



ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 1,239.m
 Unlisted Options: 595.8M
 Cash Balance: \$1.5M
 Listed Investments (at 30 September 2018): \$0.6M

Directors

Dr Foo Fatt Kah
 Stewart Dickson
 Michael Moore
 Mark Pitts

Alternate Director
 Kwan Chee Seng

**Top Shareholders
 (30 September 2018)**

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

Top 20 Shareholders – 63.0%

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Highlights

- ✔ Executed definitive Unilateral Purchase Option Agreement to acquire 100% interest in the Rosario Project
- ✔ Acquisition is conditional on the payment of US\$5m over the next 5 years
- ✔ Chilean geologists commenced field work
- ✔ Rosario 6 and Rosario 7 licences confirmed as Exploitation Licences
- ✔ Salvadora Exploitation Licence acquired
- ✔ Legal completion of the sale of French subsidiary, Variscan Mines SAS and 20% interest in Couflens PER, to Apollo Minerals (ASX:AON) for total consideration in cash and shares of up to \$4.25m
- ✔ Existing licences owned by Variscan Mines SAS (excluding Couflens PER) have been conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. The Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of these licences
- ✔ Substantial reduction to fixed cost base following the sale of the French subsidiary
- ✔ Completed restructuring and down-sizing of the Board of Directors
- ✔ Substantial reduction to CEO terms of engagement. Revised terms align with shareholder interests to reduce cash outflow and incentivise the completion of selective value-accretive acquisitions
- ✔ Active corporate development plan to acquire additional projects globally

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

“The September quarter saw further progress and delivery of our plan. We completed the sale of French subsidiary and save for the licence relinquishment process, that chapter is closed. We have achieved a pragmatic exit with future upside exposure as the Couflens project develops.

We have a clear focus on Rosario and additional value-accretive acquisitions. Our lean and focused company is an excellent platform for growth and value creation in the short to medium term.

We look forward to meeting with shareholders at the forthcoming Annual General Meeting on 5th November”.

Exploration

CHILE

ROSARIO

Unilateral Purchase Option Agreement

Following on from the encouraging earlier fieldwork conducted, Variscan Mines Limited ("Variscan" or the "Company") (ASX:VAR) completed satisfactory due diligence and announced on 22 October 2018 that it had signed a definitive, Unilateral Purchase Option Agreement to acquire 100% interest over the Rosario Project from the vendors Mr Jose Alberto Izquierdo Artigas and Mr Felipe Alejandro Izquierdo Frutos, for a total consideration of US\$5m over the next 5 years (the "Agreement").

Under the terms of the Agreement, for so long as Variscan make payments in accordance with the agreed schedule (as previously announced) it shall, upon the payment of the final instalment, acquire a 100% interest over the licences that constitute the Rosario Project.

Variscan retains full optionality with both up-side and down-side protections. Should future exploration results merit it, Variscan can accelerate payments so that it can secure 100% ownership quicker than envisaged. Conversely, Variscan has the right to terminate the Agreement at any stage without any additional liabilities. In doing so, it would forfeit all rights over the licences. Ownership of the licences is retained by the vendors until completion of the payment schedule.

Next steps & appointment of lead, in-country geologist

Variscan announced that it has contracted Eduardo Gonzalez to lead the field work at Rosario.

Eduardo is a Chilean national who has over 25 years experience in exploration, business development and evaluation of copper and gold deposits in Latin America. His recent professional experience includes appointments as General Exploration Manager for B&A Mineração (joint venture between BTG Pactual and Roger Agnelli (ex-CEO of Vale), Exploration Manager in Chile for Vale and Principal Geologist for Xstrata Copper (now Glencore). He has a proven track record of his work directly contributing to discovery success (e.g. Caspiche, Newcrest and Azules, Xstrata).

Eduardo and his team have commenced field work.

Licences

Rosario 6 and Rosario 7 licences within the Rosario copper project were successfully upgraded from exploration to exploitation category and have been granted 'Mensura' status. Mensura is the most secure form of tenement ownership in Chile and carries full legal access to the minerals, allowing the owner to claim permits for surface rights and water rights for the purposes of mining.

Exploitation licences are granted for indefinite time and remain valid providing annual land rent

payment is submitted.

In addition, the acquisition of the Salvadora Exploitation Licence, which also forms part of the Rosario copper project was completed.

