



OPTION TO ACQUIRE A HIGHLY PROSPECTIVE COPPER ASSET IN CHILE

- ❶ **Low-cost, step-wise acquisition of the highly prospective Rosario copper project in Chile**
- ❷ **Copper grades up to 4.26% Cu recorded in surface rock chip and grab samples within two mineralised zones believed to extend at least 6 kilometres in strike length**
- ❸ **Mineralization found at Rosario is consistent with iron-oxide-copper-gold (IOCG) type deposit which are common in the region**
- ❹ **Initial field work will seek to validate the high-grade potential and size of Rosario and may include drilling as early as H1 2018**
- ❺ **Chile is a proven mining jurisdiction and the largest producer of copper globally**
- ❻ **Delivers the Company's stated strategy of acquiring new opportunities outside of France and re-balancing the Company's sovereign exposure**

Variscan Mines Limited ("Variscan" or the "Company") (ASX: VAR) is pleased to announce that it has entered into a binding option agreement to acquire 100% of the Rosario copper project located in the Atacama region of northern Chile. The region is well-known for copper resources and mining operations.

This transaction delivers on the Company's stated strategy of acquiring new opportunities outside of France and re-balancing the Company's sovereign exposure. Variscan will continue to pursue growth through the acquisition and development of further base and strategic metals projects in proven mining jurisdictions.

Stewart Dickson, CEO of Variscan said,

'We are extremely pleased to announce the potential acquisition of the Rosario Project. This marks an important step in the change process that is well underway within Variscan. We expect to announce further developments shortly.'

Chile is synonymous with copper. IOCG deposits are extremely attractive due to their large size and or high grade, polymetallic nature and simple metallurgy which tends to facilitate low-cost mining.

We look forward to commencing field work in a proven mining jurisdiction at a time when the outlook for copper is very positive'.

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 a proven mining jurisdiction and is the largest producer of copper globally¹.

Rosario 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.

The Rosario project comprises two large granted exploration concessions, Rosario 6 and Rosario 7, and further adjacent exploration concessions under application. Rosario 6 and Rosario 7 cover two partially outcropping copper trends (Zones A and B) over a combined strike length of approximately 6 kilometres (Figure 3).

Figure 1. Location of the Rosario Project



¹ 2016 copper production. Source: USGS

Geology, Mineralization, and Deposit Types

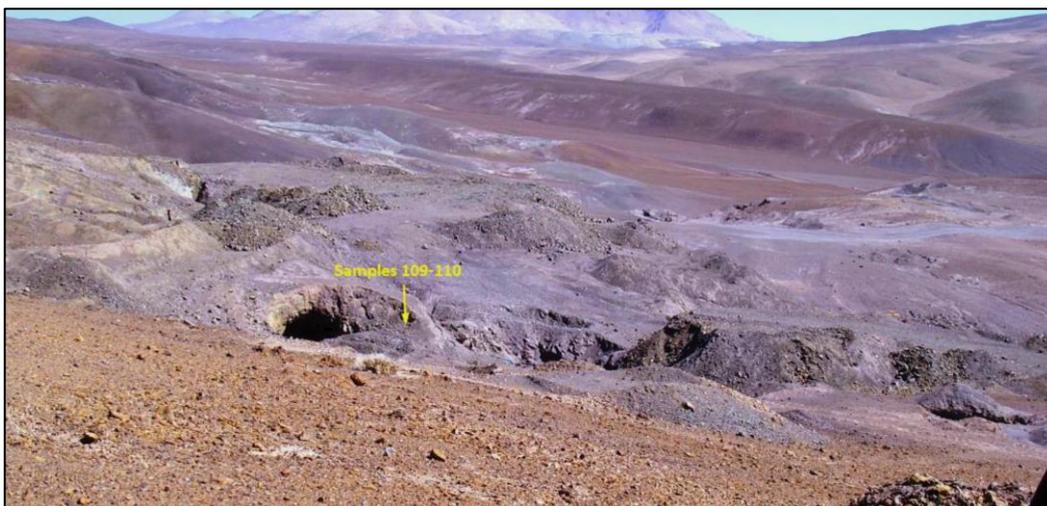
Chile hosts the largest copper reserves globally. The two main copper deposit styles are porphyry copper (e.g. Escondido and Chuquibambilla) and iron-oxide-copper-gold (“IOCG”) (e.g. Candelaria).

