



Highlights

-  Planned acquisition of the highly prospective Rosario copper project located in the Atacama region of northern Chile
-  Rosario is an exciting iron-oxide-copper-gold ('IOCG') type deposit which are common in the region
-  Prior work found 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
-  Delivery of the Company's stated strategy of acquiring new opportunities outside of France and re-balancing the Company's sovereign exposure
-  Initial exploration planning is underway so that field work can commence as soon as possible
-  Discovery of further high grade gold samples from regional exploration at Couflens. Best results from the area included 24.50 g/t, 15.65 g/t, 15.20 g/t, 13.15 g/t, 11.05 g/t, 9.79 g/t and 7.65 g/t gold
-  Ongoing digitisation and modelling of historic Salau mine database
-  Corporate re-organisation process and cost reductions continuing

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

'The last quarter marks an important step in the change process that is well underway within Variscan.'

The planned acquisition of the Rosario Project is exciting with exploration planning underway.

We are continuing to re-shape and re-organise our activities. We have taken steps to reduce our fixed costs in France and Australia which should result in a more efficient allocation of capital as we move forward.

We are grateful for the continued support of major shareholders who have provided us with a non-dilutive loan. We look forward to seeing the benefits of our re-structuring and commencing a field work programme at Rosario at a time when the outlook for copper is very positive'.

ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 676.1M
 Unlisted Options: 32.5M
 Cash Balance: \$0.8M
 Listed Investments (at 31 December 2017): \$ 0.85M

Directors

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

Top Shareholders

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

Top 20 Shareholders – 66.5%

Head Office

Variscan Mines Limited
 Level 1, 80 Chandos Street
 St Leonards NSW 2065

Postal

PO Box 956
 Crows Nest NSW 1585
 T +61 (0)2 9906 5220
 E info@variscan.com.au

www.variscan.com.au

Exploration

CHILE

ROSARIO

As announced on 18 December 2017, Variscan 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.

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.

The Rosario project comprises two large granted exploration concessions, Rosario 6 and Rosario 7, one exploitation concession (Salvadora) and an exploration concession (Rosario 101) under application. These cover two partially outcropping copper trends (Zones A and B) (Figure 3) over a combined strike length of approximately 6 kilometres.

