



27 November 2014

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING 2014

The past year has seen slow but steady progress towards delivery of our European strategy. We have been granted two further exploration licences ("PER"), in addition to the Tennie per granted last year, and have exploration running on all three. We have a further five per applications in various stages of the application process and expect further approvals over the next 12 months.

Having a diversified portfolio of advanced exploration targets on a number of exploration licences has been an integral part of our strategy as a means to reduce exploration and commodity price risk through diversification.

As we achieve our initial objectives we expect to have tenements covering a range of geological terrains and including base metals – copper, lead, zinc; gold/silver and tin/tungsten targets.

Some shareholders may doubt our pursuit of the European strategy so it is appropriate to re-iterate our rationale for embarking on this journey:

- France has had a pause from mineral exploration for over 20 years – no almost modern exploration technologies have been applied;
- France has an excellent geology for significant orebodies;
- French government policy is supportive of mineral development within France;
- There are a number of brownfield sites and advanced projects available by application – i.e. at "ground floor" entry costs;
- There is good quality geological information available;
- The country has excellent infrastructure;
- There is a pool of experienced and well qualified technical people available.

These are the ingredients that Variscan is seeking to build upon in the coming few years. Variscan has a strong early mover advantage although the progress has been somewhat slower than we would like. To some degree this is to be expected. Variscan is pioneering mineral exploration in a country that has skipped a generation of resource development.

We have been active on our granted exploration permits through the year.

- At Tennie we conducted a shallow hand auger drilling soil geochemistry program. This is the first significant mineral exploration program in France for many decades.

- At the St Pierre gold project we have been compiling and electrically converting available records and constructed a 3D model of the La Belliere mine. We have also started auger sampling and mapping around La Belliere to detect additional targets. This work has highlighted the presence of parallel shear zones offering the potential for additional gold deposits within the immediate proximity to the mine.

- At our recently granted Merleac PER we have started digitizing old drilling and development data over the Porte-aux-Moines VMS deposit in preparation for drilling and generation of a JORC compliant resource estimate. We have also sampled old iron workings within the PER which appear to be gossans developed over the top of sulphide rich zones, possibly other VMS deposits.

In Australia, we have continued to reduce our exploration activity. Joint venture interest for new exploration projects has been subdued in recent years and we have had little success in attracting joint venture funding on a number of properties. As we have outlined previously, our technical and financial resources are concentrated on building our mineral exploration assets in France.

Outside of France we continue to hold a number of investments in mineral exploration and development companies.

Eastern Iron Limited (“EFE”) (Variscan holds 35.8%) has completed the definitive feasibility study (DFS) for the possible development of the iron ore deposits at Nowa Nowa Victoria. The conclusions of this DFS were encouraging, with a capital cost for a 780,000 tonnes per annum project estimated to be around \$34 million. Recent work by the company has indicated that pumping concentrate to self-decanting vessels similar to those used in the Taharoa iron sand operation in New Zealand may provide a low cost shipping solution. In this scenario, total CNF cost of concentrate to China is estimated at around US\$60/t, which is within second quartile costs of operations worldwide.

In addition, Eastern Iron has identified potential copper mineralisation within the Nowa Nowa tenement and has identified strong targets through a detailed heli-borne VTEM survey. Drilling is planned next year.

Thomson resources limited (“TMZ”) (Variscan holds 24.7%) continues to explore in the Thomson, Lachlan and New England Fold Belts in New South Wales. Thomson is focused on gold, copper and tin targets. Thomson has undertaken a VTEM survey over five areas and has generated two strong VTEM anomalies, both justifying drilling.

Silver City minerals limited (“SCI”) (Variscan holds 12.5%) continued its active exploration programs during the past year around Broken Hill and on its Sellheim gold prospect near Charters Towers, Queensland. In addition, SCI has been awarded exploration tenements east of Rotorua, New Zealand which are prospective for epithermal gold.

Any drilling success by Eastern Iron, Thomson Resources or Silver City offers Variscan the promise of considerable upside in value. It is pleasing to see drilling activity by its investee companies and by Variscan as we can only add value through the drill bit.

I commend our small and dedicated teams in Sydney and Orleans, headed by our managing director, Greg Jones, for their continued diligence and focus against background of investor apathy. I also welcome, Jack Testard, as a director. Jack is the President of Variscan mines S.A.S., our France based subsidiary.

Variscan and its associated investee companies have the skills, motivation and persistence to deliver successful exploration and development outcomes that will reward shareholders.

Again, thank you for being part of the Variscan journey as owners. I am confident that the progress we are making in France and drilling there and by our investee companies will provide the catalyst for improved share values.

Pat Elliott
Chairman