



ASX Code: VAR

ACN: 003 254 395

Issued Shares: 175.7M

Unlisted Options: 25.3M

VAR Cash Balance: \$2.4M

VAR Investments: \$3.8M

Directors

Pat Elliott

Greg Jones

Dr Jack Testard

Kwan Chee Seng

Dr Kah Foo

Alan Breen

Top Shareholders

Kwan Chee Seng

UOB Kay Hian Private Limited

Chris and Betsy Carr

Minotaur Resources

Top 20 Shareholders - 73.8%

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Highlights

- ❖ Work progressed within Variscan's St Pierre gold exploration licence, France. A 3D model of the La Bellière mine workings and structural controls on mineralisation is being developed. Auger soil sampling to define drill targets over parallel shears is progressing.
- ❖ The La Bellière mine is reported to have produced approximately 334,000 ounces of gold from ore averaging 12 g/t gold.
- ❖ Gold mineralisation at La Bellière is shear hosted and contains high grade quartz veins up to 16 metres wide surrounded by zones of lower grade stockwork mineralisation. The potential for further gold discoveries in this shear system is considered good.
- ❖ Variscan has six other licence applications in France, one of which has now advanced to the final stage of the approvals process.
- ❖ Eastern Iron continued the Definitive Feasibility Study on its Nowa Nowa iron project in Victoria. The company will now assess other port options following the recent withdrawal of the availability of the SEFE port facility near Eden.
- ❖ Thomson Resources completed a large VTEM survey over a number of its target areas. Levelled and processed results were received but only very preliminary interpretation has been carried out. Full results will be presented when the interpretation is finalised.
- ❖ Silver City Minerals completed core drilling at its Sellheim project in Queensland, generating anomalous copper-gold intersections including 11.1 metres at 0.66g/t gold and 0.28% copper in hole 14SH004 within magnetite bearing skarns.
- ❖ As at the end of the quarter, the Company held \$2.4 million in cash after redemption of a \$2.5M convertible note. Liquid investments held in listed resource companies totalled \$3.8 million.

Exploration

FRANCE

St Pierre

As announced on 14 February 2014 the Company's European subsidiary, Variscan Mines SAS was recently granted the St Pierre exploration licence (Permis Exclusif de Recherche or PER) covering an area of 386 square kilometres over an important gold district believed to have been the third largest gold producer in France.

Within the St Pierre PER, the La Bellière gold mine is recorded to have produced about 334,000 ounces of gold* (plus silver) from 1906 to 1952, up to a maximum depth of 170 metres intermittently over a strike length of about 1.6 kilometres (Figure 2). The average production grade was 12 g/t gold, mined from a series of stacked, high grade veins hosted within an east-west oriented shear zone. The high grade quartz – sulphide veins individually vary in true thickness from 1 to 16 metres and dip steeply to the south (Figure 3).

