



ASX Code: VAR  
 ACN: 003 254 395  
 Issued Shares: 1,271m  
 Unlisted Options: 595.8M  
 Cash Balance: \$0.95M  
 Listed Investments  
 (at 30 June 2019): \$0.36M

#### Directors

Dr Foo Fatt Kah  
 Stewart Dickson  
 Michael Moore  
 Mark Pitts

#### Alternate Director

Kwan Chee Seng

#### Top Shareholders

Citicorp Nominees Pty Limited  
 BNP Paribas  
 HSBC Custody Nominees  
 RHB Securities Singapore  
 Travis Royce Smith  
 Chris and Betsy Carr

Top 20 Shareholders: 62.3%

#### Head Office

Variscan Mines Limited  
 Suite 8, 7 The Esplanade  
 Mount Pleasant WA 6153

T +61 (0)8 9316 9100

E [info@variscan.com.au](mailto:info@variscan.com.au)

[www.variscan.com.au](http://www.variscan.com.au)

## HIGHLIGHTS

-  **Busy period of active deal-making to enhance and expand Variscan's portfolio of high-impact, base-metals interests**
-  **Renegotiated terms of Rosario Option Agreement resulting in 94% reduction in unconditional cash payments to vendors & grant of earn-in rights**
-  **Acquisition of additional Rosario licence area**
-  **French licences formally withdrawn by French Government**
-  **Recent announcement of two advanced zinc projects in Spain**

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

*"I am pleased to report that we have delivered on our promise to identify and acquire additional value-accretive projects whilst simultaneously optimising the portfolio. Shareholders will benefit from exposure to a portfolio of high-impact base-metals projects in established mining provinces. The Board is confident for the future prospects of the Company".*

## OPERATIONS

### Chile

During the quarter, Variscan agreed to material amendments to the Rosario Project Option Agreement with the vendors (refer ASX release 1 July 2019). As a result of the binding amendment, the total unconditional cash payments due to the project vendors will reduce by 94% from US\$5.0m to US\$0.3m. The vendors have agreed to grant Variscan an Earn-In Right in the Rosario Project reflecting expenditures made to date and in the future. The Earn-in Right provides Variscan with a mechanism to acquire a Participating Interest in the Rosario Project by incurring expenditures connected with the project and associated corporate costs incurred in-country as well as the payments to the vendors. Upon payment of \$25,000 the Vendor shall grant a Participating Interest equal to 10.4% in the Rosario Project to Variscan.

Future grants of participating interests are conditional on the expenditure commitments being made. Participating Interests in the Rosario Project acquired by Variscan shall not be subject to claw-back by the vendors. However, Variscan has granted to the vendors a right of first refusal to buy back the Participating Interest held by Variscan either in whole or in part, subject to satisfactory commercial terms being agreed by the parties. The maximum Participating Interest that Variscan can acquire is 90% having spent approximately US\$2.25m in aggregate. The vendors will retain a free-carried 10% Participating Interest.

In addition to the revised schedule of payments being made to the vendors, Variscan shall subject to the satisfaction of certain milestones make additional cash payments to the vendors, as follows:

