



ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 519M
 Listed Options: 131M
 Unlisted Options: 57M
 VAR Cash Balance: \$1.67M
 VAR Investments: \$1.8M

Directors

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

Top Shareholders

Kwan Chee Seng
 Acorn Capital
 Chris and Betsy Carr
 Dr Foo Fatt Kah

Top 20 Shareholders – 70.6%

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Highlights

Couflens Tungsten Project

- ✔ Grant of exploration licence over Salau, formerly one of the highest grade tungsten mines in the world
- ✔ Salau recorded to have produced 0.93Mt at 1.5% WO₃ for around 11,500 tonnes of WO₃ in concentrate prior to closure in 1986
- ✔ In the mine’s latter years, production grades were 2.0 to 2.5% WO₃
- ✔ In addition to tungsten, Salau is recorded to contain significant copper and gold values, particularly deeper in the deposit (circa 10g/t gold in Veronique)
- ✔ Previous drilling below the base of the underground workings confirmed the continuation of the mineralised system, enabling the mine operator to calculate a non-JORC resource, which remains unmined and open at depth
- ✔ To fund exploration a Joint Venture was executed where Variscan is free-carried at 20% until a DFS is completed or total expenditure of €25 million (approx. A\$36 million) is reached
- ✔ Salau has strong potential to be brought back into production

St Pierre Gold Project

- ✔ Local government applications to allow RC and diamond drilling of the high quality St Pierre gold targets have reached final stage.
- ✔ Drilling is anticipated to start shortly with 1300 meters planned.

Merléac Zinc Project

- ✔ Approvals for the commencement of diamond drilling of the high grade Porte-aux-Moines zinc deposit progressed.
- ✔ Drilling will test and infill thick, high grade Main Zone mineralisation to confirm geological interpretation and increase tonnages of the Indicated Mineral Resource.
- ✔ Drilling is planned to commence after the St Pierre drilling is completed.

Corporate

- ✔ At the end of the quarter, Variscan held \$1.67 million in cash. Liquid investments held in ASX resource companies totalled approximately \$1.8 million.

Exploration

FRANCE

COUFLENS TUNGSTEN PROJECT

On 25 October Variscan announced to the ASX that its wholly owned European subsidiary Variscan Mines SAS has received confirmation of the grant of its seventh exploration licence within France. The Couflens licence, located in the Pyrenees region, covers an area of 42km² centred on the Salau tungsten mine. Prior to its closure in 1986, Salau was one of the highest grade tungsten mines in the world, with an average recorded Life of Mine production grade of approximately 1.5% WO₃.

Salau Mine

The Salau skarn tungsten deposit is located 130 km south of Toulouse, within the Pyrenees region near the border with Spain.

The deposit was discovered in 1964 by the BRGM (Bureau de Recherches Géologiques et Minières). Les Mines d'Anglade (LMA) operated the mine from April 1971 to November 1986 which is reported to have produced 0.93 million tonnes of ore at an average grade of 1.5% WO₃ to yield approximately 11,500 tonnes of WO₃ in concentrate. Notwithstanding the existence of remaining resources, the discovery of promising mineralised zones elsewhere (Fonteilles et al., 1989) and the much higher grade production from the last years of production (up to 2.48% WO₃) (Figure 1), the precipitous fall in the tungsten price caused by Chinese dumping in 1986 led to mine closure.

