HIGH GRADE COPPER AT ROSARIO PROJECT

- **Initial field work validates the high grade copper potential of the Rosario Project**
- **Selective rock chip and grab sampling by Variscan has 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**
- **New work validates historic exploration that recorded grades up to 4.26% Cu in surface rock chip and grab samples within two mineralised zones believed to extend at least 6 kilometres in strike length**
- **Over 50% of samples taken recorded copper grades of 1%+ Cu**
- **Field work programme being designed and expected to lead to early reconnaissance drilling during middle of 2018.**

Variscan Mines Limited ("Variscan" or the "Company") (ASX:VAR) is pleased to announce the results of selective rock chip and grab sampling conducted earlier this year during site visit inspections and initial field work at the Rosario copper project, Chile.

Rock chip and grab sampling

Field work included inspection of previous sample sites, all old mine workings, trenches and located 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. 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. A complete table of results is set out in Appendix 1.

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 2) and confirms the high grade potential of the Rosario project overall.

Property Description

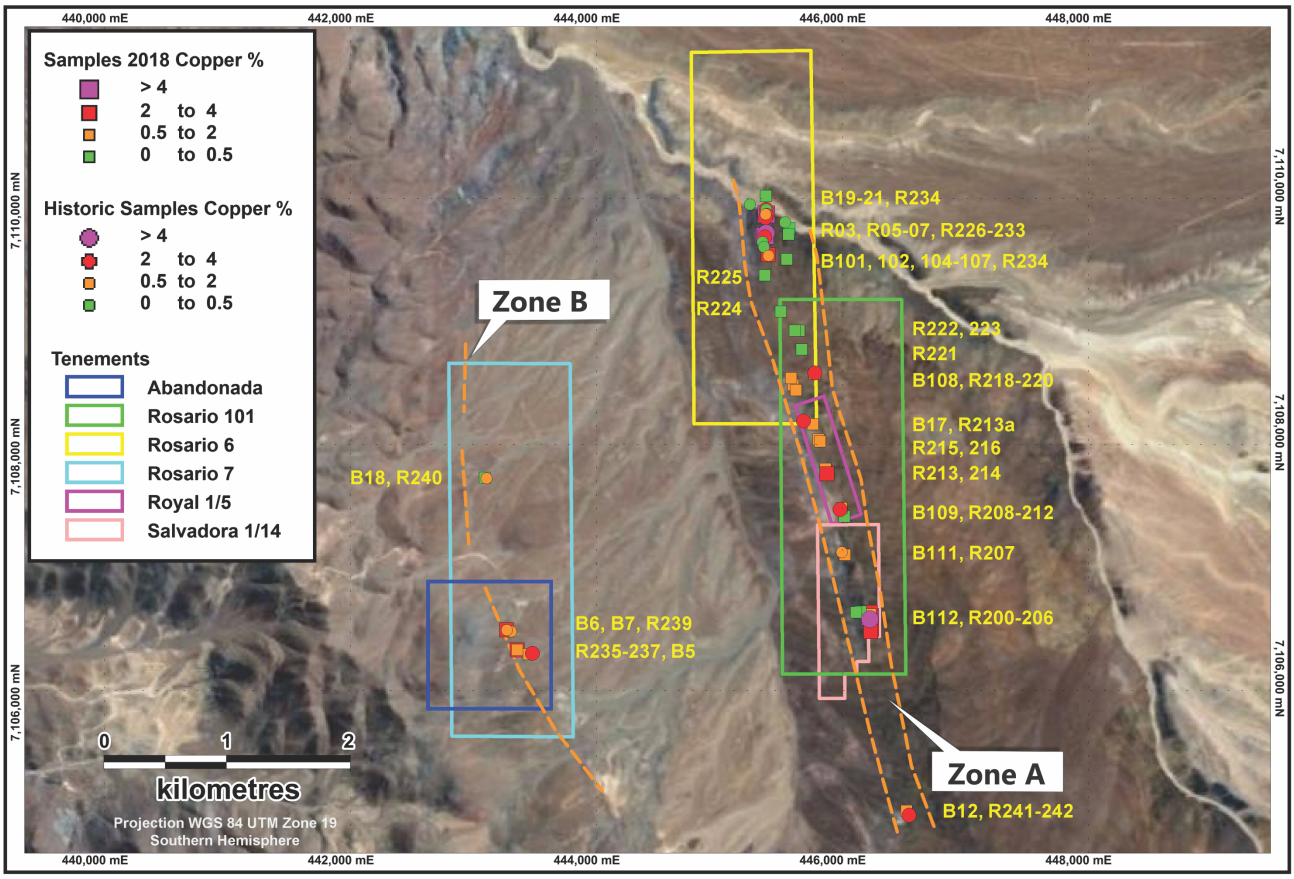
The Rosario project is located approximately 120 kilometres east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is a proven mining jurisdiction and is the largest producer of copper globally[1].

