



ASX Code: VAR
ACN: 003 254 395
Issued Shares: 519M
Listed Options: 131M
Unlisted Options: 57M
VAR Cash Balance: \$2.45M
VAR Investments: \$1.5M

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

Merléac Zinc Project

- ✔ Mineral Resource estimate for the high-grade Porte-aux-Moines (PAM) zinc-lead-copper-silver-gold deposit within the Merléac exploration licence completed.
- ✔ Total Indicated and Inferred Mineral Resource of 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.
- ✔ Deposit is within the top grade quartile of zinc deposits world-wide on a zinc equivalent percentage basis indicating good potential for economic extraction provided sufficient tonnage can be defined.
- ✔ Potential to expand the resource is apparent, notably within the hanging-wall zones at depth and to the west, where previous work indicated the possible continuation of the mineralised system.
- ✔ Diamond drilling is planned to commence shortly once approvals have been obtained to infill thick, high grade Main Zone mineralisation to confirm geological interpretation and increase tonnages of the Indicated Mineral Resource.
- ✔ The PAM deposit is part of a highly prospective 15 kilometre long trend containing at least four additional centres of VMS mineralisation which may contain new high grade deposits.

St Pierre Gold Project

- ✔ Work continues for the commencement of drilling to test the Ville Tirard and Belleville gold targets.
- ✔ Drilling at Belleville will test zone where sampling has recorded up to 21.5g/t gold in float and 2.4g/t gold in soils.
- ✔ Drilling is anticipated to start this quarter with 1300 meters planned.

Corporate

- ✔ The Company successfully completed a placement and fully subscribed share rights issue, raising \$2.5 million before costs to progress its exploration in France, primarily at Porte-aux-Moines and St Pierre.
- ✔ At the end of the quarter, Variscan held \$2.45 million in cash. Liquid investments held in ASX resource companies totalled approximately \$1.5 million.

Exploration

FRANCE

MERLÉAC

During the quarter a maiden Mineral Resource estimate was completed to JORC 2012 reporting standards for the zinc-rich Porte-aux-Moines (PAM) volcanogenic massive sulphide (VMS) deposit within the Merléac exploration licence (see ASX announcement released 20 June 2016 for more details and JORC Table 1).

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** (Table A). This places the deposit within the first grade quartile for zinc-rich deposits worldwide (Figure 1), indicating good potential for economic extraction provided sufficient tonnage can be defined.

Table A: Porte-aux-Moines Mineral Resource as at 31 May 2016

	Tonnes	Zinc %	Lead %	Copper %	Silver g/t	Gold g/t
INDICATED						
Main	291,000	6.1	1.2	0.8	76.5	0.9
HW1	-	0.0	0.0	0.0	0.0	0.0
HW2	-	0.0	0.0	0.0	0.0	0.0
Total	291,000	6.1	1.2	0.8	76.5	0.9
INFERRED						
Main	1,505,000	6.1	1.3	0.9	86.0	0.9
HW1	361,000	5.1	1.3	0.3	61.3	0.8
HW2	44,000	5.4	2.0	0.1	82.3	0.0
Total	1,910,000	5.9	1.3	0.8	81.2	0.9
TOTAL						
Main	1,796,000	6.1	1.3	0.9	84.4	0.9
HW1	361,000	5.1	1.2	0.3	61.3	0.8
HW2	44,000	5.4	2.0	0.1	82.3	0.0
Total	2,201,000	6.0	1.3	0.8	80.6	0.9

Note: Mineral Resource is based on a zinc cut-off of 8.0% Zn Eq. Calculations have been rounded to the nearest 1000 t, 0.1 % zinc, lead and copper grade, 0.1 g/t gold and silver grade.

The Mineral Resource estimate was completed by QG Australia Pty Ltd, an independent consultancy group that specialises in resource estimation for deposits like PAM, from mineralisation domains and wireframes supplied by Variscan geologists. The geological model and Mineral Resource estimate were based on 58 surface and underground diamond drill holes, mapping and assays from underground development to the -150 metre level as well as data from a number of shallow percussion drill holes completed by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey).

