued shares in Lanka Graphite Holdings Pvt Ltd;
- The Lanka Graphite SL Vendor holds 30 ordinary shares, constituting thirty per cent (30%) of the issued shares of Lanka Graphite Holdings Pvt Ltd;
- Euro shall have the right to nominate two (2) directors to the Lanka Graphite Holdings Pvt Ltd Board, and the Lanka Graphite SL Vendor shall nominate one (1) director;
- All programs and budgets shall be decided and approved by the Board of Lanka Graphite Holdings Pvt Ltd;
- Euro Petroleum shall be responsible for ensuring that Lanka Graphite Holdings Pvt Ltd maintains the Tenements, and for sourcing funding to meet project costs.
- When the Board so determines, Euro shall undertake a feasibility study for a proposed mining operation on the Tenements. After receipt of the feasibility study, the Board must make a decision whether to commence mining.
- Until such time as the Company is generating revenue or secures other funding for such purposes, the parties agree that Euro will be responsible for sourcing funding to meet project costs.

10. Directors Deeds of Indemnity, Insurance and Access

Each of the Directors has entered into Deeds of Indemnity, Insurance and Access. The material terms of the Deeds of Indemnity, Insurance and Access are as follows:

- To the extent permitted by law, the Company indemnifies the director from any liabilities arising out of the director discharging their duties and providing services as director;
- The directors will be given access to board papers and company files for a period up to seven (7) years from the date in which the directors cease to be an officer of the Company;
- The Company must maintain an insurance policy for the directors for the term in which they hold office and for a period of seven (7) years following the date they cease to be a director.

11. Director's Service Agreements

(a) Executive Employment Agreement with Emily Lee:

The Company has entered into an Executive Employment Agreement for the engagement of Emily Lee as an executive director of the Company. The remuneration to be paid by the Company to Ms Lee is the sum of \$120,000 per annum, inclusive of employer's compulsory superannuation contributions, and \$30,000 in directors' fees.

(b) Executive Employment Agreement with Jitto Arulampalam: The Company has entered into an Executive Employment Agreement for the engagement of Jitto Arulampalam as an Executive Chairman of the Company to take effect from the Readmission of the Company. The remuneration to be paid by the Company to Mr Arulampalam is the sum of \$120,000 per annum, inclusive of employer's compulsory superannuation contributions, and \$30,000 in directors' fees.

(c) Directors Service Agreement – Alex Cowie The Company has entered into a Directors Service Agreement with Alex Cowie. Pursuant to such agreement, Alex shall be entitled to Directors fees of \$30,000 per annum.

(d) Directors Service Agreement – Alison Coutts The Company has entered into a Directors Service Agreement with Alison Coutts. Pursuant to such agreement, Alison shall be entitled to Directors fees of \$30,000 per annum.

12. Restriction Agreements

The Company has entered or will enter into Restriction Agreements with holders of restricted securities for the purposes of complying with Chapter 9 of the ASX Listing Rules. The Agreements are in the approved form as set out in Appendix 9A of the ASX Listing Rules.



12 ADDITIONAL INFORMATION

12 | ADDITIONAL INFORMATION

12.1 Documents Available for Inspection

The following documents are available for inspection during normal office hours, free of charge, at the registered office of the Company for a period of at least 12 months from the date of lodgement of this Prospectus with the ASIC:

- (a) the current Constitution of the Company;
- (b) the consents referred to in Section 13 of this Prospectus;
- (c) the material contracts referred to in Section 11 of this Prospectus.

12.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director and no firm in which a Director is a partner, has an interest in the promotion or in property proposed to be acquired by the Company in connection with its formation or promotion. Other than as set out below or elsewhere in this Prospectus no amounts have been paid or agreed to be paid (in cash or shares or otherwise) to any Director or any firm in which any Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in which he is a partner in connection with the formation or promotion of the Company.

