



ASX Code: VAR
ACN: 003 254 395
Issued Shares: 376M
Listed Options: 131M
Unlisted Options: 28M
VAR Cash Balance: \$1.39M
VAR Investments: \$2M

Directors

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

Top Shareholders

Kwan Chee Seng
 Acorn Capital
 UOB Kay Hian Private Limited
 Chris and Betsy Carr
 Dr Foo Fatt Kah

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
 F +61 (0)2 9906 5233
 E info@variscan.com.au

www.variscan.com.au

Highlights

Merléac

- ❖ A comprehensive two gigabyte dataset of technical information for the high grade Porte-aux-Moines zinc-lead-copper-silver-gold VMS deposit received from the BRGM.
- ❖ Numerous high grade, zinc dominant assays recorded in 56 historical surface and underground core holes drilled into the deposit.
- ❖ Significant number of intersections at >15 % zinc equivalence (Zn Eq*) with individual assay intervals up to 50.3% Zn Eq*.
- ❖ High grade intersections include –
 - **27.0 metres @ 14.0% zinc, 3.3% lead, 0.8% copper, 161.4 g/t silver, 0.8 g/t gold from 143.5 metres (26.0% Zn Eq*) in PAM14.**
 - **12.5 metres @ 11.3% zinc, 2.7% lead, 2.5% copper, 157 g/t silver from 49 metres (24.2% Zn Eq*) in SF08.**
 - **19.0 metres @ 9.5% zinc, 1.7% lead, 1.2% copper, 103.3 g/t silver from 15 metres (17.6% Zn Eq*) in SF12.**
 - **8.5 metres @ 14.5% zinc, 3.4% lead, 1.6% copper, 144.2 g/t silver from 99.5 metres (27.2% Zn Eq*) in SF27.**
- ❖ Indicated mineralisation may extend over a strike length of more than 300 metres. A recent VTEM survey by Variscan suggested possible extensions outside the drilled area to the west.
- ❖ Confirmed a zone of thick, high grade mineralisation from around -150 metres to -250 meters below the surface.
- ❖ Highlighted the good data density (drill hole intercepts and underground cross-cuts) within the main mineralised envelope, enhancing the likely reliability of geological interpretations and resource models.
- ❖ Assays will contribute to the calculation of a 2012 JORC compliant Resource.

Corporate

- ❖ Variscan successfully completed a A\$1.35 million share placement to institutional and sophisticated investors as well as raising a further A\$0.25 million through an SPP to shareholders.
- ❖ At the end of the quarter, Variscan held \$1.39 million in cash. Liquid investments held in other resources companies totalled approximately \$2 million.

Exploration

FRANCE

MERLÉAC PROJECT

During the reporting period Variscan continued work on the high-grade Porte-aux-Moines zinc-lead-copper-silver-gold volcanogenic massive sulphide (VMS) deposit within its Merléac licence, Brittany, France.

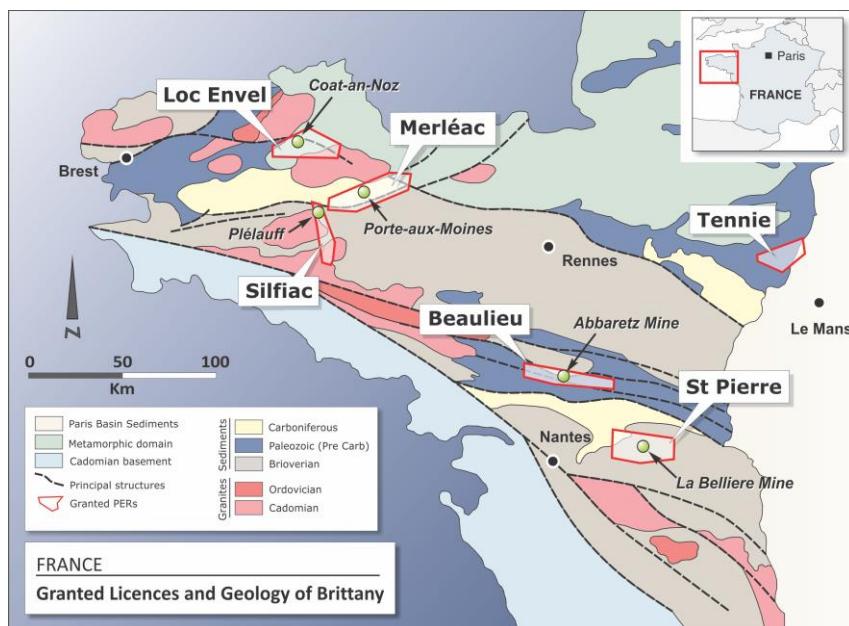


Figure 1 - Location of granted Variscan exploration licences.