Data density for the deposit is variable with drilling completed on nominal 100 metre centres in the upper parts of PAM, down to 20 metre spacings (or less) in areas of combined underground development and drilling (see Figure 2 long section).

As noted within earlier ASX announcements (19 May, 20 and 29 July 2015), resampling of mineralised zones by Variscan from the three remaining surface diamond holes gave confirmation of the quality and accuracy of the assaying work completed by the BRGM during its exploration of the deposit from 1976 to 1985. This provided strong confidence for the veracity of the assays in the remaining drill holes and underground development for use in the calculation of the resource to JORC reporting standards.

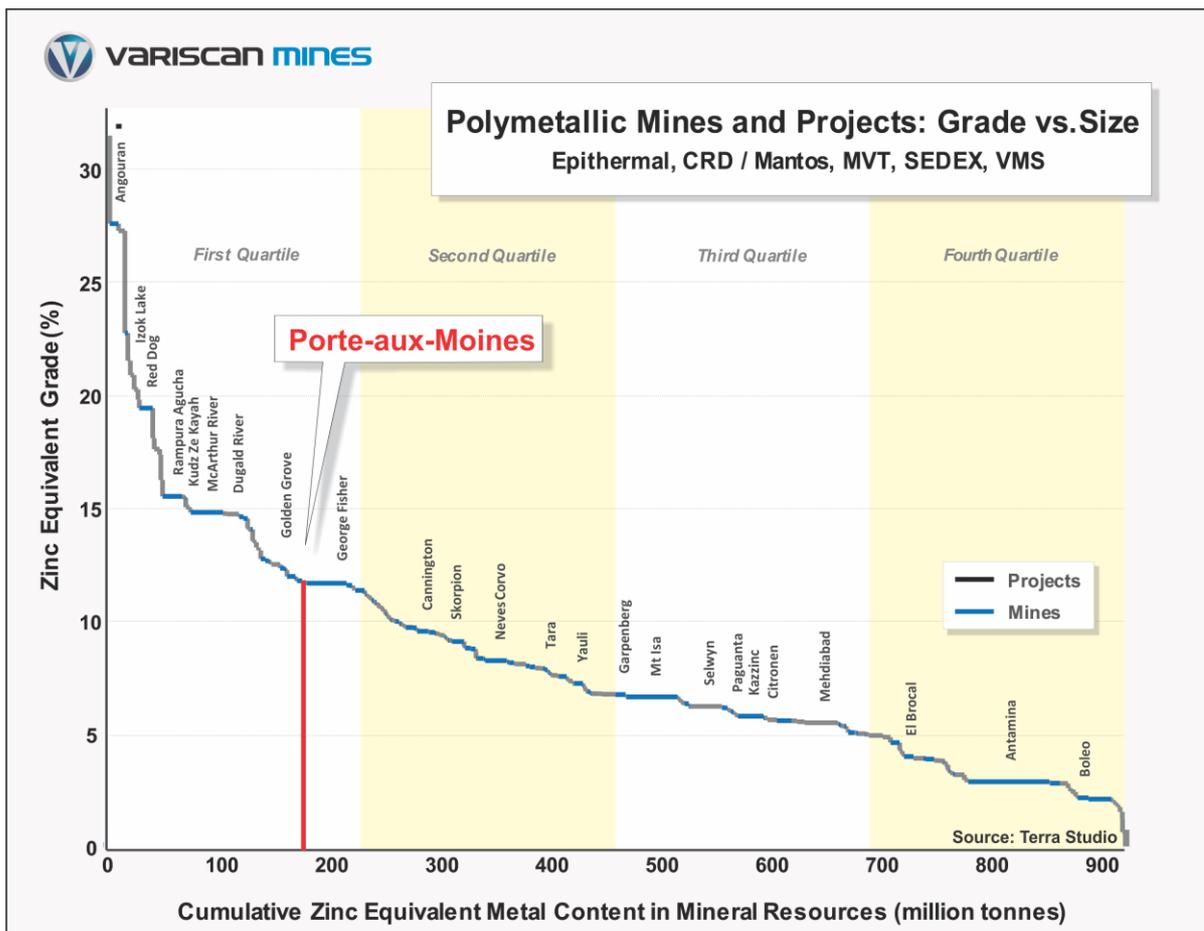


Figure 1: Global ranking of projects and mines by grade and size compared to the mineral resources of about 300 zinc and polymetallic mines and projects worldwide. The zinc equivalent grade calculation represents the value for each metal - Zn (US\$1,800 per tonne), Pb (US\$1,800 per tonne), Cu (US\$5,600 per tonne), Ag (US\$15 per ounce) and Au (US\$1,150 per ounce) - multiplied by the grade and estimated recoveries (Zn–90%, Pb–85%, Cu–80%, Ag–60%, Au–70%), summed and expressed in equivalent zinc percent per tonne. The zinc equivalent calculation is intended as an indicative value only. Source: Terra Studio