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.

[1] 2016 copper production. Source: USGS

Figure 1. Location of the Rosario Project

Figure 2. Plan of Rock Chip & Grab Sampling Results



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.

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.

Varsican 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.

Stewart Dickson, CEO of Variscan said,

'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 look forward to progressing with our exploration field work in a highly prospective location at a time when the outlook for copper is very positive'.

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Competent Person's Statement

The information in this report that relates to Exploration Results is based on and fairly represents information and supporting documentation compiled by Prue Leeming, a Competent Person, a consultant to Variscan Mines Limited, and a member of the Australian Institute of Geoscientists. Ms Leeming has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Ms Leeming consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Appendix 1

Table of Rock Chip & Grab Sampling Q1 2018 Results

Sample Number	Northing (m)	Easting (m)	Elevation (m)	Copper %	Silver ppm	Gold ppm
R200	7,106,597	446,225	2406	4.82	15	0.00
R201	7,106,498	446,235	2410	2.07	4	0.00
R202	7,106,479	446,229	2415	3.71	6	0.00
R203	7,106,635	446,226	2417	3.20	3	0.01
R204	7,106,619	446,226	2418	1.12	1	0.01
R205	7,106,641	446,148	2406	0.14	1	0.00
R206	7,106,636	446,110	2400	0.45	2	0.01
R207	7,107,102	446,020	2389	1.12	1	0.01
R208	7,107,473	446,593	2463	0.05	2	0.01
R209	7,107,415	446,014	2388	1.86	3	0.32
R210	7,107,415	446,014	2388	1.06	2	0.01
R211	7,107,415	446,014	2388	0.01	1	0.00
R212	7,107,482	445,991	2389	0.77	4	0.01
R213	7,107,801	445,861	2372	1.87	7	0.00
R213a	7,108,164	445,760	2343	1.06	3	0.01
R214	7,107,762	445,872	2369	2.32	3	0.01
R215	7,108,042	445,804	2363	0.70	1	0.00
R216	7,108,025	445,817	2362	0.89	1	0.01
R217	7,108,483	445,598	2338	0.50	3	0.01
R218	7,108,442	445,621	2339	1.17	4	0.01
R219	7,108,540	445,583	2345	1.53	2	0.01
R220	7,108,574	445,774	2360	0.85	4	0.02
R221	7,108,772	445,667	2344	0.03	0	0.00
R222	7,108,927	445,646	2333	0.02	1	0.00
R223	7,108,925	445,613	2332	0.02	0	0.00
R224	7,109,080	445,499	2317	0.02	1	0.01
R225	7,109,376	445,368	2295	0.00	1	0.00
R226	7,109,544	445,395	2283	3.56	42	0.07
R227	7,109,692	445,361	2261	4.07	6	0.00
R228	7,109,695	445,369	2263	4.06	26	0.02
R229	7,109,870	445,379	2192	4.03	10	0.05

R230	7,109,870	445,379	2192	0.03	1	0.01
R231	7,110,021	445,378	2195	0.12	1	0.01
R232	7,109,756	445,568	2200	0.04	0	0.00
R233	7,109,708	445,560	2217	0.02	1	0.00
R234	7,109,505	445,547	2267	0.00	1	0.00
R235	7,106,330	443,353	2506	2.54	19	0.07
R236	7,106,330	443,353	2506	0.03	1	0.00
R237	7,106,330	443,353	2506	0.73	7	0.01
R238	7,106,295	443,446	2495	1.97	13	0.04
R239	7,106,492	443,267	2512	2.42	10	0.02
R240	7,107,730	443,090	2435	0.38	1	0.01
R241	7,105,021	446,520	2464	1.67	6	0.01
R242	7,105,076	446,745	2498	0.04	0	0.01