In November the Company received a comprehensive two gigabyte dataset from the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) generated from its exploration programme at Porte-aux-Moines which included approximately ten kilometres of surface and underground drilling and two kilometres of underground mine development. This work defined zones of high grade zinc-lead-copper-silver-gold mineralization up to 20 metres thick from near surface to a depth of about 300 metres within a stacked massive sulphide system.

The dataset contained scanned copies of all available technical information generated by the BRGM exploration including drill hole logs, assays, mine development, mapping data and metallurgical work.

Variscan commenced converting this data to electronic formats to allow 3D modelling of the deposit and the generation of a 2012 JORC Resource estimate. Progress has been good with survey and assay data for the majority of surface and underground drill holes now captured and modelled into Surpac. Of the 58 holes drilled into Porte-aux-Moines by the BRGM, base metal and silver assays have been received for 56, with a small proportion of holes also analysed for gold.

In summary, the recent work by Variscan (ASX announcement 14 December 2015) has -

1. Confirmed the overall high grade nature of the deposit. A significant number of intersections at >15 % zinc equivalence have been recorded both in surface and underground holes with individual assay intervals up to 50.3% zinc equivalence*.

These include -

- **27.0 metres @ 14.0% zinc, 3.3% lead, 0.8% copper, 161.4 g/t silver, 0.8 g/t gold from 143.5 metres (26.0% Zn Eq*) in PAM14 (Figures 2 and 3).**
- **12.5 metres @ 11.3% zinc, 2.7% lead, 2.5% copper, 157 g/t silver from 49 metres (24.2% Zn Eq*) in SF08.**
- **19.0 metres @ 9.5% zinc, 1.7% lead, 1.2% copper, 103.3 g/t silver from 15 metres (17.6% Zn Eq*) in SF12.**
- **8.5 metres @ 14.5% zinc, 3.4% lead, 1.6% copper, 144.2 g/t silver from 99.5 metres (27.2% Zn Eq*) in SF27.**

2. Indicated mineralisation may extend over a strike length of more than 300 metres, with a recent VTEM survey by Variscan suggesting possible extensions outside the drilled area to the west (ASX announcement 28 September 2015).
3. Confirmed a zone of thick, high grade mineralisation from around -150 metres to -250 meters below the surface (Figure 1).
4. Highlighted the good data density (drill hole intercepts and underground cross-cuts) within the main mineralised envelope, enhancing the likely reliability of geological interpretations and resource models.