Geology

The mineralisation at PAM is volcanogenic massive sulphide style (VMS) and is broadly contained within a sequence of sediments and volcanics. Mineralisation occurs as multiple, disrupted sulphide lenses, mainly hosted by black shales and cherts. Massive sulphides are very pyritic, with three main zones of mineralisation modelled to date from the BRGM data.

Main Zone: This is the lowest stratigraphic horizon and is generally located at the interface between the volcanics and overlying host sediments, but is currently modelled to migrate into a more hanging-wall position to the east. It contains the bulk of the resource (82% - Table A). The Main Zone can be subdivided into a thick zone of high grade mineralisation that appears to have been deposited on the sea floor within a shallow depression, and thinner flanking mineralisation lateral to the thickened zone (Figures 2 and 3).

The thick (estimated at about 16.3 metres true width) pod of mineralisation is estimated to contain approximately 1.1 million tonnes of higher grade material (Table B).

Table B: Main Zone Mineral Resource

	Tonnes	Zinc %	Lead %	Copper %	Silver g/t	Gold g/t
Main Zone						
MZ Thick	1,118,000	6.9	1.4	0.9	89.8	0.9
MZ Flank	677,000	4.9	1.0	0.9	75.6	0.9
Total	1,795,000	6.1	1.3	0.9	84.5	0.9

