



CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING 2015

We are now at an important inflection point in the delivery of our European exploration and development strategy. Our level of field activity and results is starting to ramp up as we continue or start work on our 6 exploration licences ("PER") – 2 of which, Silfiac and Loc Envel were only awarded recently. In addition we have further PER applications going through the approval process.

We now have assembled a superb portfolio of advanced exploration targets, all of which host known orebodies but where these and their extensions have not been subjected to modern exploration. Importantly, our portfolio is diverse as it covers a broad range of metals including zinc, copper, lead, gold/silver, tin and tungsten.

Variscan's work has been conducted against an economic backdrop where volatility is currently dominating the resources sector. This in turn has had a negative impact on commodity prices, some more so than others. However, the fundamentals for certain commodities remain robust, particularly for zinc. Supply cutbacks from high cost producers and mine closures add to projections that zinc is poised for a strong cyclical recovery.

Despite the economic volatility and its impact on capital, there are still pockets in the investment community that will support companies that have technically sound, good quality projects. This is evidenced by Variscan's recent placement to institutional investor Acorn Capital and others as cornerstone investments in the Company. Funds from this placement will help Variscan to declare its maiden, JORC compliant mineral resource for the Porte-Aux-Moines zinc deposit.

With the bulk of the Variscan portfolio in place we are now focussing on how we can explore and add significant value to the investment we have made over the past 5 years.

Our objective remains very clear: deliver above market returns to shareholders from exploration and development with tight controls on risk.

Entering France as the first mover has enabled us to put together a portfolio

of areas that are much lower risk than greenfields projects elsewhere. It is now the time when we capitalise on all the preparatory work we have done.

We have stated the rationale for our France focus previously. However, to re-iterate and make sure we remain on the right path:

- ❖ France has had a pause from mineral exploration for over 20 years – no modern exploration techniques have been applied;
- ❖ France has excellent geology for significant orebodies;
- ❖ French government policy is supportive of mineral development within France;
- ❖ Infrastructure is excellent;
- ❖ There is a pool of experienced and well qualified technical people available; and
- ❖ In Brittany, where we are focussed there are limited land use conflicts.

In summary, the opportunity to assemble a diverse portfolio of areas containing deposits in an advanced jurisdiction has been quite unique. Compare this with taking greenfields exploration risk or some of the more extreme country risks available!

The highlight in the past year has been the confirmatory assays from the Port-Aux-Moines zinc-lead-copper-silver-gold project on the Merleac PER. The results have been previously reported in detail and show we have a high grade deposit. Our plans are to get to a JORC compliant resource at Port-Aux-Moines as well as expand the currently known tonnages. There is ample potential down dip and along strike from the currently defined mineralisation envelope for the deposit to be significantly larger than currently defined. In addition, a recently completed heli-borne VTEM survey has identified a large number of anomalies which are due to sub-surface electromagnetic responses.

At the known grade and width dimensions Portes-Aux-Moines has the key ingredients to become an economic development.

On our St Pierre gold project we have undertaken an extensive soil sampling program. This has defined an 800 x 500 metre zone of stringly anomalous gold values – up to a peak value 2.4 grams/tonne. Whilst there is a lot of potential at St Pierre we are looking at potential joint venture interest in this property.

Recently we were granted the Beaulieu PER which includes the Abbaretz tin mine which closed in 1957. We have commenced soil sampling work to help define the extent of the tin bearing zones and define drill targets.

The Silfiac PER includes the Plelauff zinc-lead-silver-germanium deposit. This deposit has been defined by previous work as having continuous high grade zinc-lead-silver-germanium (>10% zinc + lead) mineralisation averaging between 2.5 and 4 metres thick. The defined strike length is 230 metres on the lower level and the geometry of the deposit indicates the mineralisation is increasing in strike length. The exploration potential at Plelauff is excellent as there has been no drilling in and around the deposit or at depth.

The Loc Envel PER has good potential for high grade tungsten-copper deposits. The PER includes the coat-an-noz scheelite-bearing skarn which is reported to have generated high grade tungsten (plus copper) intercepts within the laterally continuous skarn system. Previously a non-JORC resource was calculated by the BRGM. Coat-an-noz is a priority target for Variscan.

We are now poised to show the results and benefit from the patient building of our foundations.

Of course, none of this would have been possible without the support of shareholders and especially those who participated in our entitlement issue in May 2015. Thank you for remaining or becoming part of the Variscan journey.

We continue to review options for the funding of our forward work programs where we can minimise the dilution to existing shareholders. This may involve the introduction of a strategic shareholder, joint ventures on some properties or placement to suitable long term investors.

In that regard the Company announced this morning that it has raised \$1.35 million in a share placement which was underpinned by a cornerstone investment of \$750,000 by institutional investor Acorn Capital Limited.

The Company has also announced today that it will undertake a share purchase plan to enable eligible shareholders on the Company's register as of 24 November 2015 the opportunity to purchase up to \$15,000 worth of fully paid ordinary shares in the Company at a price of 2.3 cents per share (subject to obtaining an ASX waiver). Further details will be released when the offer documents are finalised.

Outside of France we hold a number of investments in mineral exploration and development companies. The value of those investments at 30 September was \$2.4 million.

Eastern Iron Limited (“EFE”) (Variscan holds 34.7%) holds the Nowa Nowa, Victoria iron ore project and surrounding areas that have VMS copper-gold mineralisation

Silver City Minerals (“SCI”) (Variscan holds 12.5%) has lead-zinc exploration interests at Broken Hill, NSW and gold exploration areas near Taupo, New Zealand.

Thomson Resources (“TMZ”) (Variscan holds 20.5%) has copper, gold and tin projects within the Thomson and Lachlan fold belts, NSW. Thomson has recently announced some very encouraging drilling results from its Bygoo tin property which has been reflected in a strong improvement in the share price.

Unfortunately neither Eastern Iron or Silver City Minerals were able to generate strong drill results through the year so their share prices remain low. These outcomes are one of the vagaries of the mineral exploration business.

I commend our small and dedicated teams in Sydney and Orleans, headed by our Managing Director, Greg Jones, and President Variscan Mines SAS, Jack Testard, for their ongoing enthusiasm and focus despite background of poor commodity and stock market conditions.

We have the skills, motivation and persistence to deliver successful exploration and development outcomes that will reward shareholders, particularly as we have a technically strong portfolio of assets in France which provide the platform.

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

Pat Elliott
Chairman