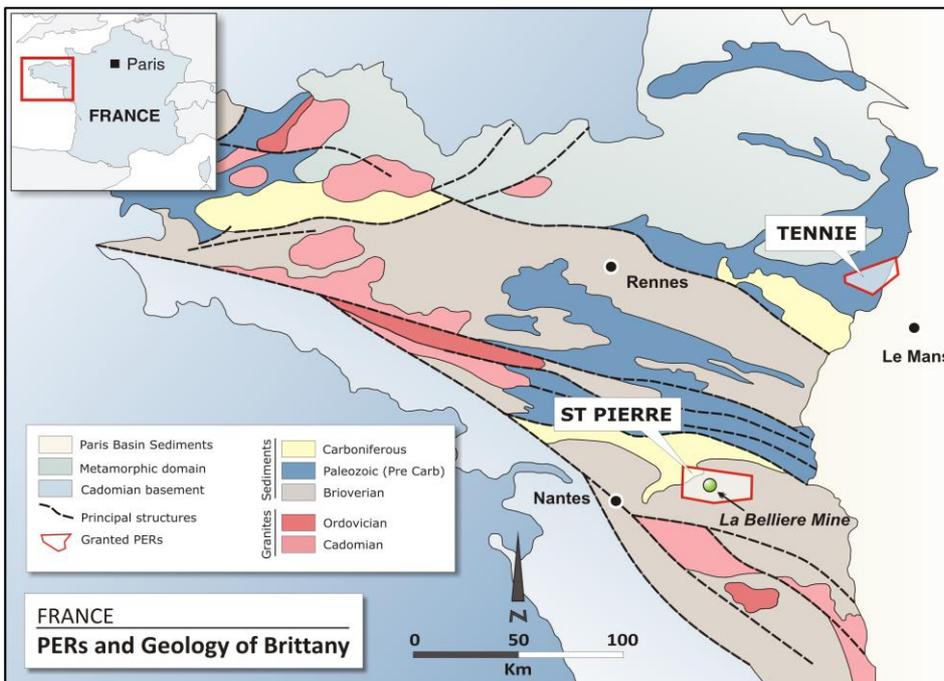


Figure 1 – Location of the St Pierre PER

Between these thicker veins the country rocks are invaded by structurally controlled stockwork vein / veinlet arrays identical in composition to the main lodes. Old records obtained by Variscan document zones of lower grade material between the high grade veins which were not mined. The width of the mineralised shear is believed to approach 30-50 metres in some areas (Figure 3) and offers potential for bulk mining.

* C Louis. *Les exploitations minières dans le Massif Armoricaïn. Déclin ou progrès. In: Norois. N°141, 1989. pp. 5-32*