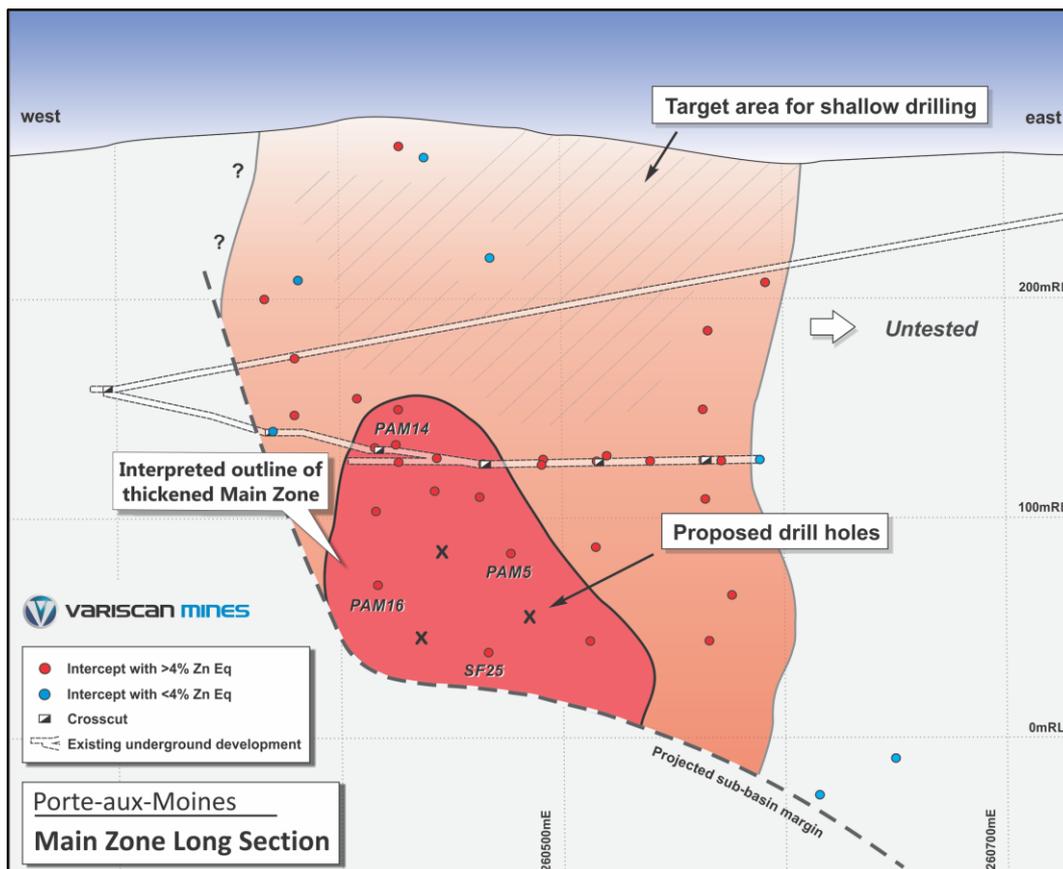


Figure 2: Vertical long section of the Main Zone surface at PAM showing the interpreted thickened zone and flanking mineralisation. Proposed deeper drilling pierce points shown as well as the target area for shallow drilling (hatched)

HW1 Zone: Mineralisation located up to about 20 metres into the hanging-wall of the Main zone. The HW1 zone is laterally extensive and appears to have potential to extend to the west and down-dip.

HW2 Zone: A small zone at the western end of the deposit.