Whilst in the early stages of exploration, it is believed that the mineralization found at Rosario is consistent with the IOCG type. In the general region around Rosario, IOCG deposits are very numerous and support a number of mines and prospects. Important IOCG mines of the region include Mantoverde (440 Mt @ 0.56 % Cu, 0.12 g/t Au) (Figure 1) and the Mantos Blancos copper-silver deposit.

Exploration & Licence Status

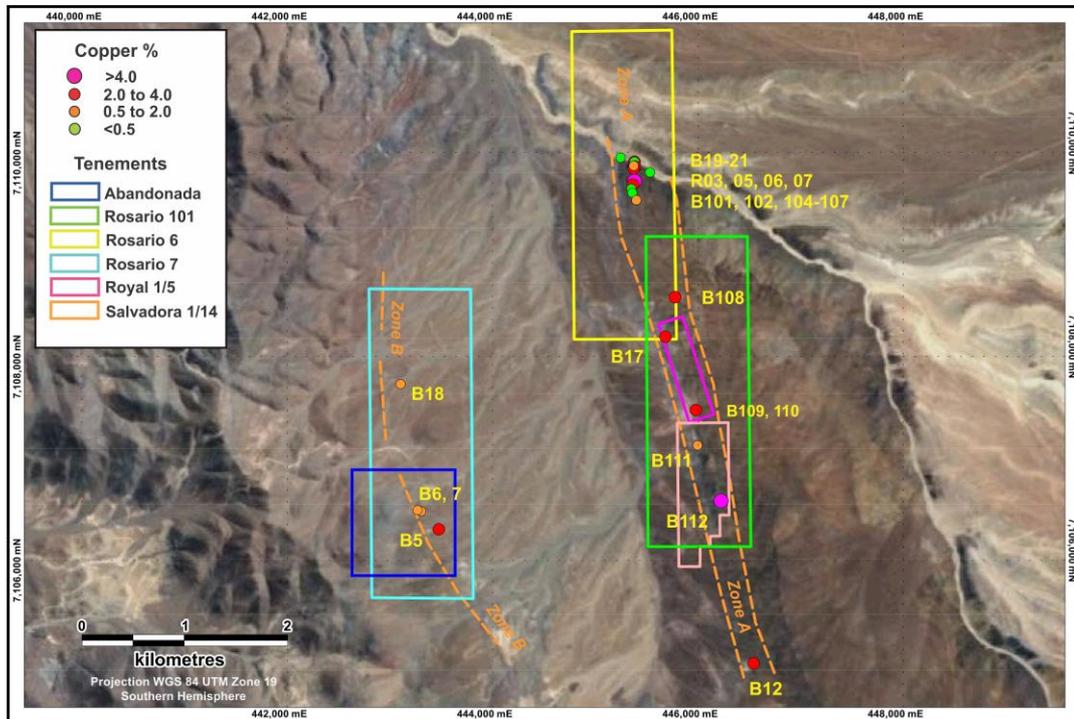
The project area contains modest informal (garimpeiro) mining and shallow pits in areas of copper-stained outcrops within Zone A (Figure 2). There are also numerous indications of copper oxides in surface sampling and in trenching along strike in other parts of the concessions.

Figure 2. Photo of abandoned shallow mines in southern section of Zone A



Historic, selective rock chip and grab sampling has generated copper bearing samples with numerous values above 1.0% Cu (up to 4.26% Cu) and highly anomalous silver results (Table A).