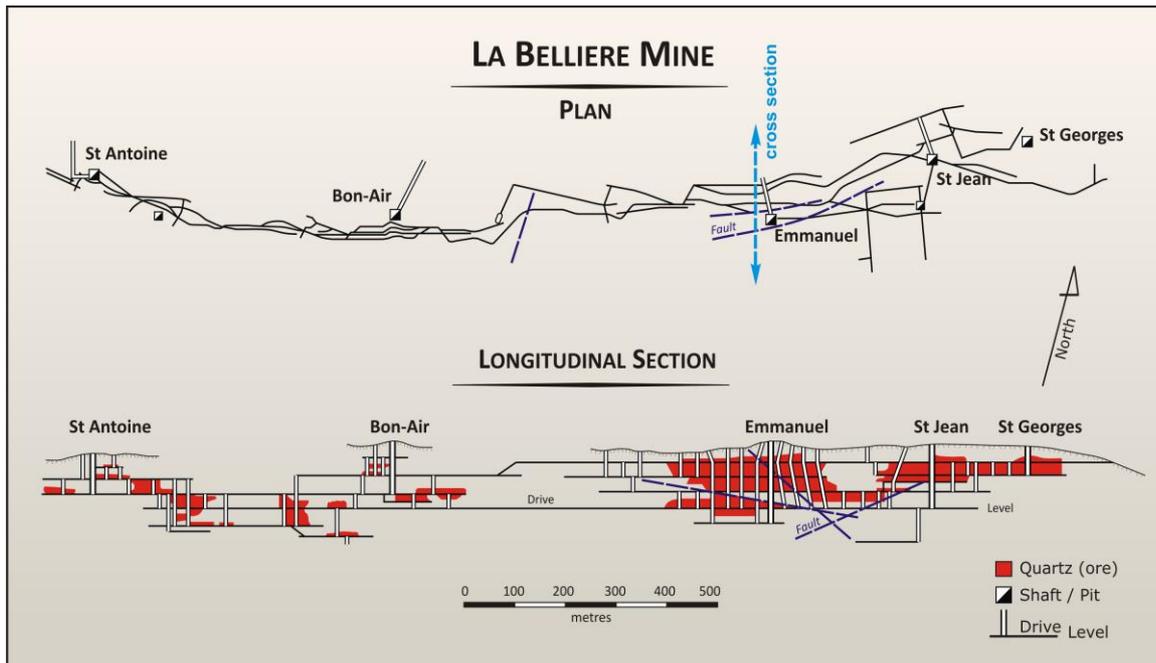


Figure 2 – Plan and long section views of La Bellière mine

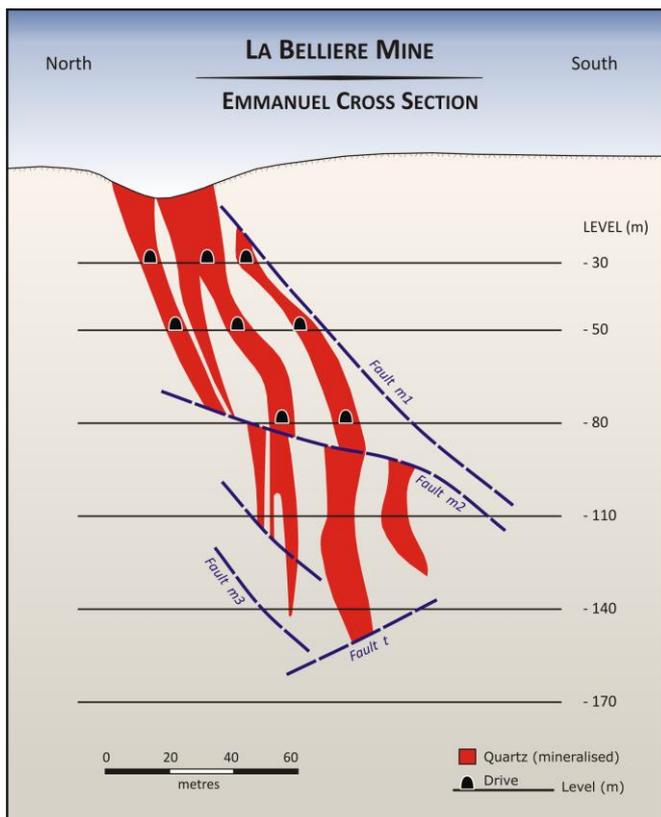


Figure 3 – Cross section through Emmanuel - La Bellière mine

Following the grant of St Pierre, Variscan commenced gathering, compiling and electronically converting all available records from the old mining area as well as former exploration conducted by the BRGM (Bureau de Recherches Géologiques et Minières - the French Geological Survey) during the 1980's. With the help of structural studies currently being conducted by the

University of Orleans, the Company is constructing a 3D model of the mine which will be used to help elucidate the structural controls on mineralisation and target surface core drilling. This work is now well advanced.

In addition, to the north and south of La Bellière old data indicates the presence of parallel shears, highlighting the potential for additional gold deposits within the immediate proximity of the mine and throughout the remainder of the St Pierre PER. To test this potential the Company has commenced a detailed auger soil geochemistry programme around the mine which will help generate additional drilling targets. Preliminary results are expected next quarter.

Tennie

The Tennie PER covers 205 square kilometres of the eastern section of a Palaeozoic sedimentary package (Figure 1) which hosts the Rouez copper-gold-lead-zinc-silver VMS/hybrid SEDEX deposit owned by the French energy group, TOTAL.

In late 2013 Variscan commenced an extensive auger soil geochemical survey within the PER. This work is believed to be the first significant mineral exploration programme conducted in France for decades. The initial programme involves shallow hand auger drilling on a 200x200 metre grid over the accessible areas of fertile Brioverian rocks, to penetrate the thin transported loess horizon that blankets the area and thus may hide potential mineral deposits. Assessment of results received to date is continuing.

Other Applications

Variscan has six other applications for exploration licences in France within the approvals process, each of them over projects with good potential for short term resource generation and/or major new discoveries. The Company has deliberately targeted more advanced project areas containing previously defined mineralised zones or evidence of substantial old mine workings to help fast track the discovery of economic deposits.

One of these applications has now reached the final stage of the application process.

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 companies within the portfolio are:

Eastern Iron – Advanced iron projects in Victoria and Queensland

Silver City Minerals – Exploration interests at Broken Hill, NSW and in North Queensland

Thomson Resources – Dominant landholding within the Thomson Fold Belt, NSW

WPG Resources – Iron, coal and gold projects in South Australia

Aguia – Phosphate and potash projects in Brazil

As at 25 July 2014, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$3.8 million.

EASTERN IRON LIMITED

Eastern Iron (ASX: EFE) continued the Definitive Feasibility Study at the Nowa Nowa Iron Project in eastern Victoria. The Company recently announced results that confirmed scoping study outcomes, indicating a low capital cost (\$36.1M) and robust margins over the projected life of the mine.

During the quarter, final optimisation work by Mining One and Engenium continued.