12.3 Interests of Experts and Advisers

Except as disclosed below or elsewhere in this Prospectus, no expert nor any firm of which such expert is a partner, has or has had any interest in the formation or promotion of, or in any property proposed to be acquired by, the Company in connection with its formation or promotion, and no amounts have been paid (in cash or shares or otherwise), or agreed to be paid, to any expert or to any firm in which such expert is a partner for services rendered by him or the firm in connection with the promotion or formation of the Company.

- (a) Stannards Accountants and Advisors Pty Ltd has provided an Investigating Accountant's Report to the Company in relation to the Offer. Professional fees paid or payable to Stannards Accountants and Advisors Pty Ltd for preparation of the Investigating Accountant's Report are approximately \$15,000 including GST.
- (b) CSA Global Pty Ltd has provided an Independent Geologist's Report in relation to the Tenements and Exploration Licence Applications. Professional fees paid or payable to CSA Global Pty Ltd for preparation of the Independent Geologist's Report are approximately \$50,000 (excl GST)
- (c) Nithya Partners has provided a Sri Lankan Solicitor's Report in relation to the Tenements and Exploration Licence Applications. Professional fees paid or payable to Nithya Partners for preparation of the Sri Lankan Solicitor's Report are approximately \$10,000 (excl GST)
- (d) Professional fees payable to Euro and the Company's legal service providers for work done in relation to this Prospectus are approximately \$70,000 (excl GST).

12.4 Consents

The following consents have been given in accordance with the Corporations Act:

- (a) Stannards Accountants and Advisors Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Investigating Accountant and to the inclusion in this Prospectus of its Investigating Accountant's Report of this Prospectus in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, Stannards Pty Ltd has only been involved in the preparation of the Investigating Accountant's Report and was not involved in the preparation of any other part of this Prospectus. Stannards Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Investigating Accountant's Report.
- (b) BDO East Coast Partnership has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company. BDO East Coast Partnership did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

- (c) CSA Global Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Independent Geologist and to the inclusion in this Prospectus of its Independent Geologist's Report of this Prospectus in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, CSA Global Pty Ltd has only been involved in the preparation of the Independent Geologist's Report and was not involved in the preparation of any other part of this Prospectus. CSA Global Pty Ltd did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Independent Geologist's Report.
- (d) Nithya Partners has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Sri Lankan Solicitor and to the inclusion in this Prospectus of the Sri Lankan Solicitor's Report in the form and context in which it is included. Notwithstanding that it may be referred to elsewhere in this Prospectus, Nithya Partners has only been involved in the preparation of the Sri Lankan Solicitor's Report reporting on the Tenements and was not involved in the preparation of any other part of this Prospectus. Nithya Partners did not authorise or cause the issue of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus other than in respect of the Sri Lankan Solicitor's Report.
- (e) Canaan Lawyers have given and have not, before lodgement of this Prospectus, withdrawn their written consent to being named in this Prospectus as solicitors to the Company in the form and context in which they are named. Canaan Lawyers did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (f) Pointon Partners have given and have not, before lodgement of this Prospectus, withdrawn their written consent to being named in this Prospectus as solicitors to Euro in the form and context in which they are named. Pointon Partners did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.
- (g) Computershare has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

12.5 Expenses of the Offer

The estimated expenses of the Offer are as follows:

Expense	Minimum Amount	Maximum Amount (A\$)
Total Legal Fees	\$70,000	\$70,000
Investigating Accountant's Report	\$15,000	\$15,000
Independent Geologist's Report on Tenements	\$50,000	\$50,000
Sri Lankan Solicitor's Report	\$10,000	\$10,000
Printing and Postage	\$30,000	\$30,000
IPO and ASX Expenses	\$62,308	\$62,308
ASIC Fees	\$2,225	\$2,225
Brokerage Fees	\$100,000	\$100,000
Meeting expenses	\$15,000	\$15,000
Total	\$354,533	\$354,533

The above amounts are exclusive of GST

12.6 Litigation

The Company is not involved in any litigation, arbitration or other legal proceedings and the Directors are not aware of any threatened or pending litigation or arbitration against the Company.