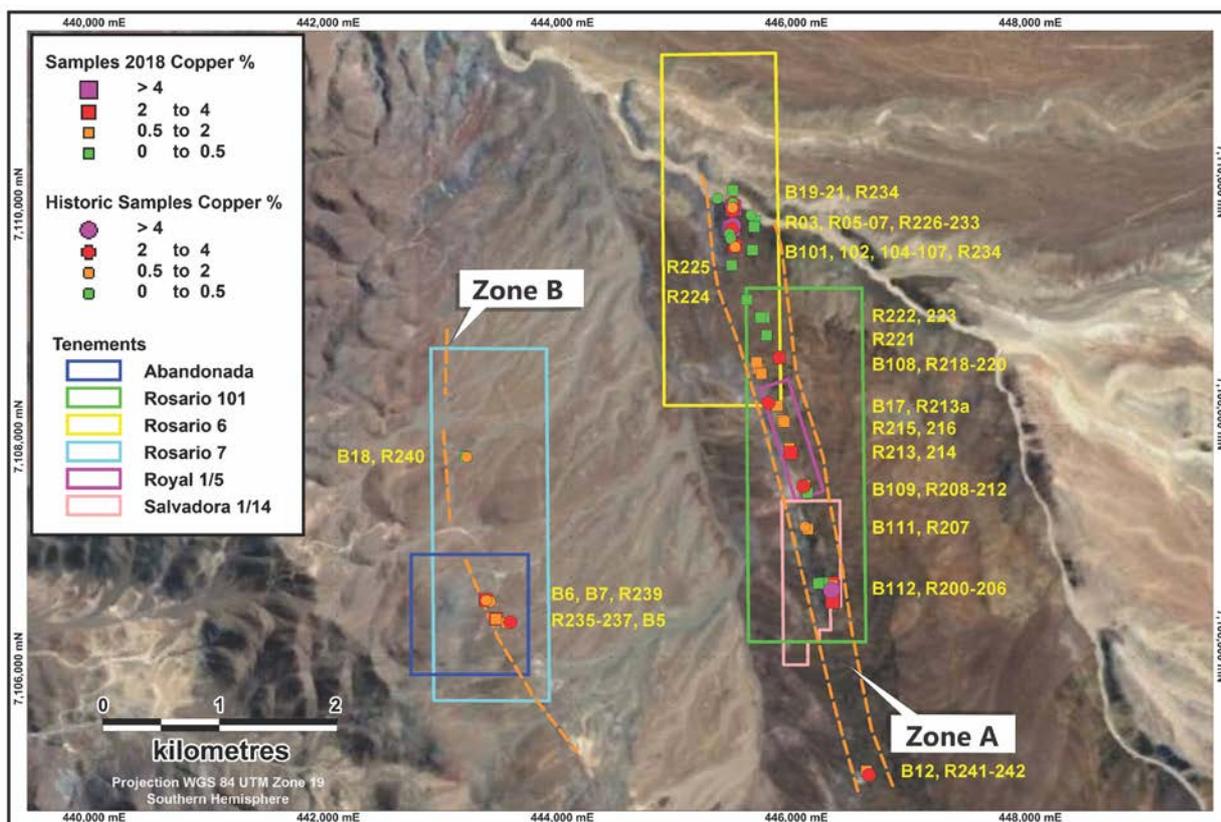
Previous Rock chip and grab sampling

Earlier in the year, field work included an 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.

Figure 2. Location of the Rosario Project



The Rosario project comprises three granted exploitation concessions, Rosario 6, Rosario 7 and 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.

¹ 2016 copper production. Source: USGS

FRANCE

Completion of Sale of French Subsidiary

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.

Further to the announcements made on 8 March and 25 June 2018, Variscan announced on 14 September 2018, the legal completion of the sale of the entire issued share capital of the Company’s wholly owned French subsidiary, Variscan Mines SAS, to Apollo Minerals (“Apollo”) for a total consideration of up to \$4.25m payable in cash and deferred shares (the “Subsidiary Sale”). All required Conditions Precedent were satisfied including all regulatory approvals by the French government for the transaction.

The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) have been conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. 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. This process is underway and the Company expects this to be completed before the end of the year. In the interim, the Company retains beneficial ownership of the licences.

As a result of transaction delays due to the French government having extended its review period prior to approval of the transaction, the employment termination costs were materially higher than previously expected. As a consequence, the cash consideration receivable by the Company is expected to be *de minimus*. Whilst this is frustrating and beyond the control of the Company, it is important to note that the closure of the French operations will not draw on the current cash resources of the Company.

Given the circumstances as set out above, 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.

CORPORATE DEVELOPMENT

Having completed the sale of the Company's French subsidiary the Board are actively seeking to make selective value-accretive acquisitions. The Board have an active corporate development plan to originate and acquire additional projects and have identified and evaluated a number projects globally already. This work will continue apace and further announcements will be made in due course.

Financial & Corporate

Board

During the quarter, the Variscan Board was restructured and down-sized.

Dr Foo Fatt Kah agreed to take on the role of Non-Executive Chairman, Mr Kwan Chee Seng elected to retire from the Board and take up an alternate director position, and Mr Mark Pitts agreed to a Non-Executive director role effective 30 September 2018. These changes together with the retirements of Mr Greg Jones and Mr Patrick Elliott results in a substantially smaller Board with a lower cost base.

The Board is comprised as follows:

Dr Foo Fatt Kah	(Non-Executive Chairman)
Mr Stewart Dickson	(Managing Director & CEO)
Mr Michael Moore	(Non-Executive Director)
Mr Mark Pitts	(Non-Executive Director and Company Secretary)

Subsequently and as part of the Board review process, the Company renegotiated the terms of the CEO's engagement. The changes include a 39% reduction to contractual cash fees payable, an end of current arrangements to take 20% in equity in lieu of fees so as to limit further equity issuance and a change in remuneration mix. The Board believes the revised terms align with shareholder interests to reduce cash outflow and incentivise the completion of selective value-accretive acquisitions.

Cash

Cash at bank at 30 September was \$1.5 million.

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 September, the value of the shareholding was approximately \$0.63 million.

ENDS

Variscan Mines Limited

Stewart Dickson
Managing Director & CEO
info@variscan.com.au

Competent Persons Statement

Where Company refers to exploration results previously advised to the ASX on 11 April 2018 it confirms that it is not aware of any new information or data that materially affects the information included in that market announcement.