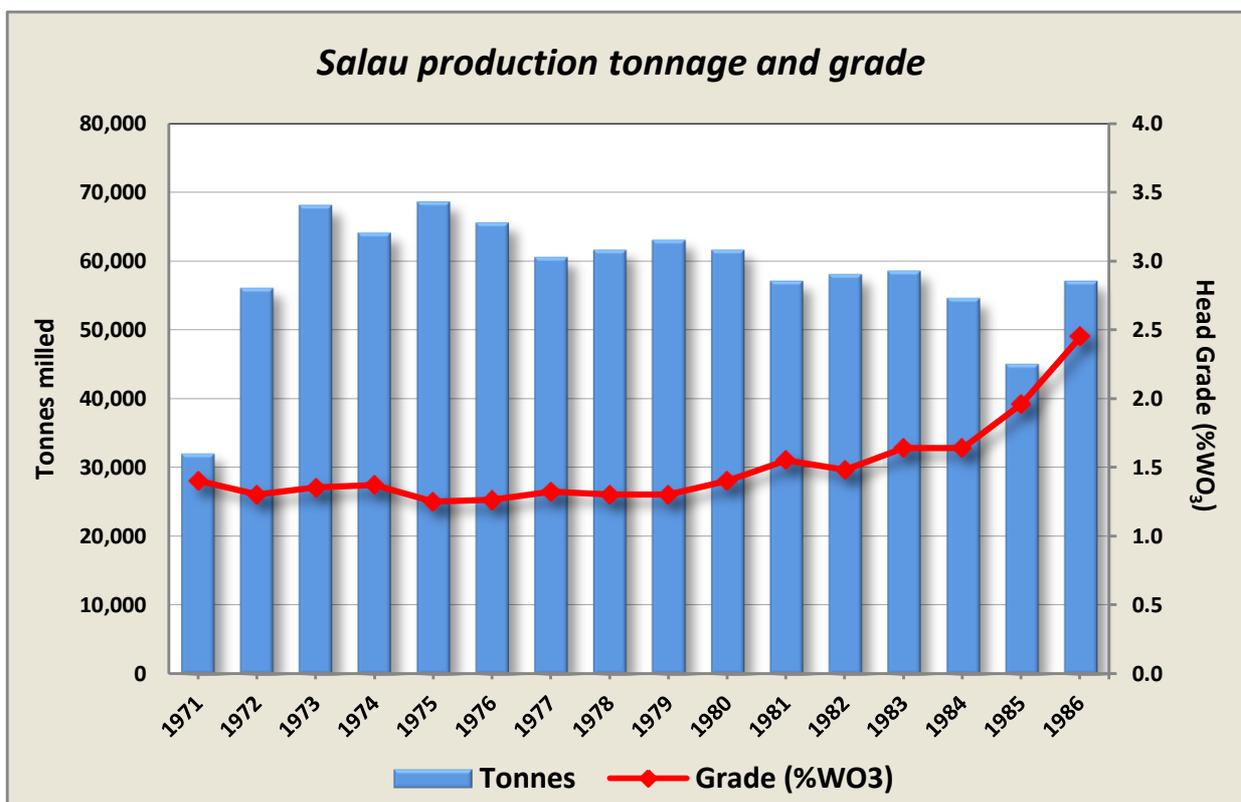


Figure 1 - Salau mine production

Geology

Salau is a tungsten-bearing (primarily scheelite) skarn deposit developed at the contact between Devonian pelites and calcareous sediments (the 'Barregiennes') and a Hercynian-aged granodiorite stock ('Fourque') (Figure 2). The skarn formed within both the carbonate-bearing sediments and, to a much lesser degree, the host granodiorite. Mineralisation is directly related to the Fourque granodiorite which provided hot, tungsten-gold-copper bearing solutions that reacted with the host rocks to form the skarns and deposit metal-bearing minerals.