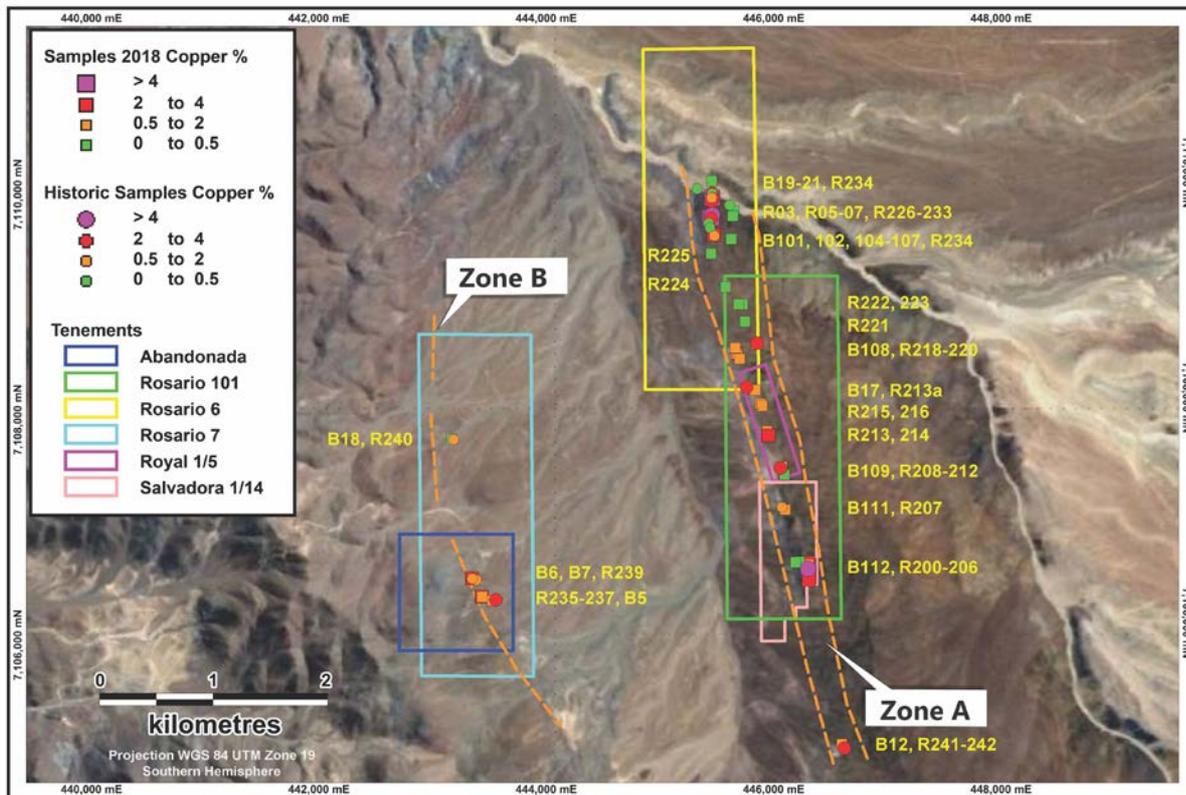
<u>Amount Payable</u>	<u>Milestone Event to be satisfied</u>
\$250,000	Publication of Mineral Resource Estimate for the Rosario Project
\$250,000	Publication of a Scoping Study for the Rosario Project
\$500,000	Publication of Pre-Feasibility Study for the Rosario Project
\$1,000,000	Declaration of Commercial Production at the Rosario Project

The milestone events or associated payments are in no way time-bound. The total consideration payable would be a maximum of US\$4.25m if all of the Earn In and the conditional Milestone events were achieved which represents a reduction of 15% from the original agreement.

### Acquisition of additional licence area

The vendors confirm that they are legal and beneficial holders of the mineral exploration licence, “Abandonara” which shall also form part of the Rosario Project at nil cost to Variscan. The licence area is shown in Figure 1.

**Figure 1. Plan of Rosario licence areas and historic 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

globally.

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 now comprises three granted exploitation concessions, Rosario 6, Rosario 7 and Salvadora, one granted mineral exploration licence (Abandonara) 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.

### **Withdrawal of French licences**

The Company had previously announced that the French Government had imposed the compulsory relinquishment of the Company's exploration licences in France as a condition of approving the sale of the Company's French subsidiary, Variscan Mines SAS.

During the quarter it came to the attention of the Company, not having received any communication or consultation from any agency of the French Government whatsoever, that the government has formally withdrawn the exploration licences held by the Company's subsidiaries over the projects called Merleac, Silifiac and Loc Envel.