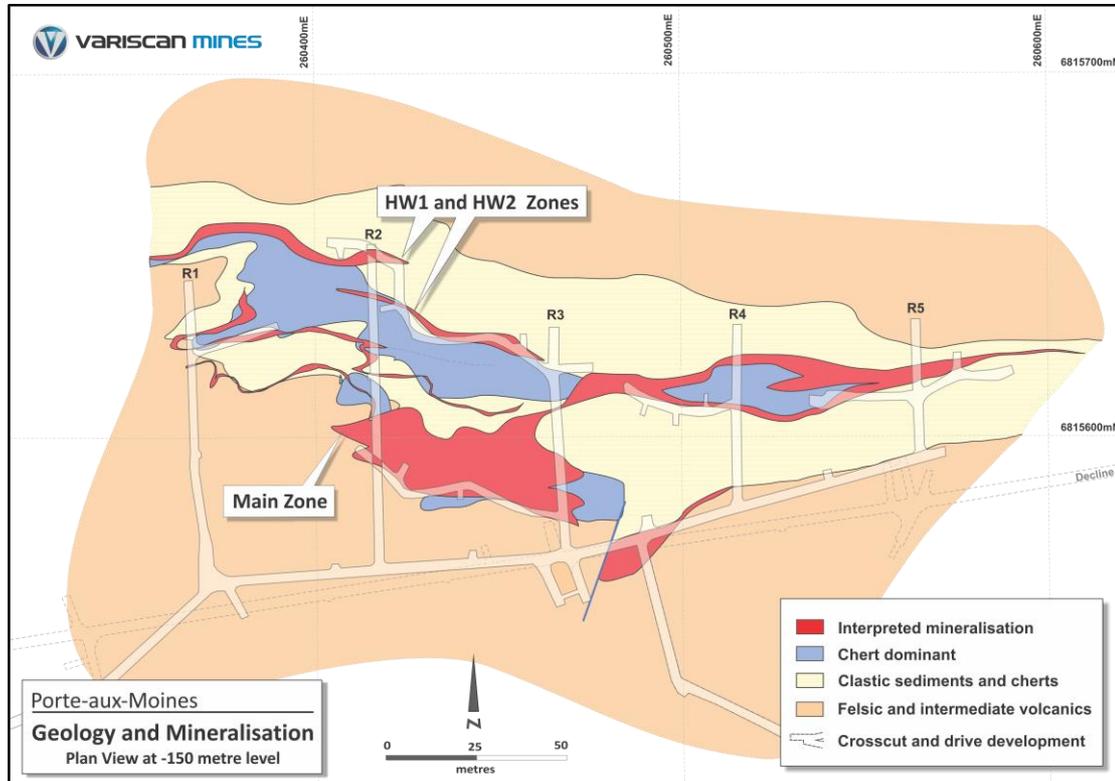


Figure 3: Plan view of Porte-aux-Moines deposit showing interpreted mineralised zones and underground development completed by the BRGM

Planned Future Work

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) is planned to test the thickened Main Zone (Figure 2) and deeper parts of the HW1 zone, once local approvals are gained and access agreements signed.

In addition, later drilling may also infill the thinner, but shallower section of the Main Zone close to the surface, which has had little exploration in the past (Figure 2 - hatched area). There is good potential in this area to expand the Indicated resource above the level of the former underground development.

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.

Within the Merléac exploration licence, there is strong evidence that additional new VMS deposits will be discovered within the same rock sequences that host PAM, notably to the east where previous exploration including VTEM geophysics, soil/rock chip geochemistry and shallow drilling has defined four additional distinct centres of VMS mineralisation within a 15 kilometre long corridor.

Of note are the results from previous BRGM work at the Les Essarts prospect, where drilling recorded a number of sulphide zinc-lead-copper intersections including -

- 1.25 metres @ 7.0% zinc, 3.04% lead, 0.22% copper from 80 metres in LSS2, and
- 1.0 metre @ 5.49% zinc, 2.72% lead and 0.26% copper from 66 metres in LSS3

The exploration has clearly identified another centre of VMS mineralisation broadly analogous to Porte-aux-Moines. This area will be one of the priority targets for future Variscan exploration work including surface geochemistry and EM geophysics to outline drill targets.

