



ASX Code: VAR
 ACN: 003 254 395
 Issued Shares: 519M
 Listed Options: 130M
 Unlisted Options: 57M
 VAR Cash Balance: \$0.67M
 VAR Investments: \$2.1M

Directors

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

Top Shareholders

Kwan Chee Seng
 Chris and Betsy Carr
 Dr Foo Fatt Kah

Top 20 Shareholders – 66.1%

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Highlights

St Pierre Gold Project

- ✔ Drilling approvals for St Pierre gold project received from local authorities
- ✔ Drill rigs are to mobilise shortly
- ✔ An initial 1,300 metre RC and diamond drilling program is scheduled
- ✔ Drilling will test two highly prospective targets –
 Belleville - a 900 x 400 metre bedrock gold anomaly where previous sampling recorded rock chips up to 21.5g/t gold and soil values up to 2.4g/t gold
 Ville Tirard - where historic drilling is reported to have intersected thick zones (estimated >15-20m true width) of near-surface gold mineralisation with grades averaging around 3-4g/t gold
- ✔ Both prospects lie within the St Pierre licence surrounding the historic La Bellière gold mine, which produced 334,000 ounces at 12g/t gold

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.
- ✔ Approximately 1000 metres of core drilling is planned to commence after the St Pierre drilling is completed.

Corporate

- ✔ At the end of the quarter, Variscan held \$0.67 million in cash. Liquid investments held in ASX resource companies as at 27 January 2017 totalled approximately \$2.1 million.

Exploration

FRANCE

ST PIERRE GOLD PROJECT

During the quarter Variscan announced that its wholly owned subsidiary Variscan Mines SAS is to mobilise drill rigs to test highly prospective gold targets within its St Pierre Gold Project shortly. The Company received formal government approval for the drilling and signed a contract with Cofor Drilling to provide services for the planned drilling within both the St Pierre gold and Merleac zinc licences.

At St Pierre, previous exploration by Variscan defined two outstanding gold targets along strike from and to the south of the La Bellière gold mine, believed to be France's third largest gold mine, which is recorded to have produced 334,000 ounces gold at a grade of 12g/t gold until 1952. These are the Belleville and Ville Tirard (Figure 1) prospects which will be tested by a combination of shallow traverse RC and core diamond drilling.

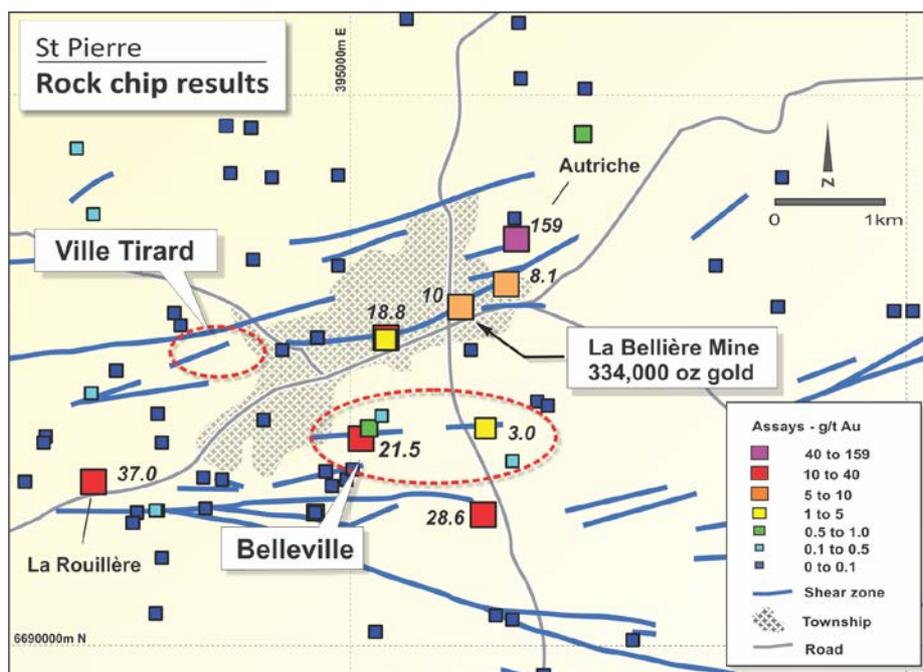


Figure 1: Rock chip / float sampling results, mapped shear zones and key prospect locations