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

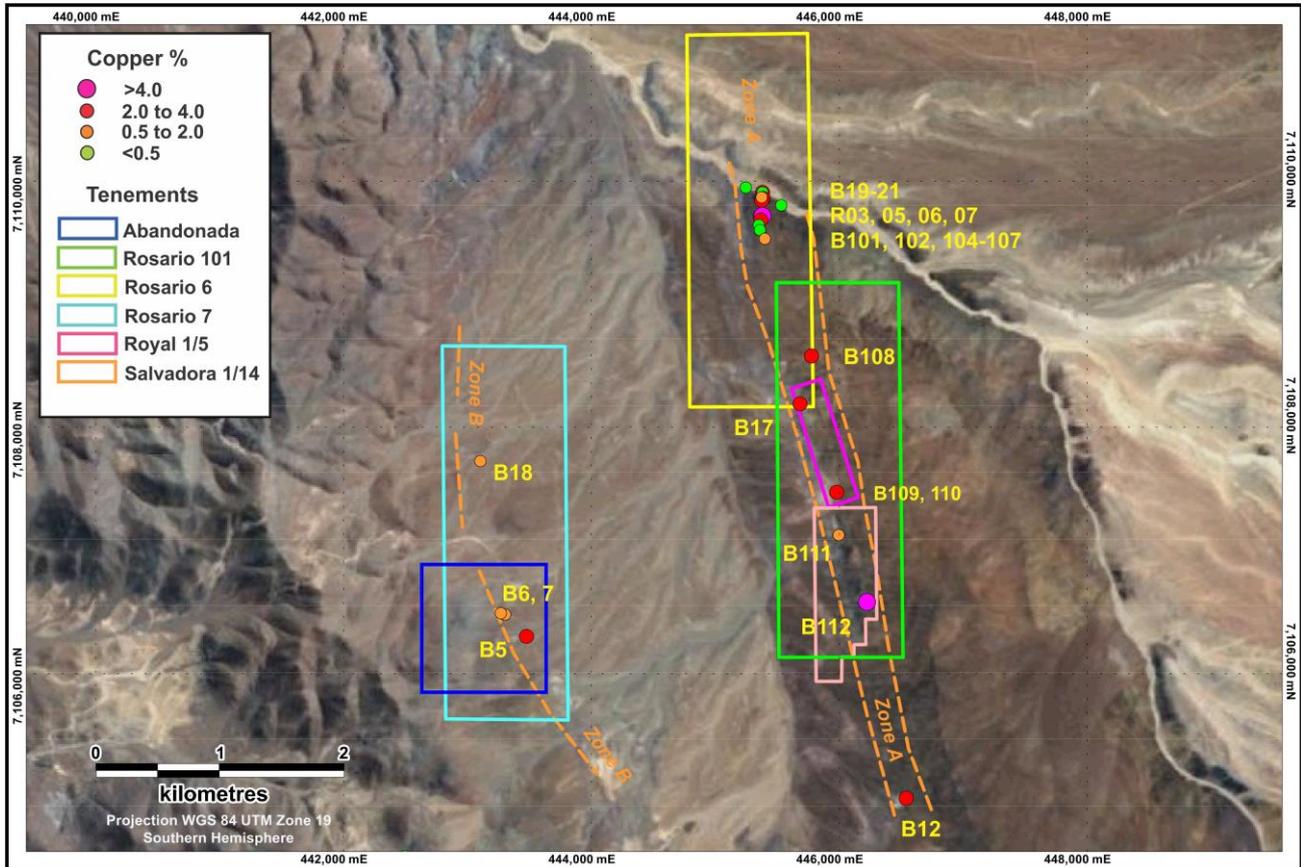
The project area contains modest informal (garimpeiro) mining and shallow pits in areas of copper-stained outcrops within Zone A (Figure 2). There are also numerous indications of copper oxides in surface sampling and in trenching along strike in other parts of the concessions.

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 can 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 is finalising legal, commercial and technical due diligence on 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.

FRANCE

COUFLENS

Variscan's joint venture partner, Apollo Minerals Limited, has provided the following update of progress at the Couflens project.

- **Discovery of further high grade gold samples from regional exploration**
 - Numerous gold occurrences were confirmed around the historical Salau tungsten mine on the margins of the major granodiorite intrusion, best results from the area included 24.50 g/t, 15.65 g/t, 15.20 g/t, 13.15 g/t, 11.05 g/t, 9.79 g/t and 7.65 g/t gold
 - Further high-grade gold mineralisation was identified at the recently discovered gold occurrence located 500m west of the granodiorite, and not associated with tungsten. Best results from this area included 3.34 g/t, 2.55 g/t and 2.33 g/t gold
 - Tailings samples from a historical tailings disposal area returned grades up to 8.94 g/t gold, confirming the presence of gold associated with the tungsten ore mined during the latter years of production at the historical Salau tungsten mine
- **Ongoing digitisation and modelling of historic Salau mine database continues to increase the Company's knowledge and de-risk upcoming work programs**
 - The development of a 3D model of the Salau mine area incorporating all available historical data, including assays and drill logs from over 650 holes, continued during the quarter and is now well-advanced
- **Tungsten market**
 - Production disruptions in China, who produce 80% of the world's tungsten, tightened the market considerably over the course of 2017 and prices are up 54% year on year
- **Looking ahead**
 - Review and 3D modelling of historical data to continue, in support of the resource estimation process
 - Mapping and sampling of mineralisation within Salau mine to occur once initial access has been granted, in order to verify the historical data for resource estimation
 - Drill programs to be designed to confirm known zones of mineralisation at Salau and will test for extensions of these zones once underground access has been established
 - Reporting of tungsten and multi-element assay data from the recent surface exploration campaign
 - Further surface exploration programs to assess the identified tungsten and gold prospects and advance them to the drill ready stage
 - Generation of new targets within the broader project area

