



ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 676.1M
 Unlisted Options: 32.5M
 Cash Balance: \$0.65
 Listed Investments (at 31
 March 2018): \$ 1.08M

Directors

Pat Elliott
 Stewart Dickson
 Greg Jones
 Kwan Chee Seng
 Dr Foo Fatt Kah
 Michael Moore

Top Shareholders

(31 March 2018)
 Kwan Chee Seng
 BNP Paribas
 Chris and Betsy Carr
 RHB Securities Singapore
 Dr Foo Fatt Kah

Top 20 Shareholders – 66.5%

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Highlights

- ✔ **Positive initial fieldwork conducted on the highly prospective Rosario copper project located in the Atacama region of northern Chile**
- ✔ **Selective rock chip and grab sampling confirmed surface outcrops containing high grade copper**
- ✔ **Assay results of samples recorded copper grades up to 4.82% Cu and silver grades up to 42g/t Ag**
- ✔ **Over 50% of samples taken recorded copper grades 1%+ Cu**
- ✔ **Field work programme being designed and expected to lead to early reconnaissance drilling during middle of 2018.**
- ✔ **Sale of 20% interest in Couflens PER, to Apollo Minerals (ASX:AON) for total consideration of up to \$4.25m**
- ✔ **Existing licences owned by Variscan Mines SAS (excluding Couflens PER) will be conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited.**
- ✔ **Launch of fully underwritten 5 for 6 renounceable pro rata entitlement offer to raise approximately \$2.25m (before expenses)**

Reviewing the period, Stewart Dickson, CEO of Variscan said,

‘With each quarter, we continue to make progress in delivering tangible and sustainable changes to our business.

We are extremely pleased to have started our field work at Rosario with excellent sampling results. Clearly the Rosario copper project has strong merit for additional exploration.

We have continued to reorganise the Company most notably with the recent sale of our 20% interest in Couflens together with the re-structuring of our assets in France. In addition to the cash consideration and upside potential through Apollo shares, our shareholders will benefit from a substantially reduced cost base while retaining exposure to the Company’s remaining French licences.

With the evaluation of further opportunities, we have a new path towards potential growth and value realisation in the short to medium term.

We have launched a fully underwritten entitlement issue to allow all shareholders to participate equally in the next phase of our development”.