On 20 July 2014 the company advised the market that South East Fibre Exports Pty Ltd (SEFE) the owners of the SEFE bulk ship loader and wharf facility at the Port of Eden, had decided not to enter into a formal agreement with Eastern Iron to allow the use of the SEFE facility for loading iron ore despite formerly supporting to this proposal. The company has commenced review of other shipping alternatives.

One of these is an indicative proposal from Qube Logistics, a division of Qube Holdings Limited (ASX: QUB) for a full service truck and ship-loading solution using Qube's Rotabox technology and based on using the multi user "Naval" wharf which is adjacent to the SEFE wharf. The company will now investigate this option in greater detail including the size and type of ship that can be accommodated at the Naval wharf.

Variscan's shareholding in Eastern Iron is 52.9 million ordinary shares (36.7%). As at 25 July 2014 EFE shares were trading at \$0.043. More details regarding Eastern Iron's activities can be obtained from its website.

THOMSON RESOURCES LTD

A VTEM survey (Versatile Time-Domain Electromagnetic geophysical system) was flown by Geotech Ltd of Canada for Thomson Resources Ltd (ASX: TMZ) over several priority prospects. VTEM is widely considered the best helicopter TEM massive sulphide detection and imaging tool with notable successes including the discovery of the Mallee Bull deposit in the Cobar Basin.

A total of 564 line km was acquired over five targets: Havilah (EL 7391), Wilga Downs (EL 8136), Furneys (EL 8251), Kenilworth (ELs 7642 and 7643) and the Wilgaroon tin-tungsten target (EL 8011).

Final levelled and processed results were received after the quarter end and only very preliminary interpretation has been carried out. Full results will be presented when the interpretation is finalised.

Variscan holds 18.0 million fully paid Thomson shares, or 25.7% of the company. As at 25 July 2014 TMZ shares were trading at \$0.019. For further details please refer to the Thomson Resources website.

SILVER CITY MINERALS LIMITED

Work during the quarter by Silver City (ASX: SCI) largely focussed on drilling at Sellheim where the company is targeting intrusive related copper-gold deposits beneath an eluvial goldfield and old copper-gold workings. Drilling was designed to test a number of induced polarisation (IP) geophysical anomalies in an area where numerous rock chip samples had returned anomalous gold, silver, copper, bismuth and molybdenum. The company completed seven holes combined diamond

core and reverse circulation drilling for a total of 2,268.4 metres (ASX Releases 13 May and 19 June 2014).

Drilling returned a number of intersections of gold, copper and silver mineralisation predominantly hosted in skarn alteration and quartz-sulphide veins. The best intersection recorded was 11.1 metres at 0.66 g/t gold and 0.28% copper from 496.9 metres in hole 14SH004 (Figure 5) which is hosted in magnetite-quartz skarn close to a major fault and breccia complex. Other anomalous intersections were also recorded in holes 14SH001 to 14SH006 which penetrated skarns and quartz-sulphide veins within a sequence of south and south-east dipping sedimentary rocks intruded by numerous igneous dykes and sills.

Silver City believes that the mineralised skarns formed as a result of fluids emanating from the tonalite intrusion immediately west of Mount Richardson (a north-trending zone of silicification and phyllic alteration with gossanous quartz-sericite rocks and tourmaline breccias), or from other discrete intrusive stocks. The company has identified a structural corridor at Mount Richardson (Figure 4) which displays elevated magnetism suggestive of more extensive magnetite-bearing skarn at depth. It is considered to be highly prospective for gold-copper mineralisation and will be followed up with drilling during the next quarter.