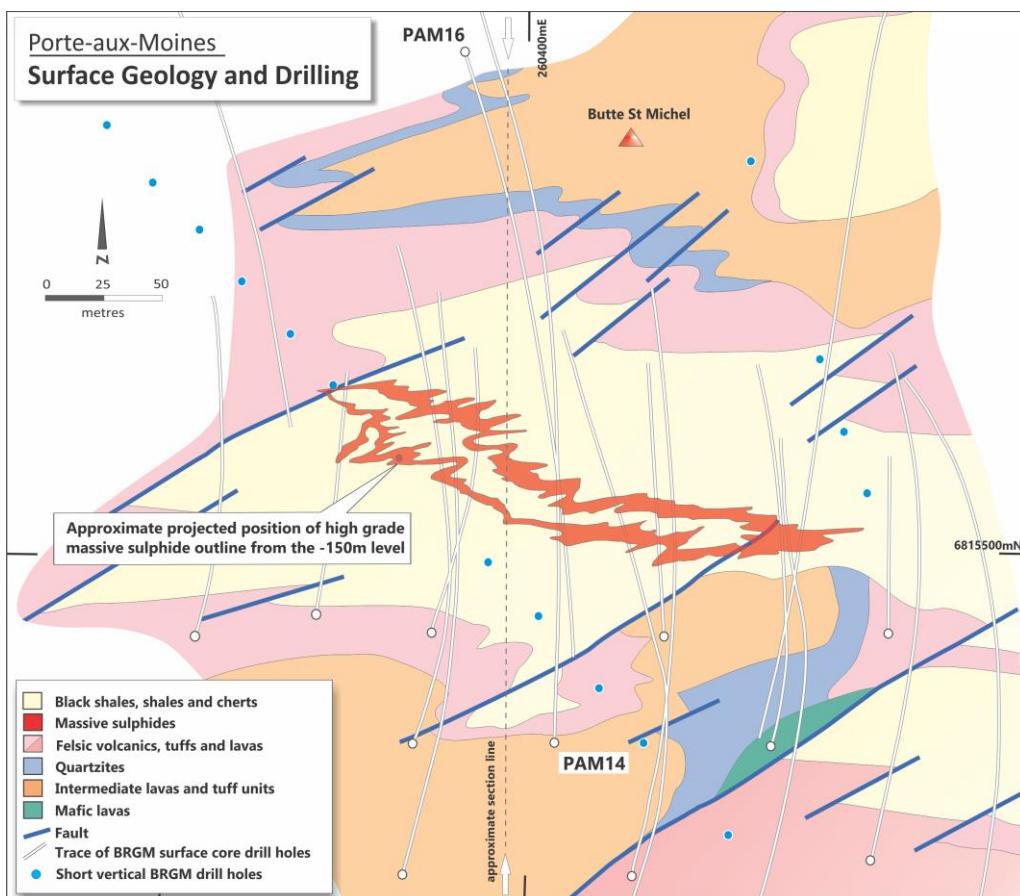


Figure 2: Location of PAM14, PAM16 and other surface holes into the Porte-aux-Moines deposit. The geological interpretation comes from BRGM reports.

