



ASX Code: VAR
ACN: 003 254 395
Issued Shares: 175.3M
Unlisted Options: 23.9M
VAR Cash Balance: \$6.3M
Group Cash Balance: \$7.0M

Directors

Pat Elliott
Greg Jones
Kwan Chee Seng
Dr Kah Foo
Alan Breen

Top Shareholders

Kwan Chee Seng
Xiangjun Zhang
Minotaur Resources
Viking Investments

Top 20 Shareholders - 73.2%

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Highlights

- ❖ PlatSearch NL received shareholder and regulatory approval for a name change to Variscan Mines Limited, reflecting the Company's focus into project development within France.
- ❖ Variscan Mines SAS continued auger soil sampling within the Tennie exploration licence in Brittany, France. This is believed to be the first significant exploration conducted within France for some decades.
- ❖ Variscan has seven other licence applications in France, two of which have advanced to the final stages of the approvals process.
- ❖ Eastern Iron continued the Mine Feasibility Study on its Nowa Nowa iron project in Victoria with recently reported interim results of this work confirming low capital cost and robust operating margins. Completion is expected in Q1.
- ❖ Eastern Iron also reached agreement with the native title holders of the area around Nowa Nowa and received approval for a Victorian Government grant of \$300,000 to assist in infrastructure studies.
- ❖ Thomson Resources applied for a new EL over a tin-copper and IRG gold project near Kempsey, NSW.
- ❖ Silver City Minerals identified twenty nine discrete conductors in VTEM survey 10 kilometres northwest of Broken Hill. Close spaced multiple conductors indicate continuity along favourable horizons.
- ❖ At Silver City's Sellheim project, results received from an IP survey were highly encouraging, generating a number of strong chargeability anomalies suggesting sulphide mineralisation below copper and gold bearing rock chip samples.
- ❖ Geological work by Silver City at Sellheim defined multiple phases of igneous intrusion, hydrothermal brecciation and alteration and visible gold in veins.
- ❖ As at the end of the quarter, the Company held \$6.3 million in cash. Liquid investments held in listed resource companies totalled \$4.2 million.

Exploration

FRANCE

Tennie

The Tennie PER (Permis Exclusif de Recherche) was granted in June 2013 and is the first new mineral exploration licence granted in France for more than two decades. It covers 205 square kilometres of the eastern section of a Palaeozoic sedimentary package which hosts the Rouez copper-gold-lead-zinc-silver deposit (Figure 1) owned by the French energy group, Total.

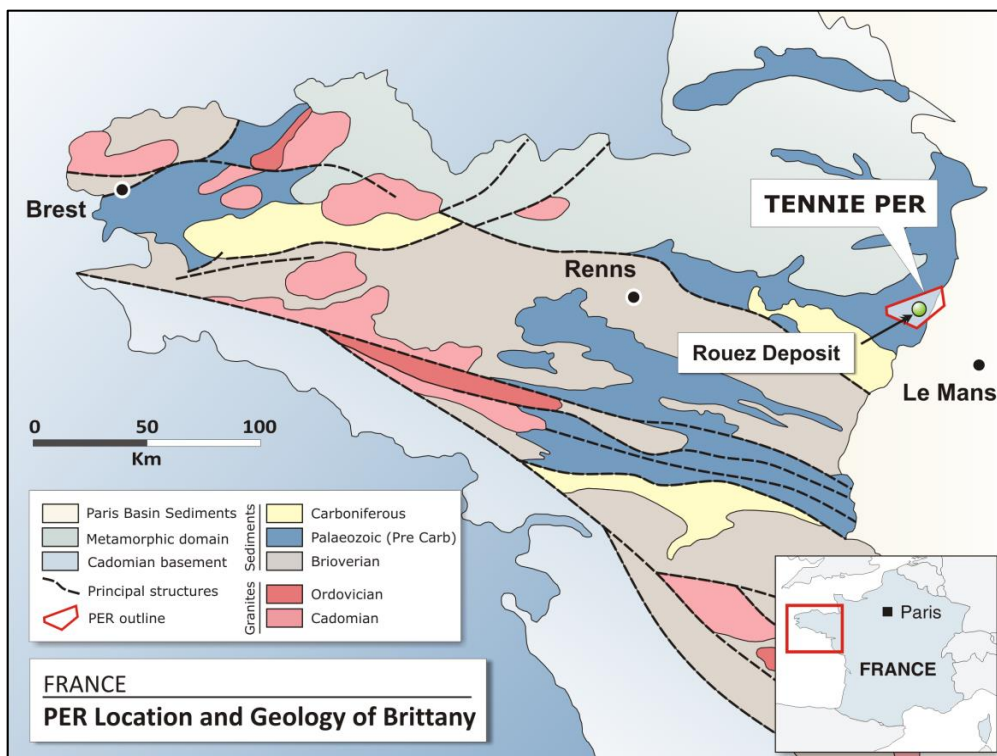


Figure 1 – Geology of Brittany and location of Tennie PER

Rouez is considered to be possibly either VMS or a hybrid SEDEX type and shares a number of geological similarities to deposits within the Iberian Pyrite Belt of Spain and Portugal. Like other deposits within this major mineralised system, Rouez is believed to have been formed via the discharge of metal-bearing brines at or close to the ancient sea floor boundary and may form one of a cluster of deposits within this region.

