



ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 1,239.m
 Unlisted Options: 595.8M
 Cash Balance: \$2M
 Listed Investments (at 30 June 2018): \$ 0.669M

Directors

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

Top Shareholders

(30 June 2018)
 HSBC Custody Nominees (Australia) Limited
 BNP Paribas
 RHB Securities Singapore
 Travis Royce Smith
 Chris and Betsy Carr

Top 20 Shareholders – 63.7%

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

Highlights

- ✔ **Option Agreement to acquire the Rosario Project extended by 3 months to 30 September 2018**
- ✔ **Rosario 6 and 7 licences progressing from exploration to exploitation status**
- ✔ **Acquisition of Salvadora exploitation licence completed by Chilean Vendor**
- ✔ **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 is being designed and expected to lead to early reconnaissance drilling as soon as possible**
- ✔ **Approval granted by the Ministry of Economy and Finance for the sale of Variscan Mines SAS and 20% interest in Couflens PER, to Apollo Minerals (ASX:AON) for total consideration of up to \$4.25m.**
- ✔ **Receipt of \$0.24 million CIR payment as partial reimbursement of R&D expenditure to further geological understanding of French projects**
- ✔ **Successful completion of fully underwritten 5 for 6 renounceable pro rata entitlement offer, raising approximately \$2.25m (before expenses)**
- ✔ **Full repayment of loan from major shareholders**

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

‘The June quarter saw the continuation of changes to our business as previously advised. Our ongoing field work at Rosario has yielded excellent sampling results and provides compelling evidence for completion of due diligence on the project tenure.

We are proceeding with the evaluation of other opportunities, and these together with the successful completion of our entitlement issue and rationalisation of our French assets gives the Company a new path towards potential growth and value realisation in the short to medium term’.

Exploration

CHILE

ROSARIO

Option Agreement

On 18 December 2017, Variscan announced an Option Agreement with the Chilean vendor over the licences which comprise the Rosario Project.

The term of the Option Agreement was due to expire on 30 June 2018 but both parties have agreed to extend the option period for a further 3 months and it will now expire on 30 September 2018.

Variscan is completing title due diligence on the project and, subject to the results of that due diligence expects to exercise the option on or before the extended option expiration date.

Licences

During recent months the Chilean vendor has progressed with upgrading Rosario 6 and Rosario 7 licences from exploration to exploitation status and completed the acquisition of the Salvadora exploitation licence. The Company expects to confirm the title and good standing of the licences shortly.