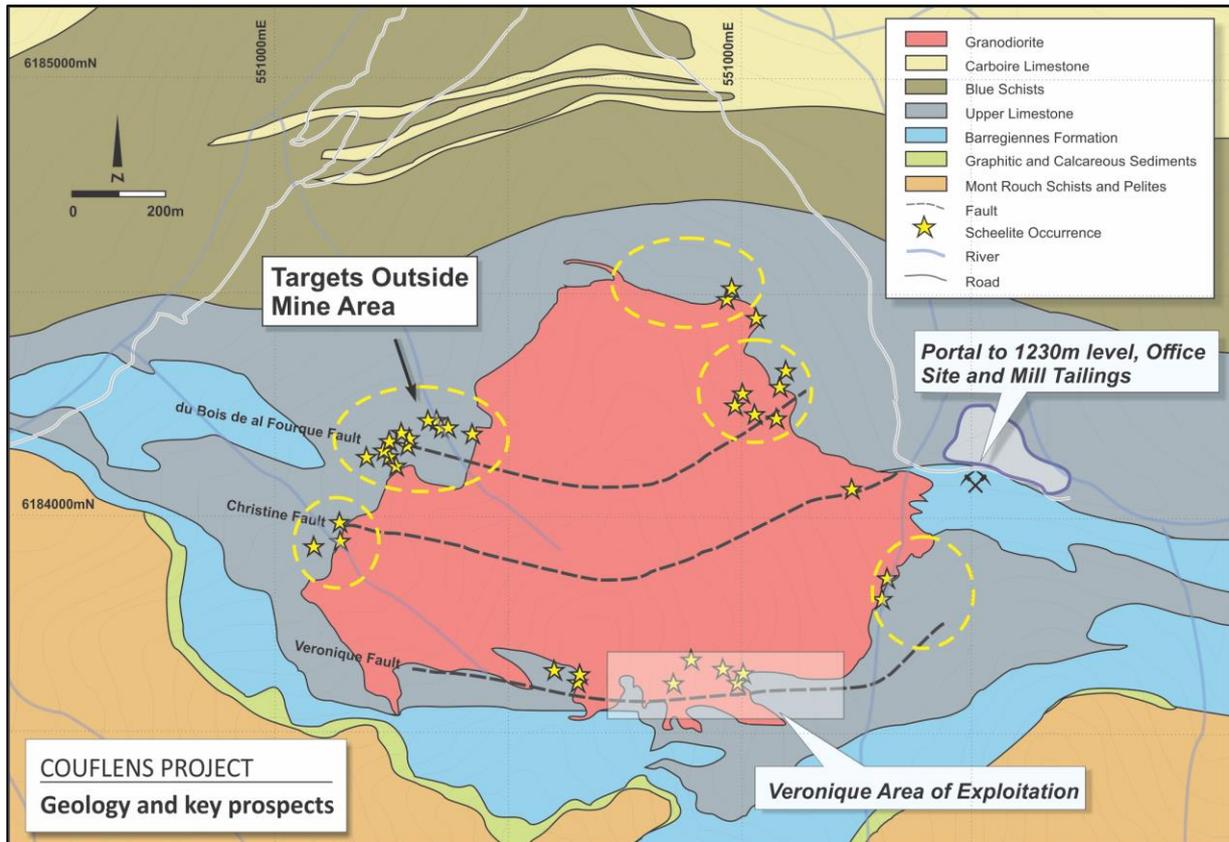


Figure 2 - Plan view of the geology and targets with recorded scheelite occurrences at surface around the Salau tungsten mine

Salau consists of two known mineralised systems, the 'Bois d'Anglade' embayment (North Formation, Gulf South Formation, Column and SC ore zones) and 'Veronique' (Figure 3). Bois d'Anglade was discovered first and provided the bulk of the early production. Veronique, 300 metres to the west, was discovered in 1975 and provided higher grade tungsten production (average 1.9% WO_3), including gold-rich material (not recovered in milling) towards the end of the mine life. In limited sampling this material graded around 10g/t gold in the lower section of the Veronique Southeast zone (Fontailles et al, 1989).

The geometry of the orebodies at Salau is complex and appears controlled mainly by irregularities in the intrusive contact and by faulting. Two principal types of metalliferous skarns are developed:

Prograde skarns – initial metasomatism resulted in the formation of broad zones of prograde skarns containing modest tungsten values (0.2 to 0.5% WO_3),

Retrograde skarns - later hydrothermal fluids overprinted the prograde skarns and deposited

sulphide-rich material (mainly pyrrhotite) containing substantially higher values of tungsten, gold and copper. It is these sulphide-rich skarns which provided the bulk of the former production from Salau.

In a general sense Salau can be compared to the Mactung and Cantung skarn deposits of the Yukon, USA. These large tonnage, high grade systems, (e.g. Mactung, 44.8 Mt at 0.85% WO₃ - Narciso H. et al, 2009) are skarn deposits formed by multistage granodiorite intrusions into calcareous sequences, similar to Salau.