Figure 3. Rosario concessions and mineralised trends (Zones A and B) with sample locations and copper ranges



Note: Sample prefix R = RSRZ, B = BARB. For precise copper grades please refer to Table A.

Mineralisation appears associated with two significant north-south striking copper bearing trends (probably wide fault zones with associated structurally disrupted and brecciated host volcanics) with combined strike lengths in excess of 6 kilometres within the licences. Zone A (as well as Zone B) is partially covered by thin alluvium which masks the full extent of the mineralised trend and has hindered previous prospecting.

Table A: Surface Samples at Rosario with values above 0.5% Copper

Sample No	Easting	Northing	RL (m)	Copper %	Silver ppm	Gold ppm
BARB 05	443477	7106301	2492	3.38	35.3	0.10
BARB 06	443304	7106479	2506	1.52	8.3	0.12
BARB 07	443269	7106490	2512	1.50	10.6	0.01
BARB 12	446540	7104987	2479	3.10	16.6	0.01
BARB 17	445683	7108191	2334	2.59	5.5	0.01
BARB 18	443104	7107725	2436	0.67	0.4	0.01
BARB 20	445380	7109911	2200	2.71	5.3	0.07
BARB 101	445374	7109870	2194	0.94	2.2	0.02
BARB 102	445374	7109870	2194	1.10	2.2	0.02
BARB 104	445350	7109646	2271	1.29	4.2	0.01
BARB 107	445398	7109534	2285	1.36	16.5	0.05
BARB 108	445776	7108582	2359	2.06	2.8	0.02
BARB 111	445994	7107125	2382	1.73	2.0	0.01
BARB 112	446223	7106580	2406	4.23	3.7	0.01
RSRZ-03	445384	7109862	2199	2.01	4.0	0.04
RSRZ-05	445372	7109844	2202	2.12	4.0	0.01
RSRZ-06	445380	7109718	2253	4.26	11.0	0.19
RSRZ-07	445367	7109687	2260	3.84	6.0	0.00

Initial field work will seek to validate the high-grade potential of the project. The simplicity of the geology and copper targets means that the initial work programme should be relatively low cost and could be completed quickly. Provided that Variscan's early exploration work is sufficiently encouraging, it is envisaged that drilling within the main copper targets could potentially commence during H1 2018.

The concessions within the Rosario project are expected to be upgraded to exploitation licences which gives the holder the right to explore as well as start production (up to 5,000 tons per month) with no additional approval required from the Mines Inspectorate.

Option Agreement

In consideration for a fee of US\$20,000 Variscan has the exclusive option to acquire 100% of the mining concessions located in Diego de Almagro district, Chanaral Province, Atacama Region, Chile (duly registered in the folio, number and year indicated in the Mining Registry of Diego de Almagro) known as "ROSARIO" (the "Option"). The Option may be exercised for a period of 6 months (the "Option Term") and includes additional projects which the counter-party is expected to acquire shortly. At time of exercising the Option, a fee

of US\$80,000 is payable to the counter-party. At such time, the parties will negotiate and enter into the Unilateral Purchase Option Contract which envisages further conditional, milestone based payments up to a maximum of US\$5 million.

Next steps & future activities

Variscan will undertake further legal, commercial and technical due diligence investigations in relation to the Rosario project with the objective of entering into the Unilateral Purchase Option Contract as soon as practicable. Variscan may accelerate additional exploration work during the Option Term.

Further announcements regarding the transaction progress and Variscan's project development plans will be made in the near term.

ENDS

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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.