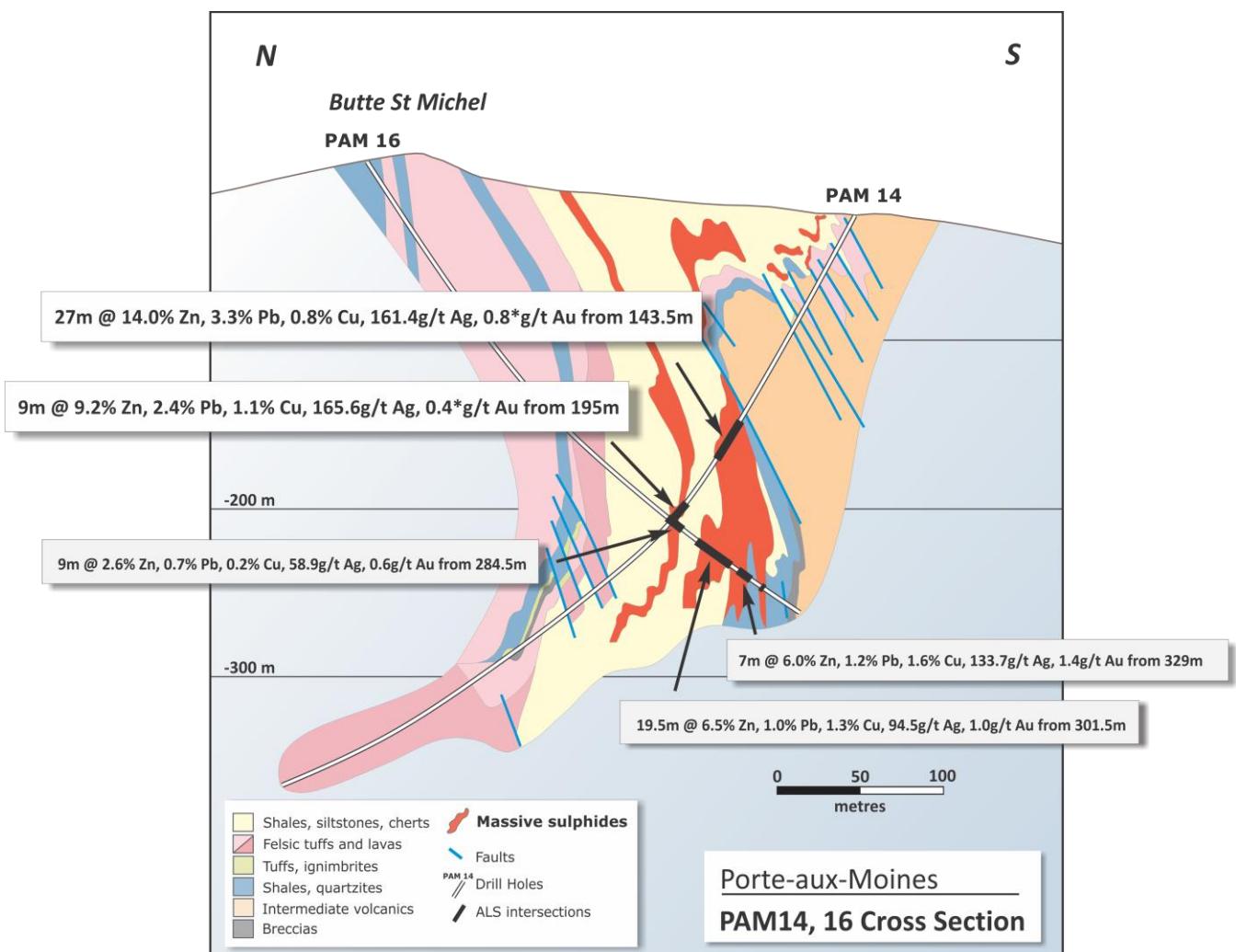


Figure 3 - Cross section through the Porte-aux-Moines deposit highlighting the high grade BRGM assays in PAM14. The gold values in PAM14 are incomplete - the actual gold grades are likely to be higher. Assays from PAM16 (light grey background) are from ALS Geochemistry and were reported 20 July 2015. The geological interpretation comes from BRGM reports.

Variscan's recent re-sampling of core holes PAM5, 8 and 16 has confirmed the good quality of previous BRGM base and precious metal assaying, detecting little variation between results from the BRGM and ALS Geochemistry. This provides high confidence in the veracity and accuracy of the remaining BRGM drill hole and mine development assays to allow calculation of a Resource to 2012 JORC standards. This work has commenced and it is planned that the database and 3D wireframes of geology and mineralisation will be provided to an independent consultancy group for resource estimation shortly.

*Note - The Zinc Equivalent is based on zinc (US\$1,800 per tonne), lead (US\$1,800 per tonne), copper (US\$5,600 per tonne), silver (US\$15 per ounce) and gold (US\$1,150 per ounce). The zinc equivalent calculation represents the total metal value for each metal, multiplied by a price based conversion factor, summed and expressed in equivalent zinc percent per tonne. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. Nevertheless, it is the Company's opinion that all the elements included in the metal equivalents calculation have good potential to be recovered as is commonly the case for similar VMS deposits worldwide. The zinc equivalent calculation is intended as an indicative value only.

OTHER LICENCE APPLICATIONS

Variscan has two other applications for exploration licences in France within the approvals process, each over projects with good potential for short term resource generation and/or major new discoveries.

AUSTRALIA

Exploration activity within Variscan's Australian joint ventures was subdued for the quarter. No significant work was completed.

Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The key companies within the portfolio are:

- Eastern Iron – Advanced iron project and potential for VMS copper-gold mineralisation in Victoria
- Silver City Minerals – Exploration interests at Broken Hill, NSW and near Taupo, NZ
- Thomson Resources – Large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW

Business development

Variscan continues to progress project acquisition work in France. It is currently in the advanced stages to secure additional licences within regions with demonstrated potential to host significant mineral deposits. The Company has significantly reduced its landholding of projects in both NSW and SA and has scaled back expenditure within Australia to assist in preserving its cash position.

Financial and Corporate

PLACEMENT AND SPP

On 25 November 2015, Variscan Mines announced that it had secured A\$1.35 million from institutional and sophisticated investors through a share placement to enable the Company to complete a JORC Resource for its high grade Porte-aux-Moines zinc deposit in Brittany, France. The Placement was underpinned by a cornerstone investment of A\$750,000 by institutional investor Acorn Capital Limited.

Securing Acorn Capital as a cornerstone investor is considered a clear endorsement of the quality of the Company's assets and the short-term upside available at its advanced Porte-aux-Moines zinc project. Variscan welcomes Acorn as a major shareholder and looks forward to working with the group in the future.

In addition to the Placement, Variscan offered eligible shareholders the opportunity to participate in a Share Purchase Plan ("SPP") which raised an additional A\$245,000.

FINANCE

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.3 million. Expenditure by joint venture parties on projects in which Variscan has an interest was \$31,320 for the quarter. Cash available for Variscan at the end of June was \$1.39 million. As at 13 January 2016, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$2 million.

Variscan Mines Limited



Greg Jones
Managing Director

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.

For further information:

Greg Jones
Variscan Mines Limited
P: +61 2 9906 5220
E: info@variscan.com.au

Media enquiries:

Rebecca Lawson
Media and Capital Partners
P: +61 433 216 269
E: Rebecca.lawson@mcpartners.com.au