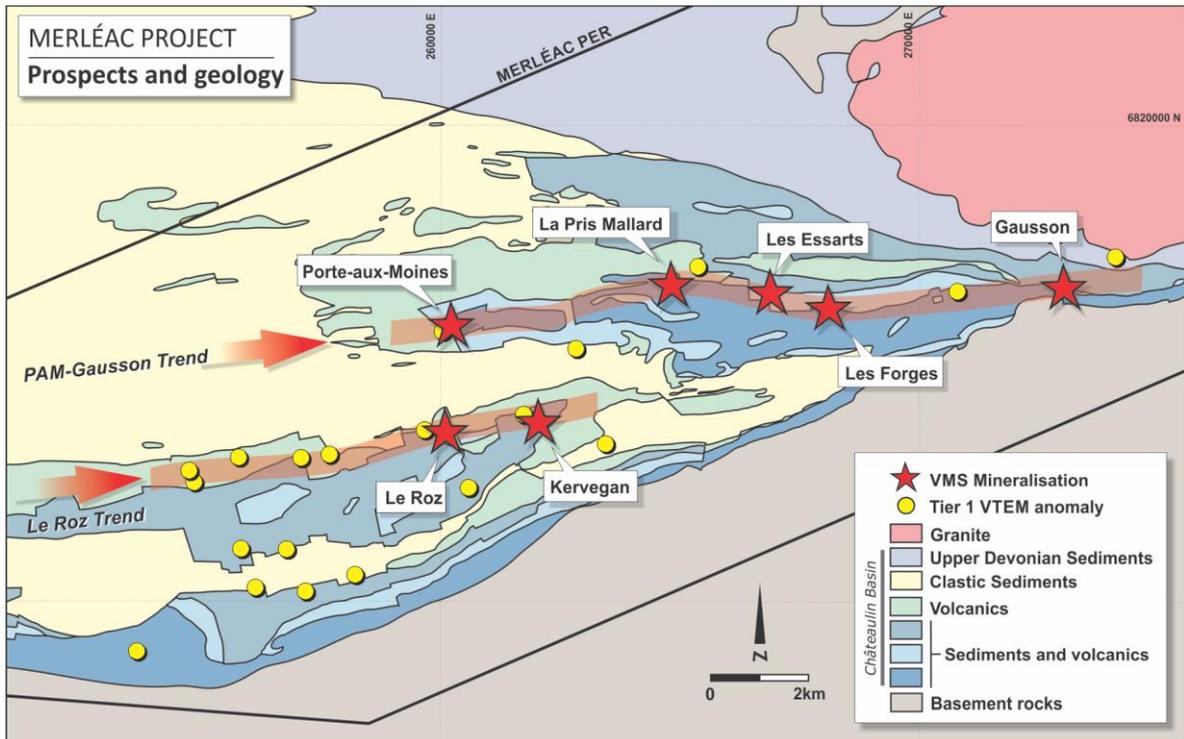


Figure 4: Key VMS prospects within the Le Roz and PAM-Gausson mineralised trends

ST PIERRE GOLD PROJECT

During 2014/2015 exploration within the licence included a broad programme of rock chip and float sampling which generated a number of high grade results up to 159g/t gold across five main areas of interest. Follow-up detailed soil sampling has been completed at selected prospects, with additional analysis of historical mine and exploration work.

Two areas for drilling have been defined at Ville Tirard and Belleville (Figure 5) to the west and south of the St Pierre township where a proposed combination of shallow traverse RC and core diamond drilling will test these targets.

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).

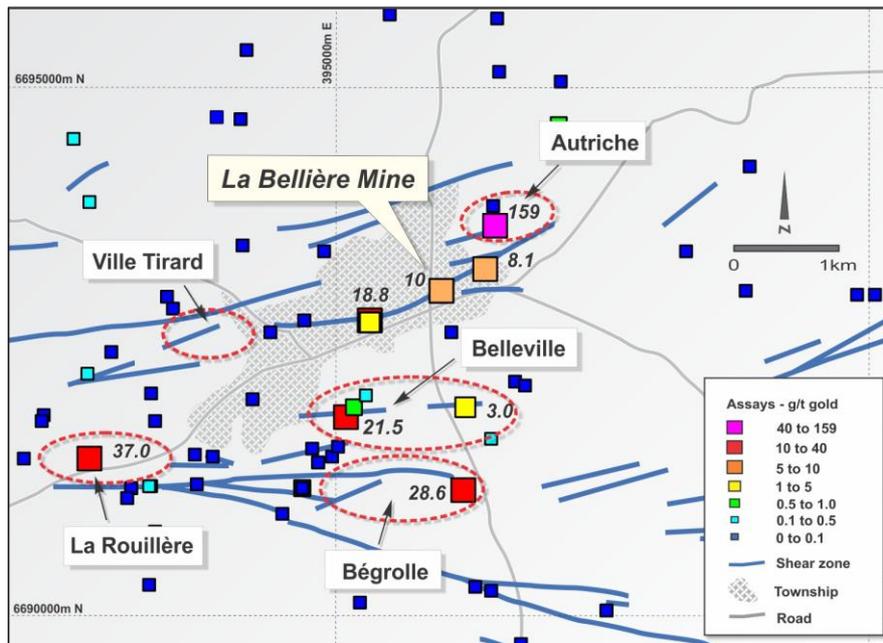


Figure 5: Rock chip / float sampling results, mapped shear zones and key prospect locations

Detailed follow-up 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) in soils 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 6).