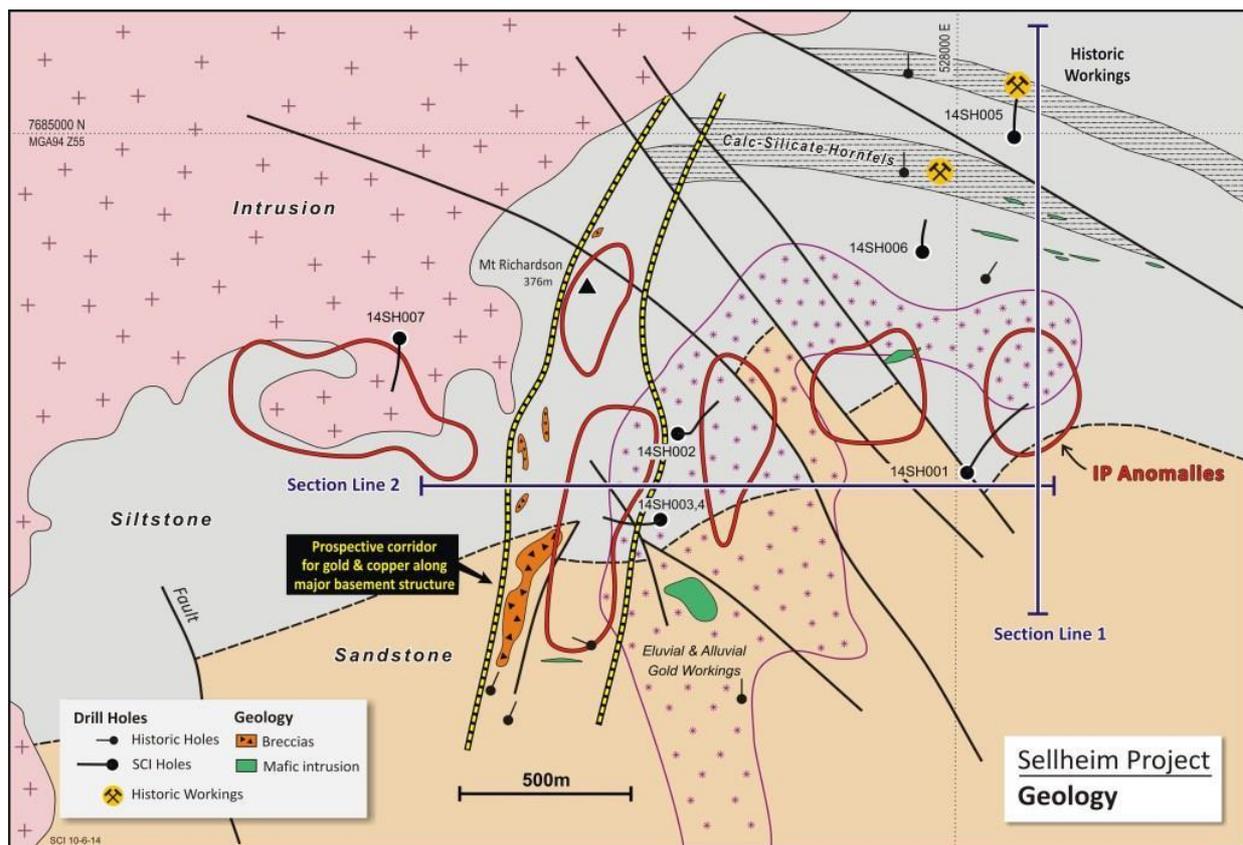


Figure 4 - Local geology showing relationship of IP anomalies (modelled at 200 metres below surface) to the eluvial/alluvial goldfield and drill holes. Major structural corridor considered to be favourable for gold-copper mineralisation is shown (courtesy of Silver City).