12.7 Forecasts

Following Readmission, the Company will be a mining exploration company with the intention of becoming a producer of minerals in the medium term. Given the speculative nature of exploration, mineral production and development there are uncertainties associated with forecasting future revenue of the Company. On this basis, the Directors consider that reliable forecasts cannot be prepared and therefore no forecasts have been included in this Prospectus.

12.8 Working Capital Statement

The Directors believe that, on completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

12.9 Continuous Disclosure Obligations

Pursuant to Section 111AC of the Corporations Act, the Company is a disclosing entity and is therefore subject to regular reporting and disclosure obligations. The Company is required to continuously disclose all information to the market that a reasonable person would expect to have a material effect on the value or price of the Company's securities. All price-sensitive information will be released through the ASX before it is disclosed to market participants and shareholders, and the distribution of non-price sensitive information will also be managed through the ASX.

12.10 Directors' Statement

The Directors state that they have made all reasonable enquiries and have reasonable grounds to believe that any statements by the Directors in this Prospectus are true and not misleading and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiry and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716 of the Corporations Act to the issue of this Prospectus and have not withdrawn that consent, before lodgement of this Prospectus with the ASIC.

This Prospectus is prepared on the basis that:

- (a) certain matters may be reasonably expected to be known to professional advisers of any kind with whom Applicants may reasonably be expected to consult; and
- (b) Information is known to Applicants or their professional advisers by virtue of any Acts or laws of the Commonwealth of Australia or any State of Australia.

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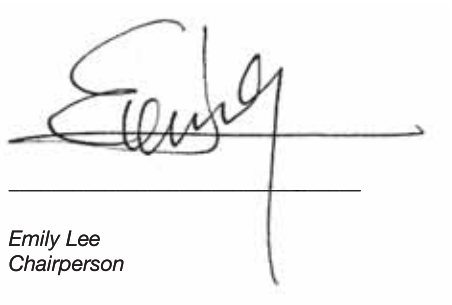