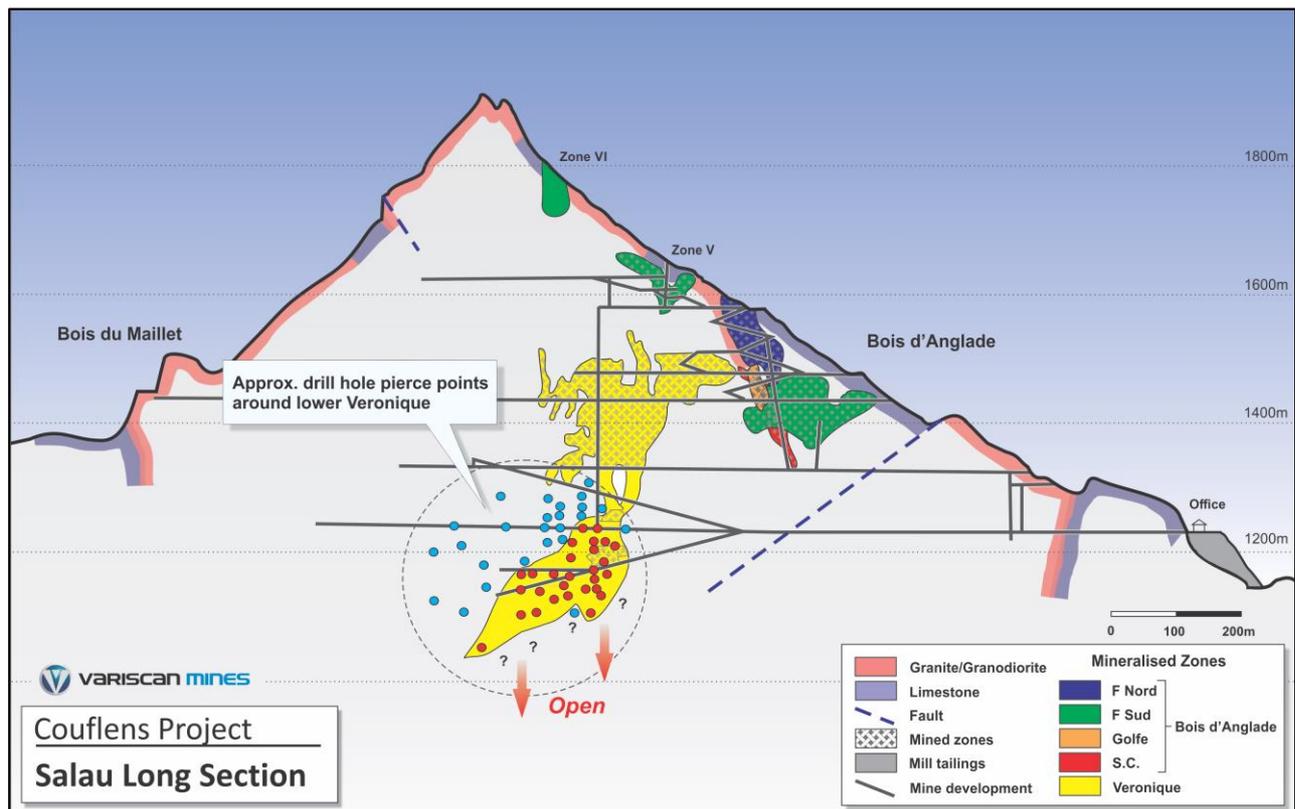


Figure 3 - Composite long section through the Salau mineralised system showing the key mineralised zones defined from previous exploration/mining. Approximate recorded position of LMA underground drilling testing the lower section of Veronique shown in yellow (red - >1.0% WO₃, blue - low grade/barren). Source - Dr. Nick Le Boutilliere.

Exploration targets and upside

Previous underground drilling by the former mine owners recorded a number of high grade tungsten-bearing skarn intersections below the 1230 metre level access adit (Figure 3), the down-plunge continuation of the Veronique ore system. This enabled a non-JORC resource to be calculated by LMA with a similar tungsten grade to that derived from mining in the upper levels of Veronique. The system remains open at depth and is believed to contain substantial gold credits as stated in Fonteilles et al, 1989.

Potential also remains around the other previously mined areas (Veronique and Bois d'Anglade systems) where remnant zones of tungsten-bearing material appear present.

In addition, unexplored discoveries documented by LMA occur at "Ouer d'Aigle" and "Christine", plus a number of other scheelite skarn occurrences at the surface on the flanks of the Fourque granodiorite (Figure 2).



Plate 1: Remaining surface facilities at Salau Mine near the entrance to the 1230m RL adit

Exploration plan

The initial exploration work plan for Salau includes -

- Acquisition and electronic conversion of available mine and exploration data
- Initial access and, where necessary, rehabilitation of previously developed mine areas
- Mapping and sampling of mineralisation
- Generation of robust 3D model of the geology, ore zones and principal controls on mineralisation
- Possible underground development in upper mine area to establish underground drill platforms
- Underground drilling to confirm resource blocks and extend mineralisation
- Generation of a Mineral Resource to 2012 JORC reporting standards
- Commencement of an incline to provide access below the base of the mine and remaining resource and to allow more extensive drill testing of the down plunge position of the Veronique system and parallel structural positions

Work will focus on defining sufficient high grade tungsten mineralisation to justify commencement of mine feasibility studies, as well as testing the gold potential within and adjacent Salau. Site works including establishment of office facilities and safety audits of the accessible mine workings will commence shortly.