JORC Code – Table 1

Section 1 - Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	<ul style="list-style-type: none"> • Samples have been collected from historic small-scale mine workings, prospecting pits and natural outcrops by an experienced geologist • The objective of sampling was to study characteristics of oxidised copper mineralisation exposed in historic small-scale mine workings, prospecting pits and natural outcrops • In most cases the exposures and outcrops of oxidised copper mineralisation are not suitable for channel sampling due to close spaced fracturing and hard rock due to skarn type alteration, • The width of mineralised zone is believed much greater than the width of historic workings. Broad sampling of historic workings and natural outcrops will occur in the next stage of exploration, with excavation of trenches across entire width of mineralised zone followed by drill testing recommended to obtain more reliable information on true dimensions and grade of zones. • Historic small-scale mine workings and prospecting pits are in most cases only 0.5 – 5m deep and in outcrops sampling was done by digging no more than 0.2m down. Samples represent mineralisation that has been affected by prolonged weathering & oxidation on old peneplain surface and for next stage of exploration, drill testing is recommended to obtain information for systematic changes of copper grade in weathered oxidised profile • For each sample at least 2 photographs were taken to document the nature of sample site and mineralisation
Drilling techniques	<ul style="list-style-type: none"> • Not applicable at this early stage
Drill sample recovery	<ul style="list-style-type: none"> • Not applicable at this early stage
Logging	<ul style="list-style-type: none"> • Not applicable at this early stage
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Gold was analysed by ALS by Au 30g fire assay and AA finish (Method Au-ICP21) • Copper, silver and 34 other metallic elements were analysed by ALS by method ME-ICP41 which is based on digestion by Aqua Regia and Inductively Coupled Plasma - Atomic Emission Spectroscopy • Samples containing >1% Cu were reanalysed by method Cu-AA46 which is based on Atomic Absorption Spectrometry • Standard ALS procedures have been used for Quality Control – including assays of Duplicates and Blanks
Verification of sampling and assaying	<ul style="list-style-type: none"> • Data storage in Excel spreadsheets and GIS database
Location of data points	<ul style="list-style-type: none"> • Sample locations have been determined by Garmin Oregon 500 Ground Positioning System instrument • Sample locations have been verified by plotting them on Google Earth image – using Garmin 'gpx' file
Data spacing and distribution	<ul style="list-style-type: none"> • Sample spacing was of the order of 10-100m but highly variable
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • Mineralised zones are characterised by fracturing and brecciation and are controlled by near-vertical faults with a NWN-SES strike • Most of the samples have been collected inside the fractured brecciated mineralised zones termed Zone A and Zone B
Sample security	<ul style="list-style-type: none"> • Samples were kept in the 4WD vehicle used by the geologist that collected the samples and have been transported in the same vehicle to La Serena ALS laboratory • The vehicle parked in secure place and was locked overnight
Audits or reviews	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> Rosario 6 and Rosario 7 Exploration Concessions which 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	<ul style="list-style-type: none"> 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 NEW-SES strike as well as several short RC drill holes, but data is not available.
Geology	<ul style="list-style-type: none"> Mineralised zones (Zone A and Zone B) are characterised by fracturing and brecciation and are controlled by near-vertical faults with a NWN-SES 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 and minor hydrothermal hematite is observed In Zone B hydrothermal hematite is obvious in 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 crystalline specularite) in fractures and matrix of breccia is indicative of similarity to 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	<ul style="list-style-type: none"> Not applicable at this early stage
Data aggregation methods	<ul style="list-style-type: none"> No aggregation or high-grade cuts have been applied to the data reported
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> Not applicable at this early stage
Diagrams	<ul style="list-style-type: none"> Basic location and sampling diagrams are provided in the announcement
Balanced reporting	<ul style="list-style-type: none"> Samples collected inside Zone A and Zone B above 0.5% Cu have been reported. 5 samples with <0.5% Cu are not included within the tabulation provided in the announcement.
Other substantive exploration data	<ul style="list-style-type: none"> No additional substantive exploration data is available.
Further work	<ul style="list-style-type: none"> Detailed mapping and 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 Polarisation surveys to more accurately define the best targets in sulphide zone for drill testing