



## CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING 2017

The past year has been one of delay and frustration.

I can assure shareholders that the board and management are working hard to overcome these issues.

Up until earlier this year we were planning on initial drilling programs at the St Pierre gold property and, more importantly, the Porte-aux-Moines zinc property.

We did drill St Pierre and the results were not as strong as we would have preferred. We now know a lot more about St Pierre and there is further work to be done which may include follow up drilling. We are especially pleased that this initial drilling program in France demonstrated that Variscan is a capable operator with no adverse health, safety or environmental issues arising.

We were fully prepared to drill at Porte-aux-Moines when we encountered unexpected political intervention – despite this licence having been approved by the now President Macron, when he was industry minister. We are working hard to overcome these obstacles but find it difficult to be able to provide any guide as to timing.

We remain committed to our France exploration and development strategy but have been forced to reduce our investment through no fault of our own.

It is not a satisfactory strategy for Variscan to sit and wait while the opaque political processes take place. If we did this, we would suffer ongoing cash drain and not provide shareholders with any particular encouragement.

To this end, we have been very actively seeking additional assets in jurisdictions that do not suffer the time delays that we are encountering in France. Our criteria include:

- Ease of operations in the jurisdiction;
- As advanced exploration or development targets as possible;
- Acceptable terms of entry;
- Clear pathways to add value relatively quickly;
- Focussed on base metals and strategic metals such as tin/tungsten

We are expecting to be able to make announcements about additional assets in the near future.

On the Couflens tungsten licence, Apollo Resources have rapidly advanced their understanding of the geology, mining and processing of the Salau underground mine. Apollo Resources are well on the way to being able to define high priority exploration targets and accelerate the definition of a maiden mineral resource estimate. Variscan has a 20% free carried interest until Apollo Resources has incurred Euro 25 million

expenditure with a minimum expenditure of Euro 2.5 million. This is an extremely valuable asset for Variscan. Tungsten prices (apt) have risen sharply over the past year from around US\$170 – 200/mtu to currently around US\$280 – 300/mtu. The outlook for tungsten prices is for further gains as China is restricting production for environmental reasons at a time when demand continues to grow.

Similarly, we are optimistic for the outlook for base metals and gold prices. In most metals supply growth has not kept up with demand growth and visible stocks are being depleted.

The lack of new mines coming on-stream and limited discoveries in recent years augurs well for prices to continue their recent recovery.

During the year, Stewart Dickson, joined us as Managing Director upon the retirement of Greg Jones from a full-time role. We are indebted to Greg for his leadership and are glad that his valuable technical insights will continue to be available to us, albeit on a part-time basis. Such is the inexorable effluxion of time.

Stewart brings an extensive mining finance background which is ideal for the next stage of activities to be undertaken by Variscan.

The coming year offers the prospect of:

- Drilling at Porte-aux-Moines with zinc prices increasing;
- Initial resource estimates on the Couflens tungsten licence with tungsten prices strong;
- Exposure to new assets

We are very conscious that the Variscan share price has been unrewarding for shareholders despite much better metal price and resource investment markets. We are committed to rectifying that underperformance.

Pat Elliott  
**Chairman**