- **Corporate**

- Variscan retains a 20% interest and is free-carried until a DFS is completed or total expenditure of €25 million is reached (whichever is less)
- Variscan (through its wholly owned French subsidiary, Variscan Mines SAS) has submitted the application to transfer the Couflens PER to the joint venture company Mines du Salat (“MdS”)

Couflens project summary

- The Couflens Project covers the Salau mine which was discovered in 1964 by the BRGM (Bureau de Recherches Géologiques et Minières). Les Mines d’Anglade (LMA) operated the mine from April 1971 to November 1986
- Salau was formerly one of the world’s highest-grade tungsten mines having produced approximately 930,000 tonnes at 1.5% WO₃
- Production grades were 2.0 to 2.5% WO₃ in the mines latter years
- The deposit is recorded to contain significant copper-gold value
- Former drilling confirmed the continuation of the mineralised system which remains open at depth
- Substantial expected work programme announced by Apollo
- Tungsten is an essential industrial metal categorised by the European Union as a “Critical Raw Material”

MERLÉAC

The Company’s application to conduct exploration and confirmatory drilling at Merléac remains subject to the approval of the Côtes d’Armor préfecture.

Variscan has engaged extensively with all of the relevant interested parties and is continuing to maintain effective channels of communication with decision makers, at all levels, to establish the conditions for field work to re-commence.

Merléac Zinc project summary

- Well-defined high grade Zn-Pb-Cu-Ag-Au deposit at Porte-aux-Moines
- Access to extensive work by BRGM from 1975 to 1985
 - ~6,843m surface drilling
 - ~2,830m underground drilling
 - ~2km underground development
- JORC Resource defined in 2016: 2.2 Mt @ 6% Zn, 1.3% Pb, 0.8% Cu, 81 g/t Ag, 0.9 g/t Au
- Value of historical work completed to date estimated to be >A\$10M

AUSTRALIA

A summary of activities across the portfolio of joint venture interests is set out below:

JV Party	Project	VAR Interest	Activity for quarter
Red Metal	Callabonna EL 5360	49%	<ul style="list-style-type: none"> • RM has earned 51% by spending \$1m and will continue to exclusively fund the project • Trial EM being considered
Perilya	Hillston (Coultra) EL 6363	39.2%	<ul style="list-style-type: none"> • Tenement renewal granted until 10 November 2019 • No on ground work as renewal only received mid-November 2017
Marmota	Junction Dam EL 5682	Royalty on Uranium interests only	
Iluka	Junction Dam EL 5682	11.5%	
Iluka	Mundi Plains EL 6404	14.4%	<ul style="list-style-type: none"> • 2 Diamond Drill holes completed at Polygonum Prospect <ul style="list-style-type: none"> ○ MMP0002DD to a depth of 891m ○ MMP0003DD to a depth of 662M
Tarago Exploration (Subsidiary of Heron Resources)	Woodlawn South ELs 7257 and 7469	Royalty interest	
Silver City Minerals	Willyama EL 8075 and Native Dog EL 8236	NSR royalty interest	

Financial & Corporate

CORPORATE

The Company has made significant progress with the identification of new opportunities. The Board believes that the injection of new mineral assets will mitigate operational delays in France and re-balance sovereign exposure.

The Company has reduced its fixed costs in France and Australia. The benefits of this programme should be evident in the next set of financial statements. Cost reductions will continue to be sought.

The Directors have reviewed their remuneration arrangements. At the AGM shareholders approved the issue of shares to Executive Directors in lieu of approximately 20% of their fees. The Non-Executive Directors continue to defer receiving fees until March 2018. The Directors believe that these actions are aligned with shareholders.

FINANCE & INVESTMENTS

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.3 million.

Cash available for Variscan at 31 December was \$0.8 million.

Loan

In December 2017, Variscan entered into an agreement with its major shareholder to provide the Company with a loan for A\$340,000. The key terms were set out in the ASX announcement dated 18 December 2017.

Investments

Variscan still holds a significant investment in Thomson Resources (ASX:TMZ) which has large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW. As at 31 December, the value of the shareholding was approximately \$0.85 million.

ENDS

Variscan Mines Limited

Stewart Dickson
CEO

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.