Exploration

CHILE

ROSARIO

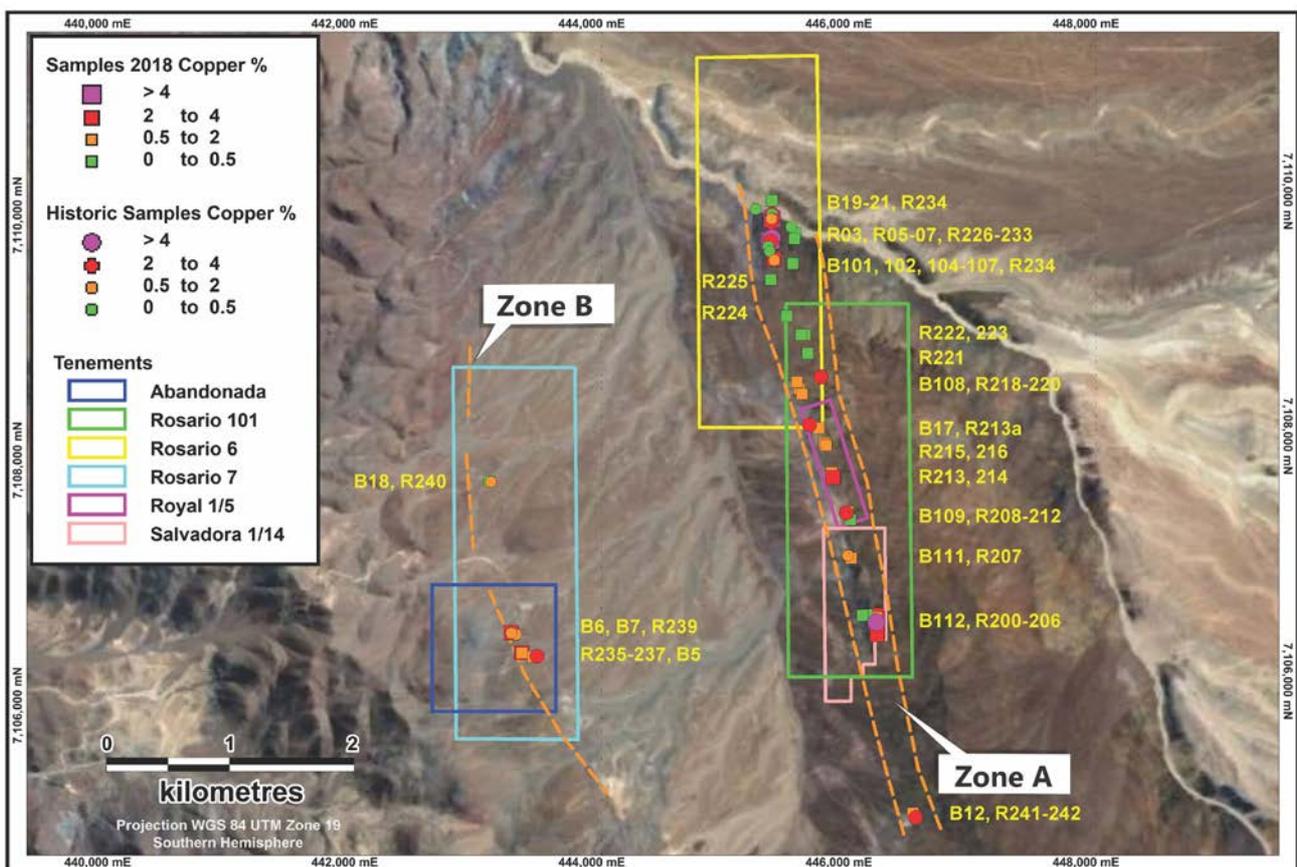
Rock chip and grab sampling

Field work included inspection of previous sample sites, all old mine workings, trenches within the main project area and the location of 13 historic diamond drill-holes on nearby properties south of Rosario 6.

44 samples were taken across the Rosario project and adjacent licences to complement the historic sampling conducted between 2012-2014. Over 50% of samples taken recorded copper grades 1%+ Cu, with multiple sample grades up to 4%+ Cu (see ASX announcement by Variscan dated 11 April 2018). In addition, a number of samples recorded potentially significant silver assays up to 42g/t Ag coincident with high copper results. Samples were assayed by ALS Geochemistry at La Serena, Chile.

The sampling conducted by Variscan validates historic copper grades of up to 4.26% Cu recorded in surface rock chip and grab samples within the two principal mineralised zones ('A' and 'B', Figure 1) and confirms the high grade potential of the Rosario project overall.

Figure 1. Plan of Rock Chip & Grab Sampling Results



Property Description

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is proven mining jurisdiction and is the largest producer of copper globally¹.

The Rosario project lies about 20 kilometres north of the El Salvador mine (owned by Codelco). It is one of the country's larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.

Figure 2. Location of the Rosario Project



The Rosario project comprises two large granted exploration concessions, Rosario 6 and Rosario 7, one exploitation concession (Salvadora) and an exploration concession under application (Rosario 101). These concessions cover two outcropping copper trends (Zones A and B) over a combined strike length of approximately 6 kilometres.

The project area has undergone historic modest informal mining and contains numerous shallow pits in areas of copper-stained outcrops. There are also indications of previous surface sampling and trenching. Site visit inspections also revealed 13 diamond drill holes within the adjacent licences to the Rosario project. The drill core or results have yet to be identified but investigations are being made.

¹ 2016 copper production. Source: USGS

Next steps & future exploration activities

Further exploration activities to be conducted are expected to include:

- detailed geological mapping over Zone “A” of Rosario 6;
- a geochemical survey of auger or shallow drilling traverses over the alteration zone;
- a detailed ground magnetic survey;
- RC drilling on geochemical anomalies, copper-bearing structures and under existing workings (at depths well past the oxidised level of ~30m);
- submission of large bulk samples from RC drill-holes for preliminary mineral process testing; and
- resource drilling using a combination of both RC and diamond drill holes.