Joint Venture structure

To fund the exploration and initial underground development of the mine area to prove up sufficient mineral resource to justify mine feasibility studies, Variscan has entered into a joint venture with Ariege Tungsten SAS, an EU registered company. Ariege will fulfil its joint venture minimum spend requirement through the expenditure of €2.5 million (over a maximum of 3 years). Variscan will then be free-carried at 20% until the completion of a DFS or the total expenditure of €25 million (~\$AUD36 million), whichever is the earlier.

ST PIERRE GOLD PROJECT

Belleville

Initial work by Variscan at the Belleville prospect, located south of the old La Bellière gold mine, included prospect scale rock chip and grab sampling which generated high grade samples up to 21.5g/t gold from quartz-rich float in the centre of the prospect (ASX announcement 16 February 2015).

Detailed follow-up soil sampling in two programmes defined an 900 x 400 metre zone of strongly anomalous gold values up to 2.4g/t gold (or 2420ppb gold) displaying a similar gross orientation to the gold bearing shear structure at the La Bellière Mine (ASX announcement dated 2 June 2015 and September 2015 Quarterly) (Figure 4).

Former BRGM exploration in this area included shallow percussion drilling (generally around 40-50 metres deep) which, from available data, appears to have tested only the northern fringe of the anomaly and has intersected gold-bearing zones.

Two traverses of inclined shallow RC drilling totalling approximately 1000 metres have been planned to test the anomaly across the interpreted east-north-east striking shear zone. This will commence once final local approvals are gained, access agreements signed and a rig mobilised to site. The company anticipates the approvals will be received shortly.

Ville Tirard

During the final years of mining in the St Pierre region, two inclined drill holes (circa 1952) approximately 40 and 60 metres deep are recorded to have been drilled below outcropping mineralisation at the western end of the main La Bellière shear system approximately 200 metres north of the old St Antoine gold mine (Figure 5).

In reports held by the BRGM, both holes are documented to have intersected broad zones (estimated >15-20 metres true width) of gold mineralisation with individual assays between 0.5 to 33g/t gold, averaging in the range of 3-4 g/t Au.

Given the age of the drilling, the precise position of the collars is uncertain, so Variscan plans to drill two shallowly inclined core holes, each to about 150 metres, to cross the projected position of the shear and to intersect the mineralisation.