Note - coordinates are WGS84

JORC Code – Table 1

Section 1 - Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	• Samples were collected from recent and historic small-scale mine workings, prospecting pits and natural outcrop by an experienced geologist • The objective of sampling was to study the extent and characteristics of oxidized copper mineralisation exposed in small-scale mine workings, prospecting pits and natural outcrop • In most cases, exposures and outcrop of oxidized copper mineralisation are not suitable for channel sampling due to close spaced fracturing and hard rock due to skarn type alteration and/or silicification • Width of the mineralised zone is believed greater than the width of historic workings. Excavation of trenches across the entire width of the mineralised zone or preferably drill testing is recommended to obtain more reliable information on true dimensions and grade of zones below the surface. • Small-scale mine workings and prospecting pits are in most cases 0.5 – 5m deep and outcrop sampling was carried out by digging no more than 0.2m down. Samples representing mineralisation are affected by prolonged weathering & oxidation on an old peneplain surface. For the next stage of exploration, drill testing is recommended to obtain information for systematic changes of copper grade in the weathered oxidized profile • For each sample up to 2 photographs were taken to document the nature of sample site and mineralisation
Drilling techniques	• Not applicable at this early stage
Drill sample recovery	• Not applicable at this early stage
Logging	• Not applicable at this early stage
Sub-sampling techniques and sample preparation	• Samples collected in the field were directly delivered to ALS Laboratory at La Serena in Chile • In ALS Laboratory, samples were finely crushed to >70% <2mm • Then pulverized in a hammer mill to >85% passing -75 µm
Quality of assay data and laboratory tests	• Gold was analyzed by ALS by Au 30g fire assay and AA finish (Method Au-ICP21) • Copper, silver and 34 other metallic elements were analyzed by ALS by method ME-ICP41 which is based on digestion by Aqua Regia and Inductively Coupled Plasma - Atomic Emission Spectroscopy • Standard ALS procedures were used for Quality Control – including assays of Duplicates and Blanks • Samples containing >1% Cu were reanalyzed by method Cu-AA46 which is based on Atomic Absorption Spectrometry
Verification of sampling and assaying	• Data storage in Excel spreadsheets and GIS database
Location of data points	• Sample locations were determined by Garmin Oregon 500 Ground Positioning System instrument • Sample locations were verified by plotting them on Google Earth image – using Garmin 'gpx' file
Data spacing and distribution	• Sample spacing was of the order of 10-100m but highly variable • Consecutive rock chip samples were taken across some larger faces in workings over 2-3m in width
Orientation of data in relation to geological structure	• Mineralised zones are characterised by fracturing and brecciation and are controlled by near-vertical faults with a NWN-SES strike • Most samples were collected inside the fractured brecciated mineralised zones termed Zone A and Zone B
Sample security	• Samples were kept in the 4WD vehicle used by the geologist that collected the samples and transported in the same vehicle to La Serena ALS laboratory • The vehicle was parked in secure place and locked overnight
Audits or reviews	• There has been no external audit or review of the Company's techniques or data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• Rosario 6 and Rosario 7 Exploration Concessions are now being converted into Exploitation Concessions • Salvadora Exploitation Concession for which an acquisition agreement has been negotiated • Rosario 101 exploration concession application • No known impediments for future exploration and development
Exploration done by other parties	• The southern extension of mineralised Zone A is covered by an Exploitation Concession owned by State Mining Company ENAMI and has been tested by trenches perpendicular to NNW-SSE strike as well as several short RC drill holes. Data are not currently available. • The most recent mining work which resulted in a fatality, was undertaken on the Royal Exploitation Concession, situated between Rosario 6 and the Salvadora Exploitation Concession
Geology	• Mineralised zones (Zone A and Zone B) are characterised by fracturing and brecciation and are controlled by moderate E-dipping to near-vertical faults with a NNW-SSE strike • Jurassic-Cretaceous submarine volcanic sequence is characterised by gentle dip of bedding, however, in the mineralised zone, due to fracturing and brecciation, bedding has been completely obliterated • In WSW part of Zone A, breccia consists of fragments of red colour which may be due to hydrothermal alteration by hematite • In Zone B hydrothermal coarse-grained crystalline hematite is obvious in the matrix of breccia • Due to hydrothermal alteration, in ENE part of Zone A, replacement by epidote and siderite is observed • Copper oxide mineralisation is present in fractures and in matrix of breccia and consists of green and black copper oxide minerals • Using Chilean terminology, mineralisation could be called 'Atacama Fault Zone' type • Presence of hydrothermal hematite (in part coarse-grained crystalline specularite) in fractures and matrix of breccia is indicative of Iron Oxide Copper Gold type. Gold contents are low while silver contents are considered potentially high enough to constitute a valuable by-product from smelting copper sulphide concentrate – similar to some other copper mines in region.
Drill hole Information	• Not applicable at this early stage
Data aggregation methods	• No aggregation or high-grade cuts were applied to the data reported
Relationship between mineralisation widths and intercept lengths	• Not applicable at this early stage
Diagrams	• Basic location and sampling diagrams are provided in the announcement
Balanced reporting	• Samples collected inside Zone A and Zone B above 0.5% Cu have been reported. Samples with <0.5% Cu are also included within the tabulation provided in the announcement.
Other substantive exploration data	• No additional substantive exploration data is available.
Further work	• Detailed mapping and check sampling of all historic small-scale mine workings • Excavation of trenches across entire width of mineralised zones (Zone A and Zone B) • Drill testing of shallow oxide zones • Induced Polarization surveys to more accurately define the best targets in sulphide zone for drill testing