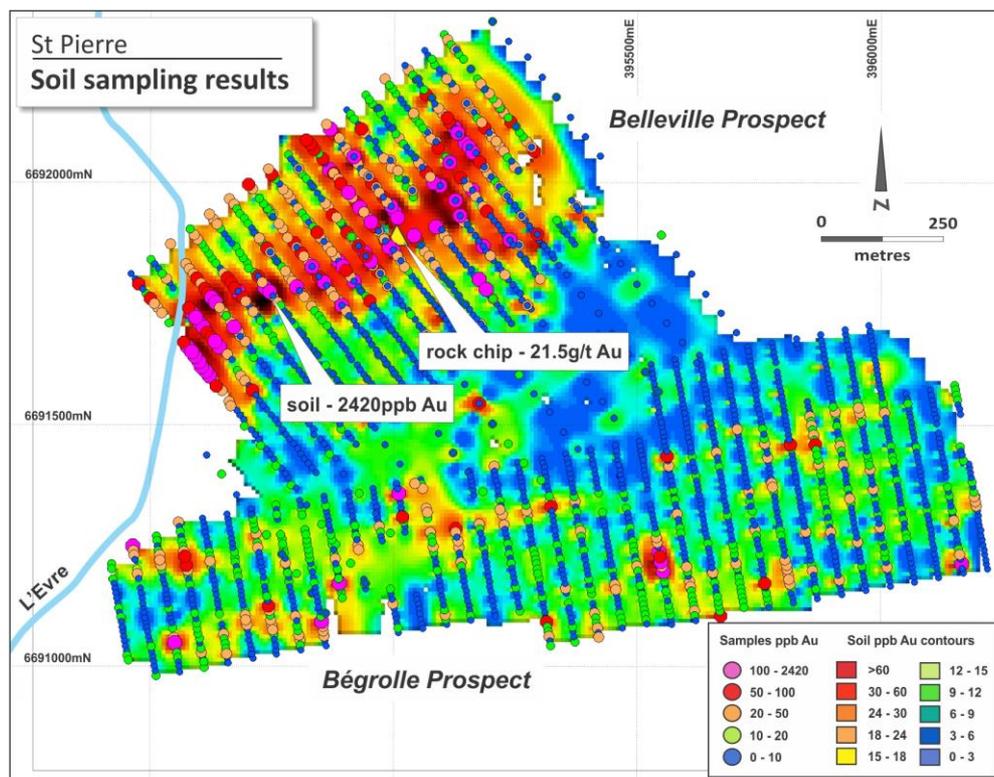


Figure 6: Belleville gold prospect at St Pierre showing soil sampling completed to date and strong anomalism defined

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 such approvals will be received this quarter.

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 7).

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.