Belleville

Previous work by Variscan at the Belleville prospect, located south of the La Bellière gold mine, included 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 defined a 900 x 400 metre zone of strongly anomalous gold values up to 2.4g/t gold (or 2420ppb gold) in soils displaying a similar gross orientation to the gold bearing shear structure at the La Bellière mine (ASX announcement 2 June 2015 and September 2015 Quarterly) (Figure 2).

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 16 inclined, 60 metre deep RC holes (for around 1000 metres) are planned to test the anomaly across the interpreted east-north-east striking shear zone (Figure 2).

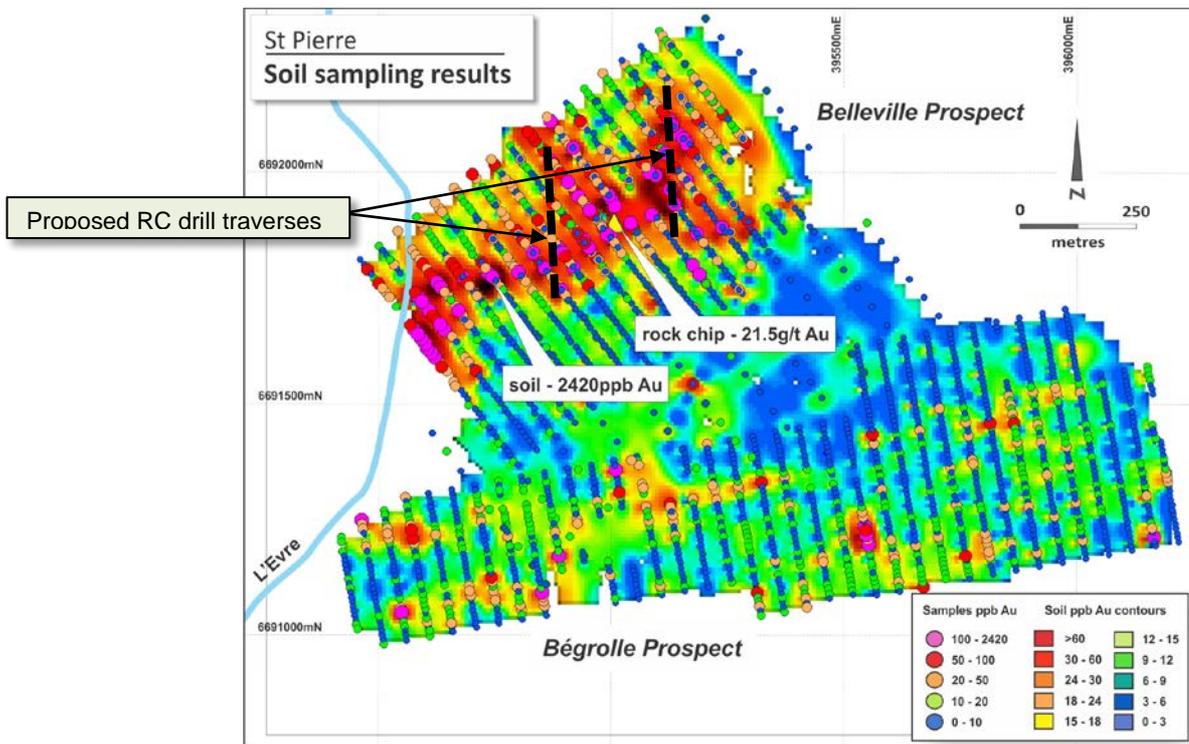


Figure 2: Belleville gold prospect at St Pierre showing soil sampling completed to date and strong anomalous defined

Ville Tirard

During the final years of mining in the St Pierre region, two 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 3).