13 DIRECTORS AUTHORISATION

13 | DIRECTORS' AUTHORISATION

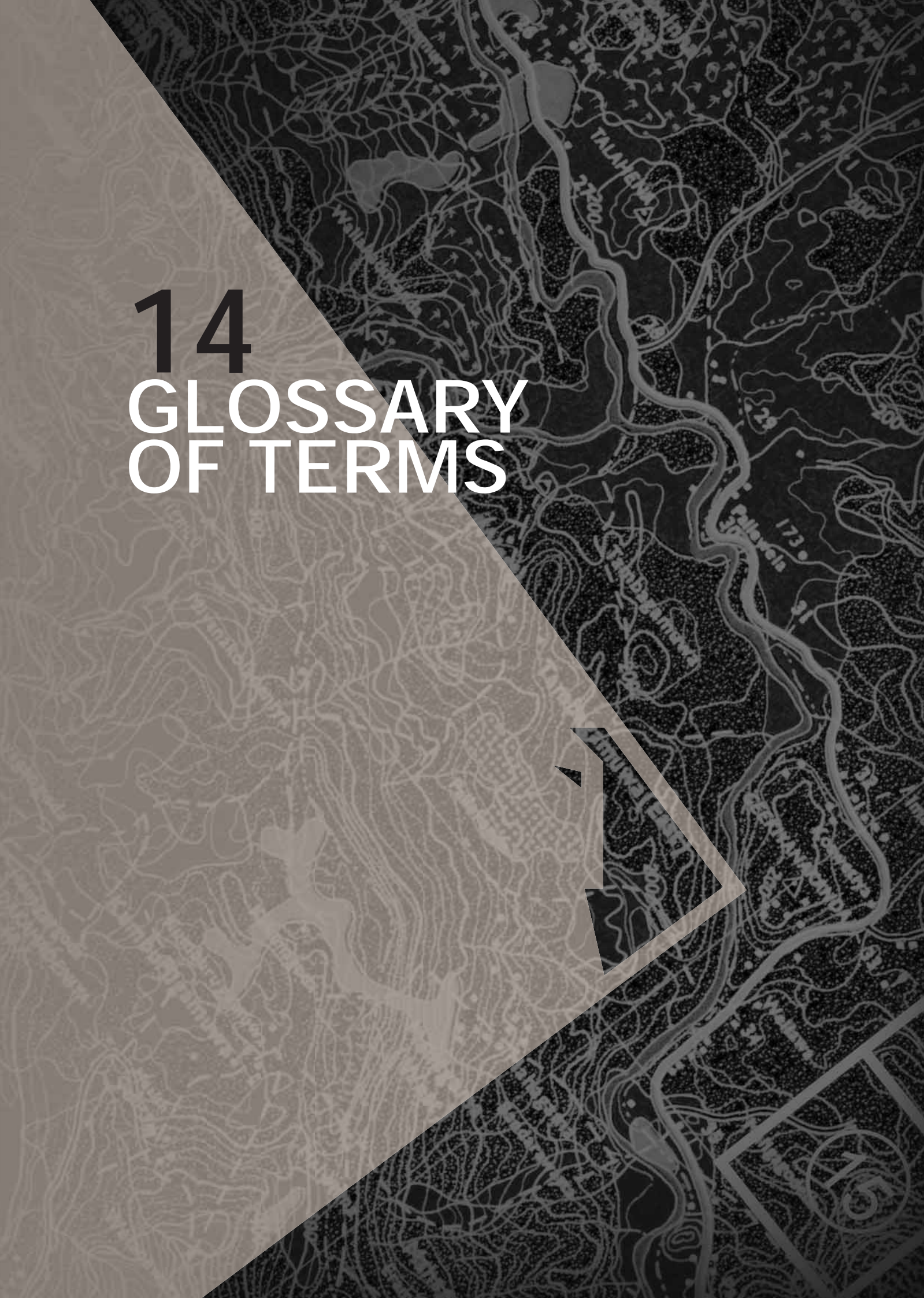
In accordance with s.720 of the Corporations Act, the lodgement and issue of this Prospectus has been consented to and authorised by each of the Directors.

Signed for and on behalf of the Company



Emily Lee
Chairperson

Dated: 25 February 2015

The background is a topographic map with contour lines and labels such as 'TALHEVA', '2700', '1730', and '173'. A diagonal line splits the image from the top-left to the bottom-right. The upper-left portion is a solid light grey, while the lower-right portion is a dark grey with the map's details. A large, white-outlined arrow points from the top-right towards the bottom-left, crossing the diagonal line.

14 GLOSSARY OF TERMS

14 | GLOSSARY OF TERMS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

"\$" means Australian dollars

"AEST" means Australian Eastern Standard Time

"Applicant" means a person who submits an Application.

"Application" means a valid application to subscribe for Shares under this Prospectus.

"Application Form" or "Application Forms" means the application form that is attached to and forms part of this Prospectus.

"ASIC" means Australian Securities and Investments Commission.

"ASTC" means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

"ASX" means Australian Stock Exchange Limited (ACN 008 624 691).

"ASX Listing Rules" means the listing rules of ASX as at the date of this Prospectus.

"Auditor" means BDO East Coast Partnership Pty Ltd.

"Bid Conditions" means the conditions of the Takeover Bid, as summarised in Schedule 1.

"Bid Consideration" means the consideration that the Company will be required to provide upon Completion of the Takeover Bid, being (subject to the satisfaction of the Bid Conditions):

- (a) the allotment and issue of one (1) Share to Euro Shareholders for every one (1) share held in Euro; and
- (b) the allotment and issue of one (1) Option to Euro Optionholders for every one (1) Euro Option held and cancelled pursuant to the Bid Conditions.

"Bidder's Statement" means the bidder's statement to be prepared by the Company in connection with the proposed Takeover Bid pursuant to Part 6.5 of the Corporations Act;

"Board" means the Board of Directors of the Company unless the context indicates otherwise.

