



SALE OF FRENCH SUBSIDIARY & RESTRUCTURING OF FRENCH ASSETS

- **Sale of French subsidiary, Variscan Mines SAS and 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, prior to completion of the sale of Variscan SAS.**
- **Restructuring retains optionality, beneficial and economic interests over the existing French licences.**
- **Substantial reduction to fixed cost base in France.**
- **Delivers the Company's objectives of re-balancing the Company's sovereign exposure and continues with the programme of change.**

Variscan Mines Limited ("Variscan" or the "Company") (ASX: VAR) is pleased to announce that it has 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 Minerals (ASX:AON) ("Apollo") for a total consideration of up to \$4.25m payable in cash and deferred shares (the "Subsidiary Sale"). Details of the milestones applicable to part of the total consideration are set out below.

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").

Together the Subsidiary Sale and the Asset Transfer constitute the Transaction.

Stewart Dickson, CEO of Variscan said,

'We are pleased to have entered into this transaction with Apollo which will deliver a number of benefits to our shareholders. 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 French licences, excluding Couflens in which we have a small minority stake.'

Following our recent acquisition in Chile, this transaction marks the latest step in the delivery of our change programme. Our previously announced corporate re-organisation process and cost reduction programme is accelerating and I look forward to providing further developments in due course’.

Background & Rationale for the Transaction

The Company’s wholly owned subsidiary, Variscan Mines SAS, is the registered title holder of seven exploration licences (*permis exclusifs de recherche* or “PER”) in France. The licences are primarily situated in Brittany, western France whilst the Couflens project situated in the Midi-Pyrénées, southern France is in joint venture with Apollo.

In December 2017, Variscan Mines SAS applied to the French authorities for the transfer of Couflens PER to Mines du Salat SAS (“MdS”) in which Variscan Mines SAS holds a 20% interest and Apollo holds the remaining 80% interest via its wholly owned subsidiary company Ariege Tungstene (the “Licence Transfer Application”). The French authorities have acknowledged receipt of the Licence Transfer Application and informed the Parties that the review process will complete no later than 22 March 2019.

As previously announced, the Company decided to review its priorities and to re-balance sovereign exposure. The first step in the delivery of that strategy was entering into a binding option agreement to acquire 100% of the Rosario copper project located in the Atacama region of northern Chile – which was announced to the ASX on 18 December 2017. The Transaction with Apollo is the next step in the delivery of the strategy.

Benefits of the Transaction to Variscan Shareholders

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

- Total consideration of up to \$4.25m payable in cash and the future 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 PER) retains optionality, beneficial and economic interests.
- No longer have the funding requirement for the existing fixed costs of Variscan Mines SAS.
- Delivery of the Company’s stated strategy and allows appropriate capital allocation.

Details of the Subsidiary Sale

The Company has entered into the SPA whereby Apollo will acquire 100% of the share capital of Variscan Mines SAS from Variscan Mines Limited. The commercial effect of the Subsidiary Sale together with the Asset Transfer is to transfer legal and beneficial ownership of the Company’s 20% interest in the Couflens PER to Apollo.

Conditions Precedent

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.

It is expected that the satisfaction of the conditions precedent may occur no sooner than two months from the date of this announcement.

Consideration

The total consideration which may be payable by Apollo to Variscan amounts to \$4.25m in aggregate and is comprised as follows:

Cash Payments

- | | |
|---------------------------------|---|
| • Initial Cash Consideration | \$200,000 |
| • Completion Cash Consideration | \$300,000 |
| • 4 Months Cash Consideration | \$250,000 <i>(payable 4 months from Completion)</i> |
| • 8 Months Cash Consideration | \$250,000 <i>(payable 8 months from Completion)</i> |

Equity Payments which may be satisfied by the issuance of new AON shares

- First Milestone Consideration

\$250,000 on publication of a Tungsten Mineral Resource Estimate being the delineation of at least Inferred and Indicated Mineral Resources of at least 25,000 tonnes WO₃ at an average grade of not less than 1% of WO₃ using a cut-off grade of not less than 0.3%. In the event that the mineral resource estimate for tungsten is below those levels or an alternative mineral resource estimate for gold is published then the consideration shall be \$125,000.

- Second Milestone Consideration

\$500,000 on publication of a Scoping Study for the Couflens project

- Third Milestone Consideration

\$500,000 on publication of a Pre-Feasibility Study for the Couflens project

- Fourth Milestone Consideration

\$500,000 on publication of a Definitive-Feasibility Study for the Couflens project

- Fifth Milestone Consideration

\$873,671 on the commencement of production at the Couflens project

Assumption of Liabilities

The agreed consideration includes Apollo assuming certain contractual liabilities (existing and future) of Variscan Mines SAS up to an amount of €400,000 (approximately \$626,329) (the “Assumed Liabilities”).

Adjustment to Consideration

The parties have agreed that the form and amount of consideration payable may be adjusted should the contractual liabilities of Variscan Mines SAS exceed €400,000. The Directors reasonably expect that these liabilities will be greater than the Assumed Liabilities and consequently expect that the consideration receivable by the Company will be reduced by a minimum of approximately \$500,000.

Additional Matters

The Company has provided certain representations and warranties to Apollo which are customary with a transaction of this nature.

Details of the Asset Transfer

The parties have agreed that Variscan Mines SAS will enter into an Asset Sale and Purchase Agreement (“Asset Sale Agreement”) whereby a new wholly owned subsidiary, Variscan Mines Europe Limited, will purchase the existing licences, excluding Couflens PER, currently held by Variscan Mines SAS. The Company will act as the guarantor for all of Variscan Mines Europe Limited’s obligations under the Asset Sale Agreement.

Consideration

The consideration payable to Variscan Mines SAS by the Company is nominally \$1.

Process

Due to the requirement for the necessary approvals from the French authorities pertaining to licence transfers, the parties have agreed that Apollo shall hold the licences on trust for the exclusive benefit of Variscan Mines Europe Limited. Within four months after completion under the SPA, Variscan Mines Europe Limited must notify Apollo of its intentions to proceed with the transfer of some or all of licences (the “Notification Date”). Within nine months of the Notification Date, Variscan Mines Europe Limited must provide Apollo with the appropriate transfer and/or relinquishment documents.

Additional Matters

The Company, as guarantor to Variscan Mines Europe Limited, expects to make certain representations and warranties to Apollo which are customary with a transaction of this nature. Additionally, the Company expects to indemnify Apollo in respect of any costs arising from holding the licences and the licence transfer processes.

ENDS

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