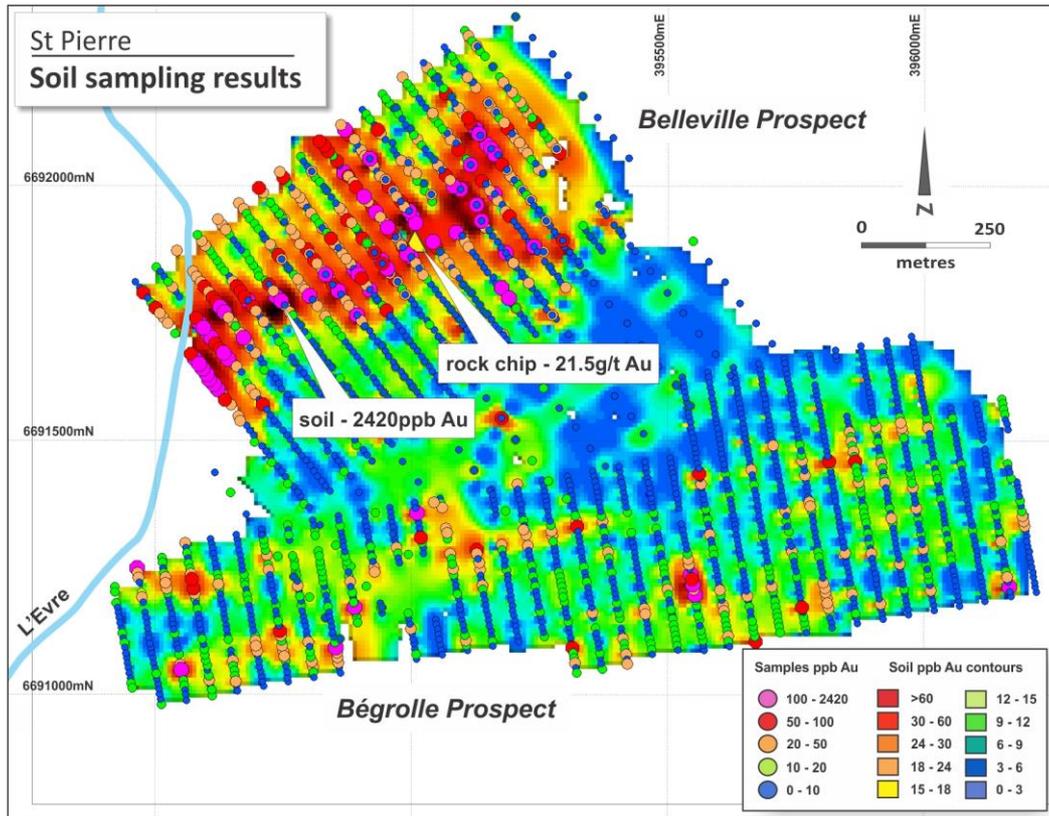


Figure 4: Belleville gold prospect at St Pierre showing soil sampling completed to date and strong anomalism defined

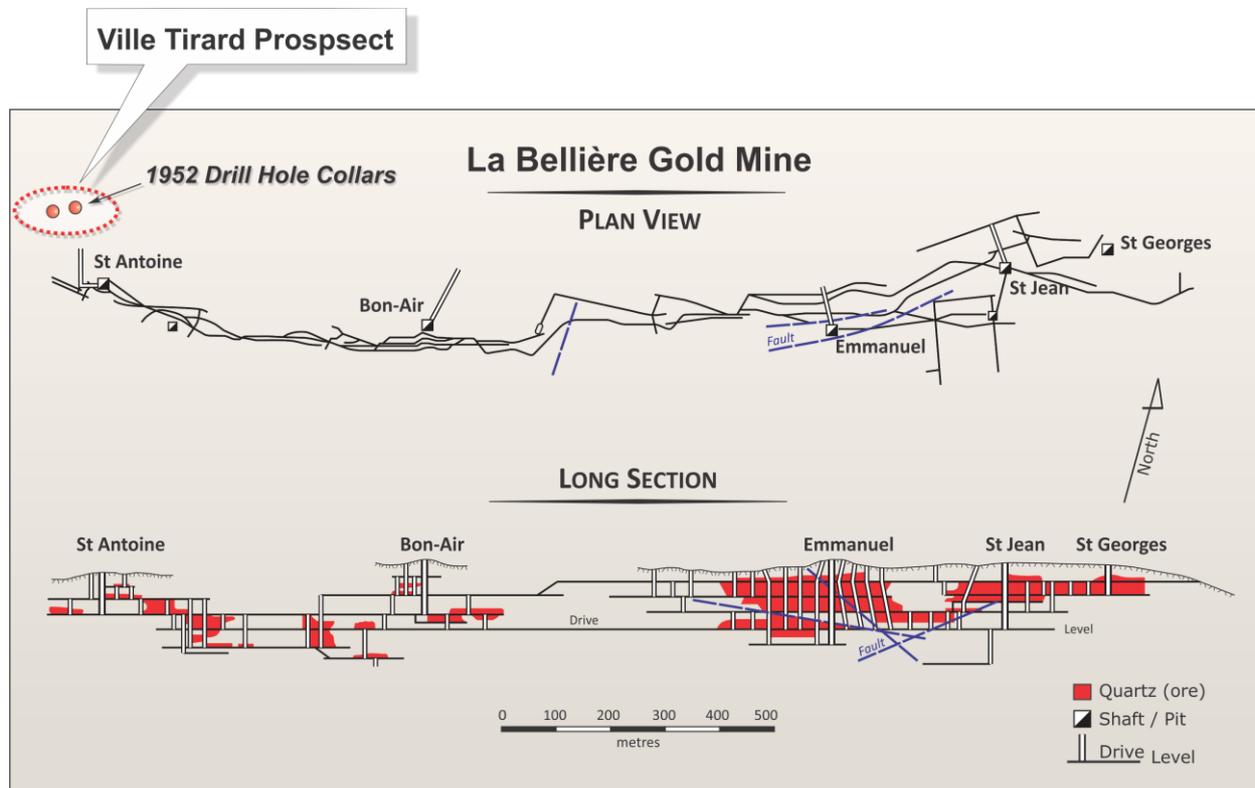


Figure 5: Approximate location of Ville Tirard prospect and drill collars from 1952 drilling projected onto the plan view of the La Bellière gold mine workings

MERLÉAC PROJECT

Porte-aux-Moines

Similar to St Pierre, work within the Merléac project during the quarter focussed on submitting and obtaining approvals to commence drilling planned within the high grade zinc-rich Porte-aux-Moines (PAM) volcanogenic massive sulphide (VMS) deposit.