"CHESS" means ASX Clearing House Electronic Subregistry System.

"Company" means Viculus Ltd (ACN 074 976 828).

"Completion" means the Company's acquisition of all issued securities in Euro pursuant to the Takeover Bid.

"Conditions Precedent" means the conditions precedent to the Takeover Bid, as described in Schedule 1.

"Constitution" means the Constitution of the Company as at the date of issue of this Prospectus.

"Corporations Act" means the Corporations Act (2001).

"Current Directors" means Emily Lee, Alex Cowie, and Alison Coutts, being the current directors of VCL as at the date of issue of this Prospectus.

"Directors" means the board of directors of the Company as it is constituted from time to time.

"EST" means Eastern Standard Time.

“Euro” means Euro Petroleum Ltd (ACN 147 870 362);

“Euro Shares” means all shares issued in the capital of Euro.

“Euro Shareholders” means the collective holders of Euro’s issued share capital at the Completion Date and Euro Shareholder means any one of them;

“Euro Options” means the Euro’s issued options as at the Completion Date;

“Euro Optionholders” means the collective holders of Euro’s issued options at the Completion Date and Euro Optionholder means any one of them;

“Euro Securityholders” means Euro Shareholders and Euro Optionholders;

“Exploration Licence Applications” means the applications made by Lanka Graphite SL to GSMB for exploration licences over tenements in the Western Province of Sri Lanka, more particularly described in Section 3 of this Prospectus, and Exploration Licence Application means any one of them;

“Exposure Period” means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to s. 727(3) of the Corporations Act.

“General Meeting” means the Company’s General Meeting of shareholders that was held on 25 August 2014;

“GSMB” means the Geological Survey and Mines Bureau of Sri Lanka.

“Heads of Agreement” means the Heads of Agreement between the Company and Euro, dated 11 February 2014;

“Incoming Director” means Jitto Arulampalam, a director of Euro, who the Company proposes to appoint as Executive Chairman of the Company following Completion of the Takeover Bid

“Issuer Sponsored” means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

“JORC Code” means the Australasian Code for Reporting of Exploration Results, Mineral Reserves and Ore Reserves.

“Lanka Graphite AUS” means Lanka Graphite Holdings Pty Ltd (ACN 160 465 583).

Lanka Graphite Holdings” means Lanka Graphite Holdings Pvt Ltd (No Pv. 100591), a company incorporated in Sri Lanka.

“Lanka Graphite SL” means Lanka Graphite Pvt Ltd (No PV 90062), a company incorporated in Sri Lanka

“Lanka Graphite SL Vendor” means Mangala Sena Vijitha Bandarta Ranaraje, who has agreed to sell 100% of the issued share capital in Lanka Graphite SL to Lanka Graphite Holdings

“Maximum Subscription” means the maximum amount to be raised under the Offer made by this Prospectus, being \$5,000,000;

“Minimum Application” means the minimum application for Shares that can be made by an Applicant under this Offer, being valid subscriptions for at least 10,000 Shares.

“Minimum Subscription” means the minimum amount to be raised under the Offer made by this Prospectus, being \$3,500,000.

“Necessary Resolutions” means the resolutions described in Section 2.7 of this Prospectus, the passage of all such resolutions in accordance with their respective terms at the General Meeting being both a Bid Condition and a condition of the Offer completing.

“Offer” means the invitation made to the public pursuant to this Prospectus to subscribe for up to 25,000,000 Shares at an issue price of \$0.20;

“Offer Application Form” means the Application Form attached to or accompanying this Prospectus and which relates to the Offer;

“Offer Closing Date” means 17 March 2015 or such earlier or later date as the Directors may determine;

"Offer Period" means the period commencing on the Opening Date and ending on the Offer Closing Date.

"Offer Shares" means the Shares issued under this Prospectus;

"Official Quotation" means official quotation by ASX in accordance with the ASX Listing Rules.

"Opening Date" means 25 February 2015 or as varied by the Directors.