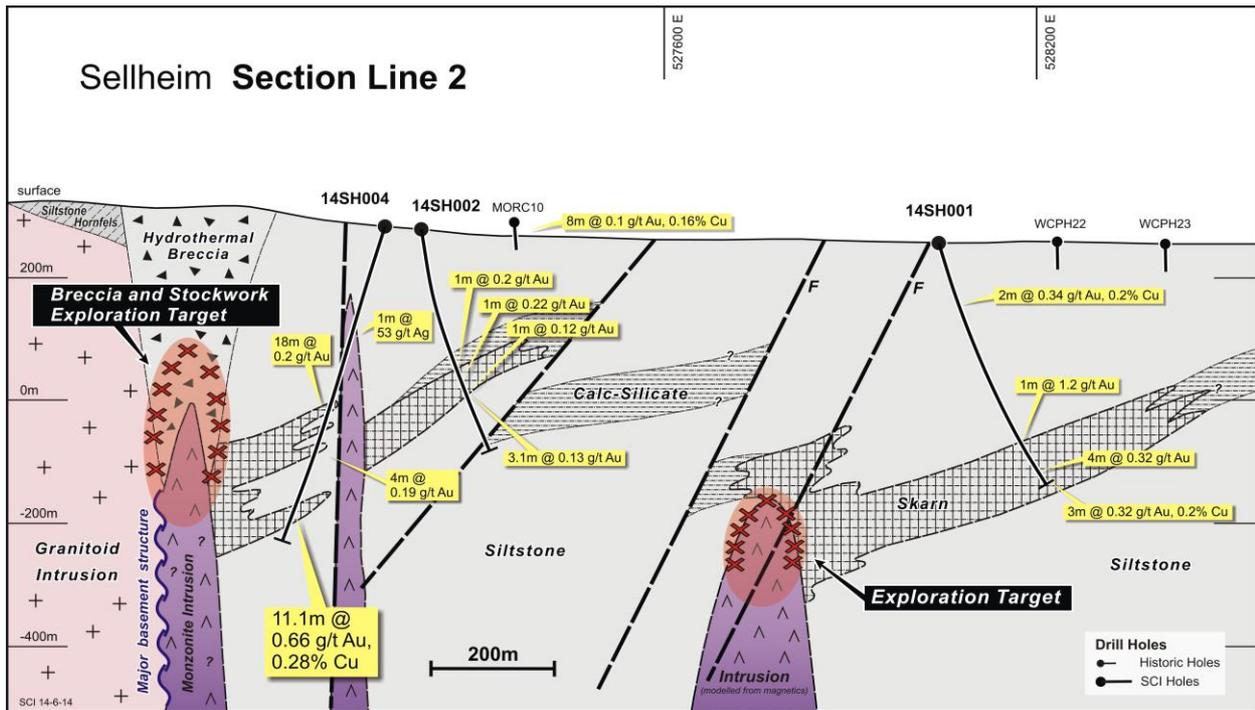


Figure - 5. Interpretive cross-section showing holes 14SH001, 002 and 004. Best gold and copper mineralisation occurs close to the contact between intrusions in the west and sediments to the east (courtesy of Silver City).

Elsewhere the company intends recommencing exploration at Broken Hill with a variety of rotary air blast drilling programmes (RAB), geological mapping and XRF soil surveys taking place on targets outlined by research of historic data and in the recently conducted VTEM survey.

Silver City has been granted two tenements in the North Island of New Zealand that are prospective for high grade epithermal gold and silver mineralisation. The company is currently negotiating access with the landowner prior to commencing first pass mapping and sampling programmes scheduled to start early in 2015.

Variscan holds 14.5 million fully paid shares in Silver City, or 12.5% of the company. As at 25 July 2014 Silver City shares were trading at \$0.049. For further details refer to the Silver City website.

WPG RESOURCES LTD

WPG Resources (ASX: WPG) is an iron ore, coal and gold exploration and development company with exploration tenements in South Australia. WPG's current focus is on two advanced gold projects in the Gawler Craton, South Australia - Tunkillia (WPG holds approximately 70%) and Tarcoola (WPG holds 100%).

Previous feasibility and scoping studies at Tunkillia identified a total resource containing 878,000 ounces of gold and 2.5 million ounces of silver (see WPG Resources announcement 3 April 2014). WPG is currently undertaking an intensive review and verification of data to confirm the resource estimate.

During the quarter the company also reported assay results from aircore drilling at Muckanippie project in the Gawler Craton which indicate broad zones of anomalous nickel mineralisation.

Variscan holds 10.4 million fully paid WPG shares, or 4.2% of the company. As at 25 July 2014 WPG shares were trading at \$0.046. For further details refer to the WPG Resources website.

AGUIA RESOURCES LIMITED

Agua Resources (ASX: AGR) holds interests in substantial phosphate and potash projects in Brazil. Agua has reported JORC compliant resources at its Lucena and the Tres Estradas phosphate projects, with potential for further resource expansion apparent at both projects.

Variscan holds 1.185 million fully paid shares. As at 25 July 2014 Agua shares were trading at \$0.038. For further details refer to the Agua website.

Business development

Variscan is progressing 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.

Evaluation work is also progressing in Spain and Portugal. The Company has generated a large dataset covering key metallogenic belts within these countries and is well advanced in assessing regions/projects of interest to Variscan.

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

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$318,000. Expenditure by joint venture parties on projects in which Variscan has an interest was \$44,307 for the quarter. Cash available for Variscan and for the Company at 30 June 2014 was \$2.4 million (following redemption of a \$2.5M convertible note).

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.