As announced to the ASX on 20 June 2016, Variscan completed a Mineral Resource estimate for PAM to JORC 2012 reporting standards. The Mineral Resource is **2.2 million tonnes grading 6.0% zinc, 1.3% lead, 0.8% copper, 80.6 g/t silver and 0.9 g/t gold** which places the deposit within the first grade quartile for zinc-rich deposits worldwide, indicating good potential for economic extraction provided sufficient tonnage can be defined.

Modelling work by Variscan indicates that approximately 3.5+ million tonnes of resource will be required to justify initiation of mine feasibility studies. Growing the size and enhancing the classification levels of the current 2.2 million tonne resource base to a level sufficient to allow the company to move into feasibility studies is a key priority.

Further drilling is required to confirm the geological interpretation, increase the tonnage of Indicated Mineral Resource and provide additional samples for confirmatory density measurements and gold assays. In the short term, deeper drilling (three holes totalling approximately 1000 metres) has been planned to test the thickened Main Zone (Figures 6 and 7) and deeper parts of the HW1 zone, once local approvals are gained.

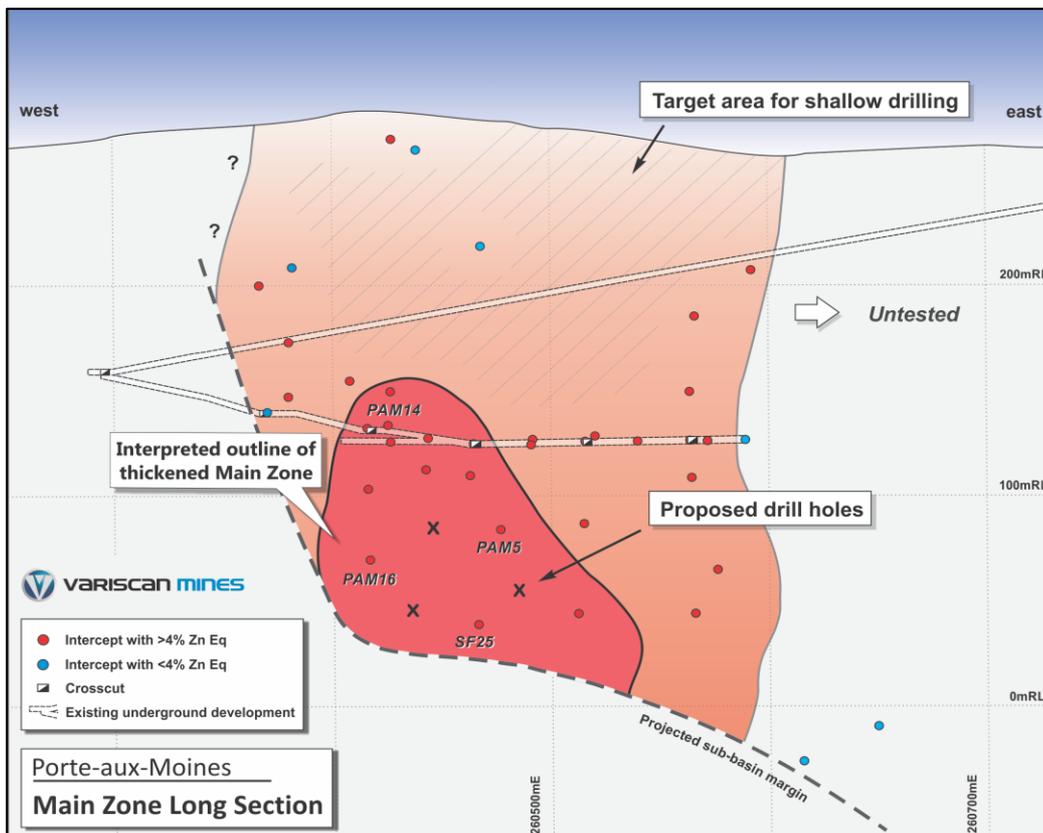


Figure 6: Vertical long section of the Main Zone surface showing the interpreted thickened zone, flanking mineralisation and proposed deeper drilling