## Spain – Acquisition of two advanced zinc projects

During the quarter the Company was investigating further strategic acquisitions of advanced-stage exploration projects which would complement the Company's existing portfolio of base-metals interests in Chile and Australia. After the end of the quarter, (refer ASX release 29 July 2019) the Company reached an agreement of terms to acquire two advanced Zinc projects from a consortium of vendors led by Slipstream Resources Investments Pty Ltd ("Slipstream").

The projects (Novales-Udias and Guajaraz), which include granted mining tenements and are located in established mining jurisdictions in Spain.

Spain is a desirable location for mining with increasing activity and in-bound investment, and this transformational acquisition provides Variscan shareholders with additional exposure to zinc, a commodity that continues to have a positive pricing outlook.

Several key highlights of the projects include:<sup>1</sup>

- The Novales-Udias Project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include zinc soil anomalies over 2km long and close to 1km wide and up to 17% Zn. The Project is advanced and includes a number of granted mining tenements.
- Mississippi-Valley type ("MVT") situated in the Basque-Cantabrian Basin, adjacent (~10km) to the Reocin deposit (62Mt at 8.7% Zn and 1.0% Pb). Tenement area +68.3km<sup>2</sup>.
- Old workings in Cantabria historically intersected karst-filled "ore bags" and recorded multiple intersections of 20-30m widths and grades of 18-35% Zn.
- Near term production potential (subject to positive exploratory work) at the former producing Novales underground mine.
- World's second largest zinc smelter (Glencore owned, Asturias) within trucking distance (~80km) with excellent infrastructure and local support for potential future mine development.
- The Guajaraz Project is centred around the former producing La Union underground mine together with the adjacent Mina La Blanca and Mina Manolita mines which forms a large surrounding exploration opportunity.

<sup>1</sup> Refer ASX Release 29 July 2019

**Figure 3. Location of the Novales-Udias and Guajaraz Projects**



Initial Consideration for the Transaction is A\$2.2 million payable through the issue of 1,100,000,000 new ordinary shares to the Vendors at a price of A\$0.002 per ordinary share (the 'Issue Price'), subject to shareholder approval. The Company will also assume obligations to repay debt of A\$0.6 million in cash. Additional milestone-based consideration, conditional on the delineation of JORC Mineral Resources (as summarised below) of A\$2.2 million to be satisfied through the issue of a further 1,100,000,000 new ordinary shares to the Vendors at the Issue Price subject to shareholder approval and ASX waiver. The vendors have agreed to a voluntary escrow of the Consideration Shares.

### **Australia**

The company allowed its 12.4% interest in the Mundi Plains tenement (EL6404) to lapse (at nil cost) as it was considered a non-core asset and management determined it should focus the Company's resources into other assets in its portfolio.

## FINANCIAL & CORPORATE

### Cash

Cash at bank at 30 June 2019 was \$0.95 million. On 29 July 2019 the Company announced a placement of up to \$4.0 million (before costs) at \$0.002 per share. Of this, Tranche 1 totalling 30,000,000 shares for a total raising of \$600,000 has been committed by two high-quality, sophisticated investors. The second tranche to raise \$2.4 million (with the potential to accept oversubscriptions of \$1 million) at the same issue price is expected to be completed subject to shareholder approval. These funds will be utilised in completing the acquisition of the Spanish zinc projects and furthering the Company's exploration activities.

### Investments

Variscan still holds a significant investment of 18,100,000 shares 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 \$0.36 million.

### Share Capital

The total number of shares on issue at the end of the quarter was 1,271,073,585.