"Option" means an option to subscribe for Shares in the capital of the Company.

"Prospectus" means this replacement prospectus dated 25 February 2015, which replaces the Original Prospectus dated 16 October 2014.

"Original Prospectus" means the prospectus dated 16 October 2014, which was lodged with ASIC on that date and which is replaced by this Prospectus.

"Re-Admission" means the Company's re-admission to the official list of the ASX following its application for readmission under Chapters 1 and 2 of the ASX Listing Rules.

"Resolutions" means the resolutions to be put to Shareholders at the General Meeting.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a holder of shares in the Company.

"Share Registry" means Computershare

"Superior Proposal" means a publicly announced transaction or proposed transaction which, if completed substantially in accordance with its terms, would mean a person (other than the Company or one of its Related Bodies Corporate) would become the holder of:

- (a) more than 50% of the Euro Shares; or
- (b) the whole or substantially the whole of the business, assets and undertakings of Euro; provided that a majority of Directors of Euro determine, acting in good faith after receipt of advice from Euro's financial and legal advisers and in order to satisfy what the Directors of Euro consider to be their fiduciary and statutory duties, that the transaction or proposed transaction is capable of being valued and completed, taking into account all aspects of the transaction or proposed transaction (including its conditions precedent and the person or persons making it) and is a superior overall for Euro Shareholders as compared to the Takeover Bid.

"Takeover Bid" means the Company's off-market takeover bid for the Euro Shares, made pursuant to Chapter 6 of the Corporations Act;

"Takeover Bid Period" means the period commencing on the Takeover Opening Date and closing on the Takeover Closing Date;

"Takeover Closing Date" means 17 March 2015;

"Takeover Opening Date" means 7 August 2014;

"Takeover Record Date" means 1 August 2014, being the record date for each person who is registered or entitled to be registered in the register of Euro and each other person who becomes so registered before the end of the Takeover Bid Period.

"Target's Statement" means the target's statement to be prepared by Euro in connection with the proposed Takeover Bid pursuant to Part 6.5 of the Corporations Act.

"Tenements" means the project tenements in the Western Province of Sri Lanka over which exploration licences are held by Lanka Graphite SL, more particularly described in Section 3 of this Prospectus, and Tenement means any one of them.

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15 APPLICATION FORMS



How to complete this Application Form

A Shares applied for
Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.20 per Share.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F CHES
The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, money order or bank draft payable to "**Viculus Ltd Subscription A/C**" in Australian currency and cross it "**Not Negotiable**". Your cheque must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.
Please note that funds are unable to be directly debited from your bank account.
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected.
Paperclip (do not staple) your cheque(s) to the Shortfall Application Form.
Cash will not be accepted.
Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read the prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Viculus Ltd is upon and subject to the terms of the prospectus and the Constitution of Viculus Ltd, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Viculus Ltd by no later than 5.00pm EST on the Offer Closing Date. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to either:

- Viculus Ltd, Level 18, 101 Collins Street, Melbourne, Victoria 3000 by hand or mail; or
- Viculus Ltd, C/- Computershare, GPO Box 52, Melbourne, Victoria 3001 by mail

Neither Computershare Investor Services Pty Limited nor Viculus Ltd accepts any responsibility if you lodge the Application Form at any other address or by any other means.

If you have any enquiries concerning the Offer, please contact the Company by telephone on (03) 9221 6394.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons less than 18 years of age.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Schedule 1: Conditions Precedent