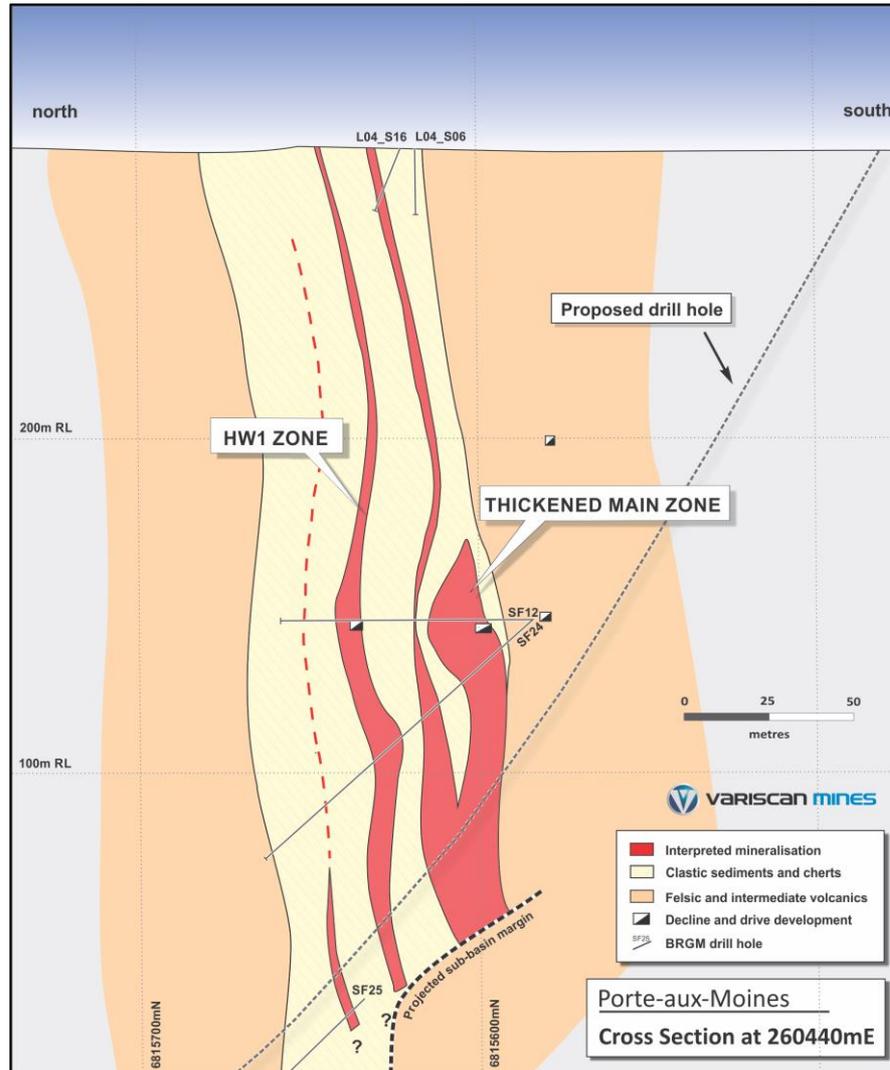


Figure 7: Cross section at PAM showing interpreted mineralised zones and proposed future drilling

AUSTRALIA

Exploration activity within Variscan's Australian joint ventures was subdued for the quarter.

Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The 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
- Thomson Resources – Large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW

Financial and Corporate

FINANCE

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.22 million. Expenditure by joint venture parties on projects in which Variscan has an interest was \$0.30 million for the quarter.

Cash available for Variscan at the end of June was \$1.67 million. As at 19 October 2016, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$1.8 million.

Variscan Mines Limited



Greg Jones

Managing Director

Competent Persons Statement

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.

References

Fonteilles M., Soler P., Demange M., Derré C., 1989; "The Scheelite Skarn Deposit of Salau (Ariège, French Pyrenees)", Economic Geology, Vol 84, pp 1172 – 1209

Narciso H., Iakovlev I., Marinus A., de Ruijter A., Impey G., Cowie S., Tanase A., Nichols A., Collins J., Goodall N., Lacroix P., Trimble R., 2009; "Amended Technical Report on the Mactung Property", Wardrop report to North American Tungsten Corporation Ltd, 372 pages

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