Variscan plans to commence drill testing of the copper rich sections of Zone A by mid 2018, depending on the outcome of the geochemical and geophysical work to confirm quality drill targets and on the required funding being available.

Variscan is working with the project vendors to complete the conversion to exploitation licences, with the objective of entering into the Unilateral Purchase Option Contract, on commercial terms as previously announced, as soon as practicable.

FRANCE

Sale of 20% interest in Couflens

On 7 March 2018, the Company announced that it had entered into a conditional Share Sale and Purchase Agreement (“SPA”) for the sale of the entire issued share capital of the Company’s wholly owned French subsidiary, Variscan Mines SAS, to Apollo for a total consideration of up to \$4.25m payable in cash and deferred shares (the “Subsidiary Sale”).

Under the SPA, the Couflens PER will be acquired by Apollo. The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) are subject to an Asset Sale and Purchase Agreement whereby a new wholly owned subsidiary, Variscan Mines Europe Limited, will purchase the licences and assume beneficial ownership (the “Asset Transfer”).

Completion of the SPA is conditional on the satisfaction of certain conditions precedent including, but not limited to: obtaining all relevant approvals from the French authorities in relation to the transaction; waiver of intercompany debt between Variscan Mines SAS from Variscan Mines Limited; completion of the Asset Sale and Purchase Agreement in connection with the Asset Transfer; and satisfaction of the provisions of Article L. 23-101-1 of the French Commercial Code whereby employees have the right to make offers to purchase Variscan Mines SAS and no offers from employees received result in the acquisition of Variscan Mines SAS.

The announcement on 7 March 2018 set out details of the total consideration of up to \$4.25m payable

in cash and deferred shares to the Company.

The Directors believe that the Transaction provides a number of significant benefits to Variscan shareholders:

- Total consideration of \$4.25m payable in cash and the issue of new shares in Apollo provides an appropriate blend of certainty of funds and upside potential through share price appreciation;
- Restructuring of the French licences (excluding Couflens) retains optionality, beneficial and economic interests;
- No longer have the funding requirement for the existing fixed costs of Variscan Mines SAS; and
- Delivery of the Company's stated strategy and allows appropriate capital allocation.

There has been no significant exploration activity across the portfolio of licences in France during the reporting period.

AUSTRALIA

There has been no significant activity across the portfolio of joint venture interests in Australia during the reporting period.

Financial & Corporate

CORPORATE

The Company has reduced its fixed costs in France and Australia. In the twelve months between December 2016 and December 2017, staff costs reduced by 52%. Over the same period, administration and corporate costs fell by 26%. It is pleasing to see further reductions over the last quarter.

During the period, further leadership changes were made as Mr. Ivo Polovineo and Mr. Jack Testard retired from their respective appointments. Variscan is pleased to welcome Mr. Mark Pitts as Company Secretary.

An updated corporate presentation was released to the market on 24 April 2018 and is available at:

https://www.variscan.com.au/components/com_reports/rfiles/ANNOUNCE-1027%20%20Corporate%20Update.pdf

FINANCE & INVESTMENTS

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.22 million.

Cash at bank at 31 March was \$0.65 million which will be supplemented by the proceeds of the fully under written entitlement offer.

Underwritten Entitlement Offer

On 24 April 2018, the Company announced the launch of a 5 for 6 renounceable entitlement offer (“Rights Issue” or “Offer”) to raise approximately A\$2.25m (before costs) to accelerate the development of its existing and new mineral projects in Europe and South America.

Proceeds of the Offer will contribute towards further identifying and acquiring advanced projects and initiating work programmes to advance projects in Europe and South America. Specifically, proceeds of the Offer will be used to:

- Advance the exploration and evaluation of the highly-prospective Rosario copper project in Chile which will include early reconnaissance drilling;
- Maintain its evaluation and exploration work over its other licences in Europe;
- Accelerate project generation activities; and
- General working capital purposes

Investments

Variscan still holds a significant investment in Thomson Resources (ASX:TMZ) which has exploration tenements prospective for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW. As at 30 March, the value of the shareholding was approximately \$1.08 million.

ENDS

Variscan Mines Limited

Stewart Dickson

CEO

info@variscan.com.au

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director of Variscan Mines Limited and 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 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.