- (a) VCL obtaining at least 80% of all issued share capital in Euro pursuant to the Takeover Bid and the Takeover Bid subsequently reaching Completion;
- (b) the shares in Euro being transferred free of all encumbrances;
- (c) the existing options on issue in Euro being cancelled (in consideration for the issuance of Options to Euro Optionholders);
- (e) Shareholder approval for the Company's change in nature and scale of activities referred to in Section 2 being obtained;
- (d) The Company satisfactorily complying with the re admission requirements of Chapters 1 & 2 of the ASX Listing Rules and being granted in principle approval to re list on the ASX, including meeting the Minimum Subscription amount under this Prospectus;
- (f) the obtaining of any necessary shareholder approvals, under or in connection with the terms of this Agreement or the Bidder's Statement or Target's Statement, pursuant to the ASX Listing Rules, the Corporations Act 2001 and any other regulatory approvals;
- (g) any conditions or requirements ASX may impose in relation to the terms or implementation of the transaction the subject of this agreement;
- (h) completion of the acquisition of the Tenements and Exploration Licence Applications contemporaneous with Completion of the Takeover Bid; and
- (i) full discharge and release of all security interests granted by VCL over its assets and/or undertaking so that VCL is not subject to any registered or unregistered charges, security interests or other Encumbrances.

Schedule 2: Terms of Options to be issued to Euro Optionholders

The Options are to be issued in accordance with the following terms and conditions:

1. Each Option entitles the registered Option holder to acquire one (1) ordinary share in the Company at the exercise price of \$0.30 per share;
2. The Options may be exercised within the period of 2 years from their date of issue.
3. The Options are exercisable by the registered option holder giving notice in writing to the Company, accompanied by payment of the exercise price for each share to be issued.
4. Options are transferable and will not be quoted on the ASX. If the Company's ordinary shares have been admitted to quotation by the ASX then the Company must apply to the ASX within ten (10) business days after the date of issue of any shares issued upon exercise of the Options, for such shares to be admitted to quotation.
5. All shares issued on the exercise of the Options will rank equally with all existing ordinary shares in the capital of the Company.
6. If, prior to the expiry of the Options, there is a reorganisation of the issued capital of the Company then the rights of an Option holder will be changed to the extent necessary in order to comply with the Listing Rules applying to a reorganisation of capital, as are applicable at the time of the reorganisation.
7. An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company to the extent the Option has been exercised and the shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give reasonable notice to the Option holder of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules.
8. If, after the vesting period of the Option but before the end of the Option period the Company gives holders of ordinary shares the right (pro rata with existing shareholdings) to subscribe for additional securities, the exercise price of an Option after the issue of those securities is adjusted in accordance with the following formula:

$$O^1 = \frac{O - E [P - (S + D)]}{N + 1}$$

Where:

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable

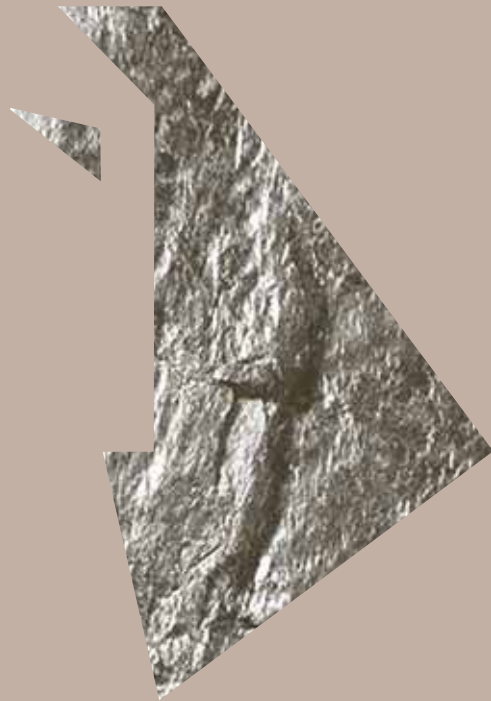
P = the average market price per share (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date

S = the subscription price for a security under the pro rata issue

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)

N = the number of securities with rights or entitlements required to be held to receive a right to one new security

9. If the Company makes a bonus issue of shares pro rata to holders of ordinary shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the Option had been exercised before the record date for the bonus issue.
10. The parties agree that, in so far as the Listing Rules are applicable to the Options, the parties shall do all acts, matters and things necessary to comply with the Listing Rules in respect of the treatment of the Options and the rights of the Option holder.



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