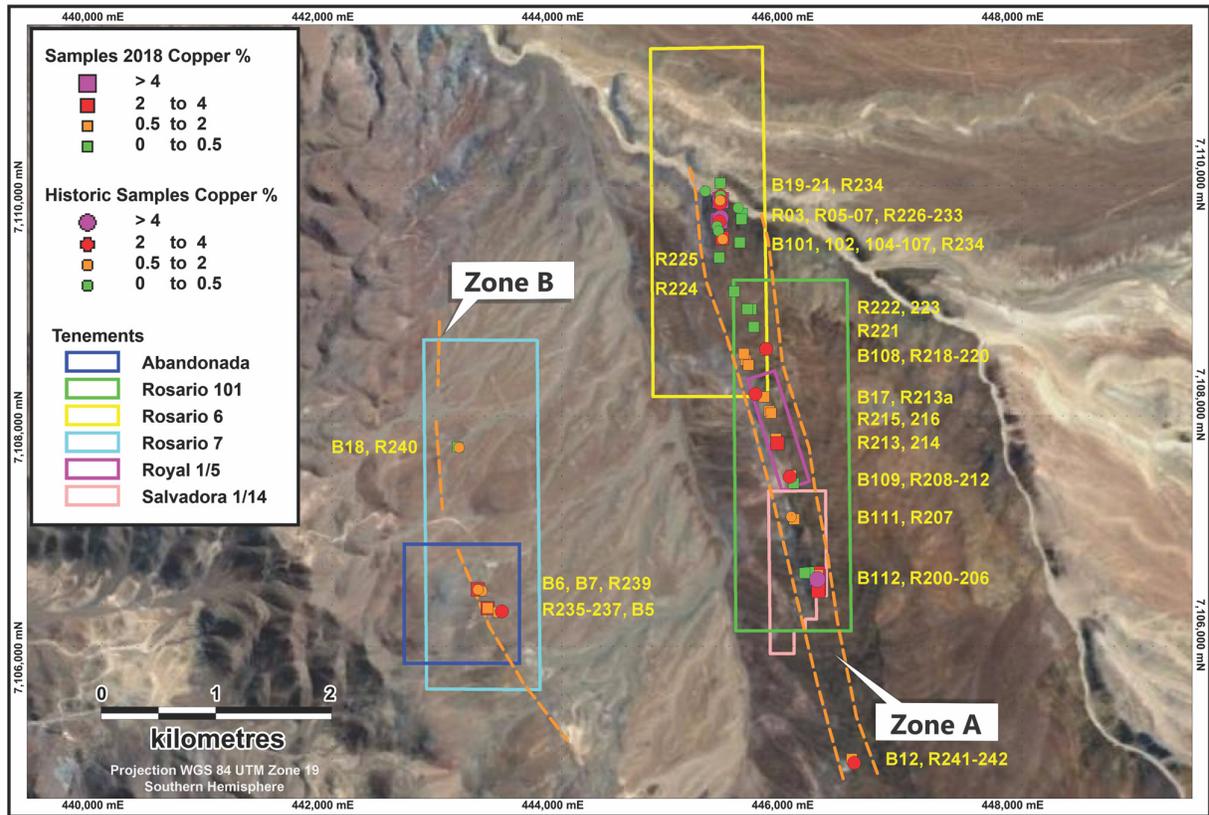
Rock chip and grab sampling

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.

¹ 2016 copper production. Source: USGS

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.

Next steps & future exploration activities

Further exploration activities to be conducted are expected to include:

- detailed geological mapping over Zone “A” of Rosario 6;
- auger or shallow RAB drilling geochemical survey traverses over alteration zones;
- a detailed ground magnetic survey;
- RC drilling on geochemical anomalies, copper-bearing structures and under existing workings;
- 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 this year depending on the outcome of the geochemical and geophysical work to confirm quality drill targets.

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”). On 25 June 2018 the Company announced that it had received approval from the French Ministry of Economy and Finance for the Subsidiary Sale.

The approval, which was a Condition Precedent to the legal completion of the Subsidiary Sale, required the Ministry of Economy and Finance to confirm compatibility of the proposed transaction with decree 2006-648 of 2 June 2006 relating to mining titles.

Under the Share Sale and Purchase Agreement, the Couflens PER will be acquired by Apollo. The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) are to be 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”). Pursuant to the approval for the Subsidiary Sale, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining licences owned by Variscan Mines SAS (excluding Couflens PER) within 4 months from 22 June 2018. Variscan is reviewing its options in relation to this matter.

The details of the consideration payable and commercial terms (save for the Asset Transfer) of the transaction, as set out in the announcement made on 8 March 2018, remain unchanged.

The final steps to legal completion are being taken with transaction closing expected shortly.

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

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.15 million.

Cash at bank at 30 June was \$2.017 million.

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). The offer was closed on 23 May 2018 with applications received for 362,377,339 ordinary shares representing an amount of \$1,449,509. Eligible shareholders also received one free attaching New Option for every one New Share subscribed for under the offer.

The shortfall of 201,007,604 shares and 201,007,604 free attaching options were placed through Patersons Securities Limited, the Lead Manager and Underwriter of the offer.

The Company was very pleased with the support received from shareholders and the lead manager to the Offer.

Loan Repayment

On 19 June 2018 the Company announced that the loan provided by its major shareholders as announced on 18 December 2017 has been repaid in full.

Variscan has executed a Termination Certificate, cancelling the loan agreement and releasing the security which had been granted over a proportion of ordinary shares in Thomson Resources Ltd (ASX:TMZ) currently held by Variscan.

The Company is grateful for the support of its major shareholders and notes that they took up their full entitlements in the recent offering.

Receipt of CIR payment

On 29 May 2018, the Company announced the payment of approximately \$0.24 million to the Company’s wholly owned subsidiary, Variscan Mines SAS in France, following the successfully application under Crédit d’Impôt Recherche (“CIR”) for fiscal year 2016.

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 June, the value of the shareholding was approximately \$0.669 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.