In reports held by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) both holes are recorded 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 attempt to intersect the mineralisation.

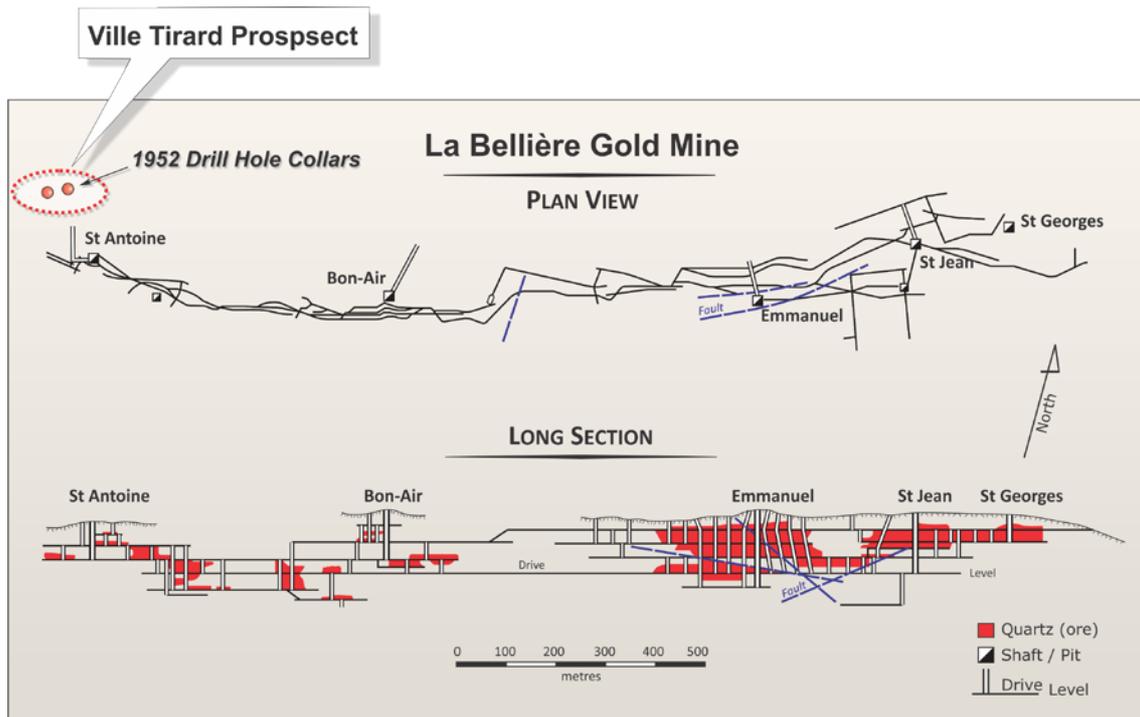


Figure 3 - Approximate location of Ville Tirard prospect and drill collars from 1952 drilling projected onto the plan view of La Bellière gold mine workings

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 4 and 5) and deeper parts of the HW1 zone, once local approvals are gained.