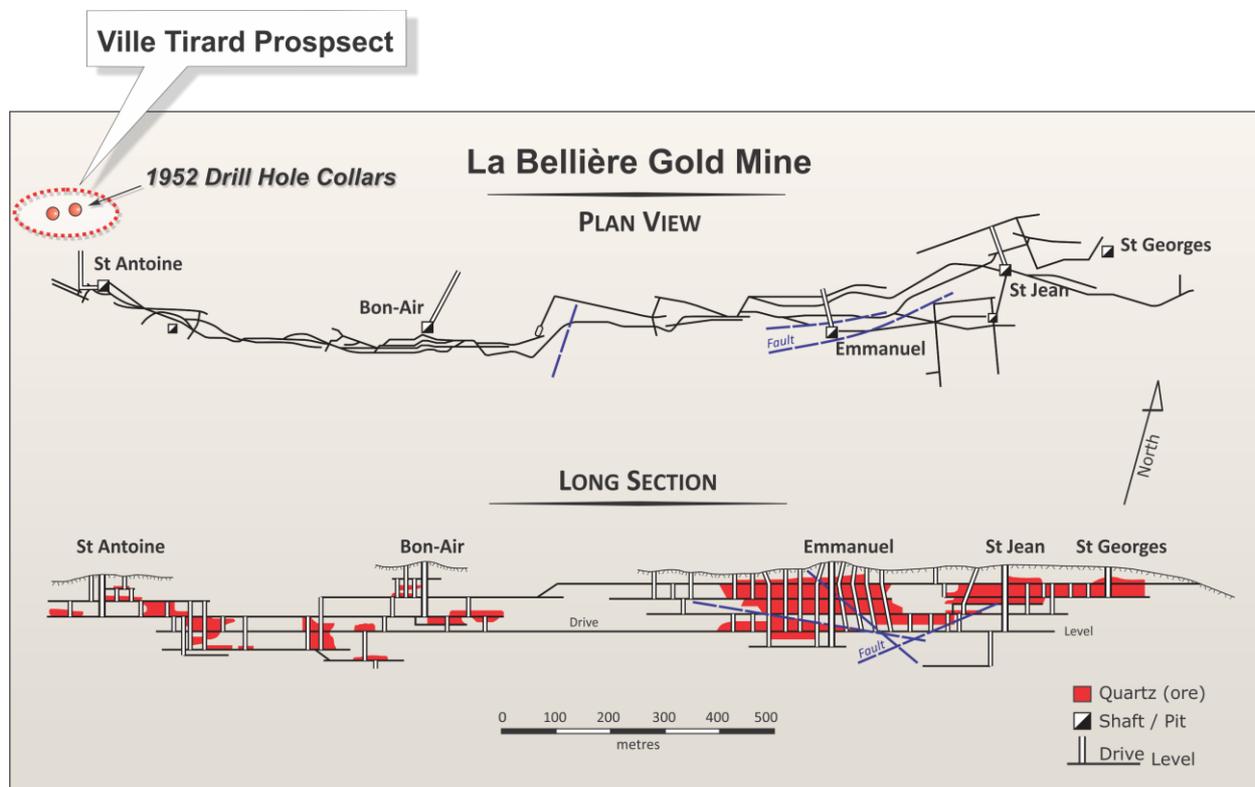


Figure 7: Approximate location of Ville Tirard prospect and drill collars from 1952 drilling projected onto the plan view of the La Bellière gold mine workings

OTHER LICENCE APPLICATIONS

Variscan has two other applications for exploration licences in France within the approvals process, each over projects with good potential for short term resource generation and/or major new discoveries.

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

ENTITLEMENT OFFER

On 9 May 2016 the Company announced that it would undertake a Placement and Rights Issue at an offer price of \$0.018 per new share to raise up to \$2.5 million before offer costs.

Funds raised in the entitlement offer are to be used to continue Variscan's exploration work within France notably drilling within the Merléac zinc and St Pierre gold projects.

The Company raised the full \$2.5 million with the Company's major shareholders, Mr Kwan Chee Seng and Acorn Capital, taking up their entitlements in the offer.

FINANCE

Cash expenditure by Variscan on exploration and project appraisal for the quarter was \$0.65 million. Expenditure by joint venture parties on projects in which Variscan has an interest was \$0.19 million for the quarter.

During the quarter Variscan sold approximately half of its shareholding in Silver City Minerals recording a net gain of \$0.68 million. Cash available for Variscan at the end of June was \$2.45 million. As at 28 July 2016, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$1.5 million.

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.

The information in this report that relates to the Exploration Results, Geology, Data, Mineralisation Interpretation and Wireframes for the Porte-aux-Moines Mineral Resource estimate 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.

The information in this report that relates to the Grade Estimation and Mineral Resource estimate for the Porte-aux-Moines deposit is based on information compiled by Michael Job, BSc and MSC, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Job is a Senior Principal Consultant at QG Australia Pty Ltd 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 Job consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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