**ENDS**

### Variscan Mines Limited

Stewart Dickson  
Managing Director & CEO  
[info@variscan.com.au](mailto:info@variscan.com.au)

### Competent Persons Statement

*Where Company refers to exploration results previously advised to the ASX it confirms that it is not aware of any new information or data that materially affects the information included in previous announcements and all material assumptions and technical parameters disclosed in those announcements continue to apply and have not materially changed.*

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Variscan Mines Limited

**ABN**

16 003 254 395

**Quarter ended ("current quarter")**

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(46)	(228)
(b) development	-	-
(c) production	-	-
(d) staff costs (excludes direct exploration salaries)	(85)	(516)
(e) administration and corporate costs	(27)	(301)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)		
- Consulting fees and rent income	-	21
- Insurance refund	8	8
- Rental bond refund	-	6
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(149)</b>	<b>(990)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2. Cash flows from investing activities</b>	-	-
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:	-	-
(a) property, plant and equipment		
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – Cash disposed on sale of subsidiary	-	(64)
<b>2.6 Net cash from / (used in) investing activities</b>	-	<b>(64)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(22)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (share capital applications)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	<b>(22)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,096	2,020
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(149)	(990)

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(64)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(22)
4.5	Effect of movement in exchange rates on cash held	-	3
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>947</b>	<b>947</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	947	1,096
5.2 Call deposits and foreign currency equivalents	-	-
5.3 Bank overdrafts	-	-
5.4 Other – term deposits	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>947</b>	<b>1,096</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
85
-

Salaries, Directors fees and consultancy fees at normal commercial rates.
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7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs (excludes direct exploration salaries)	80
9.5 Administration and corporate costs	55
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>255</b>

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Mundi Plains – EL6404  Merleac Loc Envel Silfiac	12.4% interest in JV with Teck lapsed during the quarter.  Withdrawn by French Government	12.4%  100%	-  -
10.2	Interests in mining tenements and petroleum tenements acquired or increased	<u>Rosario</u> Rosario 6 1-40 (0310259624) Rosario 7 1-60 (0310259632) Rosario 101 (03102N2229) Salvadora (0310231355) Abandonara	Participating interest of 10.4% acquired through the renegotiated Option Agreement.	-	10.4%

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director, Company secretary)

Date: 31 July 2019

Print name: Mark Pitts

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

**Mining exploration entity and oil and gas exploration entity quarterly report**

Tenement	Tenement No.	Interest	Joint Venture Details
<b>NEW SOUTH WALES</b>			
<b>Broken Hill</b>			
Mundi Plains JV	EL 6404	-	Note 1 Perilya can earn 80%, Eaglehawk 9.8%
Willyama	EL 8075	0%	
Hillston	EL 6363	39.2%	
Native Dog	EL 8236	0%	
<b>Lachlan Fold Belt</b>			
Woodlawn South	ELs 7257 and 7469	0%	Royalty interest only
<b>SOUTH AUSTRALIA</b>			
Junction Dam	EL 5682	9.9%	Teck 87%, Eaglehawk 2.5%, Marmota 100% in uranium rights only, Note 2
Callabonna	EL 5360	49%	Red Metal 51%, can earn 70%
<b>FRANCE</b>			
St Pierre	PER	100%	
Merleac	PER	-	
Beaulieu	PER	100%	
Loc Envel	PER	-	
Silfiac	PER	-	
<b>CHILE</b>			
<b>Rosario</b>			
Rosario 6 1-40	0310259624	10.4%	Note 4
Rosario 7 1-60	0310259632	10.4%	Note 4
Rosario 101	03102N2229	10.4%	Note 4
Salvadora	0310231355	10.4%	Note 4

EL = Exploration Licence

ELA= Exploration Licence Application

PER = Permis Exclusif de Recherche (France)

Note 1: Under an agreement with Silver City Minerals Limited, Broken Hill Operations and Eaglehawk Geological Consulting Pty Ltd Variscan has converted its interest in parts of these tenements to a NSR (Net Smelter Return).

Note 2: Marmota has earned 100% of the uranium rights only in EL 5682. Variscan has retained a 3.75% net profits royalty on production from a uranium mine.

Note 3: 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. The Company has approved the relinquishment request and has yet to receive a response. The timetable for the completion of the relinquishment process is unknown.

Note 4: On 1 July 2019 the Company announced it had successfully renegotiated the terms of the existing Option Agreement to provide the Company with a participating interest of 10.4%. The Company can earn up to 90% of the project through payment of amounts totaling approximately US\$2.25 million.