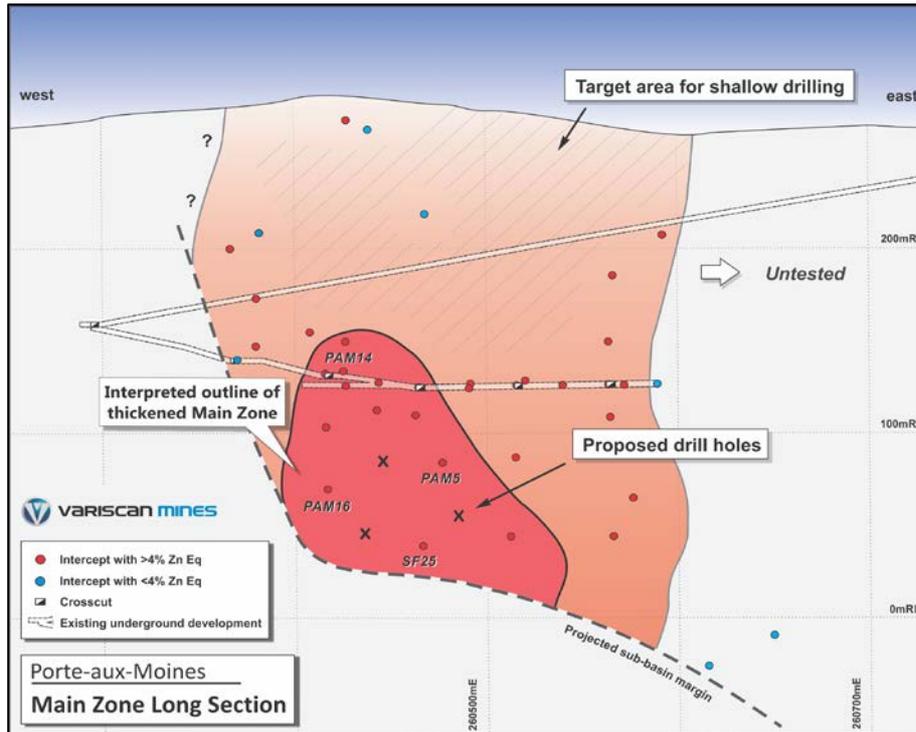


Figure 4: Long section of the Main Zone surface showing the interpreted thickened zone, flanking mineralisation and proposed deeper drilling

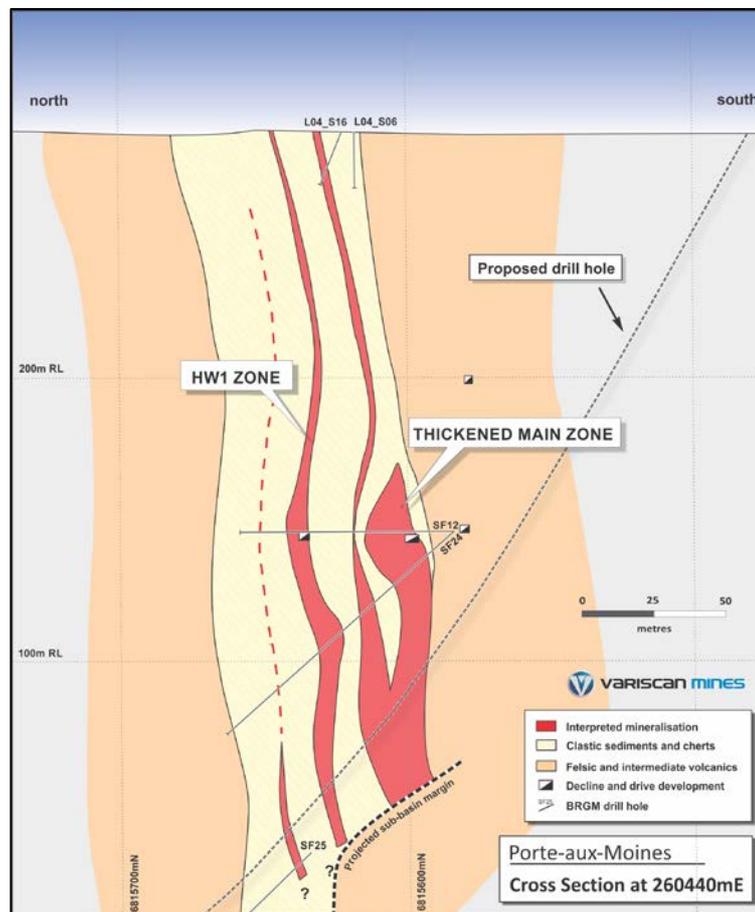


Figure 5: Cross section at PAM showing interpreted mineralised zones and proposed future drilling

COUFLENS PROJECT

On 25 October 2016 Variscan announced 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. The Company is now awaiting final confirmation of the granting and terms of the approval through project gazetting which is anticipated shortly.

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

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.46 million.

Cash available for Variscan at the end of December was \$0.67 million. As at 27 January 2017, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$2.1 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.

For further information:

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