On the 15 October 2013 Variscan announced that it had commenced an extensive auger soil geochemical survey within the PER over the productive rock package surrounding Rouez. 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. The sampling will provide both a bedrock geochemical test for mineralisation as well as base-line environmental samples to assist in understanding the effects of previous mining.

The geochemical survey at Tennie is believed to be the first significant mineral exploration programme conducted in France for decades. It will provide a good test for the presence of near surface mineralisation within this prospective region.

Samples generated by the survey will be prepared and analysed at an XRF analytical facility established with the assistance of the Company in southern France. This will ensure a cost effective programme, with swift turnaround times should geochemical anomalies be detected. The programme will also provide a blueprint for future exploration methodologies and strong community engagement by Variscan within France.

Other Applications

Tennie is one of eight applications that the Company has made for exploration licences in France, 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.

Two of these applications have now reached the final stages of the application process.

AUSTRALIA

Callabonna and Quinyambie, SA – Red Metal can earn up to 70%

Within the Callabonna and Quinyambie projects, Red Metal Limited is targeting roll-front type uranium deposits hosted in Tertiary sedimentary sequences within the fertile Frome Sub-Basin containing the Beverley uranium mining operations and the Four Mile deposits as well as deposits within basement rocks.

During the quarter, Red Metal completed an additional 419 gravity stations over selected targets and is reviewing whether to drill these targets during the field season.

Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The companies within the portfolio are:

Eastern Iron – Iron projects in Victoria, Queensland and NSW

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

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

WPG Resources – Iron and coal projects in South Australia

Agua Limited – Phosphate and potash projects in Brazil

As at 28 January 2014, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$4.2 million.

EASTERN IRON LIMITED

Eastern Iron (ASX: EFE) continued the Mine Feasibility Study of the Nowa Nowa Iron Project in eastern Victoria using project delivery specialists Engenium Pty Ltd. The Company recently announced results that confirmed scoping study outcomes, indicating a low capital cost and robust margins over the projected life of the mine. Engenium expects the feasibility study to be completed in Q1.

During the quarter Eastern Iron announced a number of significant steps in the progression of the project. These included –

1. The submittal of a Mining Licence application over the Five Mile deposit to the Victorian Government.
2. Reaching a native title agreement with GLaWAC (Gunaikurnai Land and Waters Aboriginal Corporation) representing the Gunaikurnai people, the recognised native title holders of the area.
3. The Victorian Government, through Regional Development Victoria, agreed to contribute up to \$300,000 towards those areas of the \$2.6 Million feasibility study that relate directly to the infrastructure requirements of the project.

Variscan's shareholding in Eastern Iron is 52.5 million ordinary shares (45.8%). As at 28 January 2014 EFE shares were trading at \$0.045. More details regarding Eastern Iron's activities can be obtained from its website.

THOMSON RESOURCES LTD

As part of a new project generation initiative, Thomson (ASX: TMZ) applied for a new exploration licence over the Mt Jacob project near Kempsey NSW. The project contains two mineralised areas, the Basin One tin-copper skarn and the Mt Jacob IRG gold prospect. Both areas have had extensive previous drilling with intersections including 88 metres at 0.4g/t Au from surface to end of hole and 9 metres at 1.4 g/t Au from surface at Mt Jacobs and 6 metres at 0.3% Sn, 1.5% Cu from 4 metres depth at the adjacent Basin One prospect.

Variscan holds 18.0 million fully paid Thomson shares, or 25.7% of the company and 5.0 million options exercisable at 30 cents. As at 28 January 2014 TMZ shares were trading at \$0.02. For further details please refer to the Thomson Resources website.

SILVER CITY MINERALS LIMITED

Broken Hill - NSW

During the quarter Silver City (ASX: SCI) completed modelling work of a helicopter-borne electromagnetic (VTEM) survey completed recently to detect buried massive sulphide deposits to the north of Broken Hill and at the Allendale project.

At Allendale, previous work by Silver City has outlined several zones of BHT style lead-zinc-silver mineralisation and the VTEM survey has been flown to test the effectiveness of EM and to help define new targets, at depth and along strike. Preliminary interpretation suggests that areas of known mineralisation in drill holes are detectable as conductors in the survey. This is encouraging for future work both at Allendale and within the Broken Hill district.

At Aragon (EL 7300) and Willyama (EL 8075) the VTEM survey tested the southern parts of these adjacent tenements. A total of 29 conductors were identified. Follow-up is planned.

Sellheim - Queensland

The Sellheim Goldfield is located some 140 kilometres southeast of Charters Towers and has been mined for eluvial / alluvial gold since the 1860's. Silver City believes that the area has strong potential for intrusive related gold (IRG) (and copper?) deposits and that the gold mined from the surficial deposits has shed from local hard rock sources. Rock chip sampling has generated a number of high grade gold results which may represent leakage zones from buried deposits. Recently the company initiated a large induced polarisation (IP) survey to help explore the hard rock potential of the project.

The survey produced a number of very strong (greater than 100 mV/V) and discrete chargeability anomalies which are grouped in an east-west oriented corridor approximately 1.5 kilometres wide and 4 kilometres long. A plan of a horizontal slice of the IP model at 200 metres below the surface shows the anomalies have variable shapes; some circular (in plan), some forming an arcuate group and others elongate, both in east-west and north-south orientations (Figure 2).

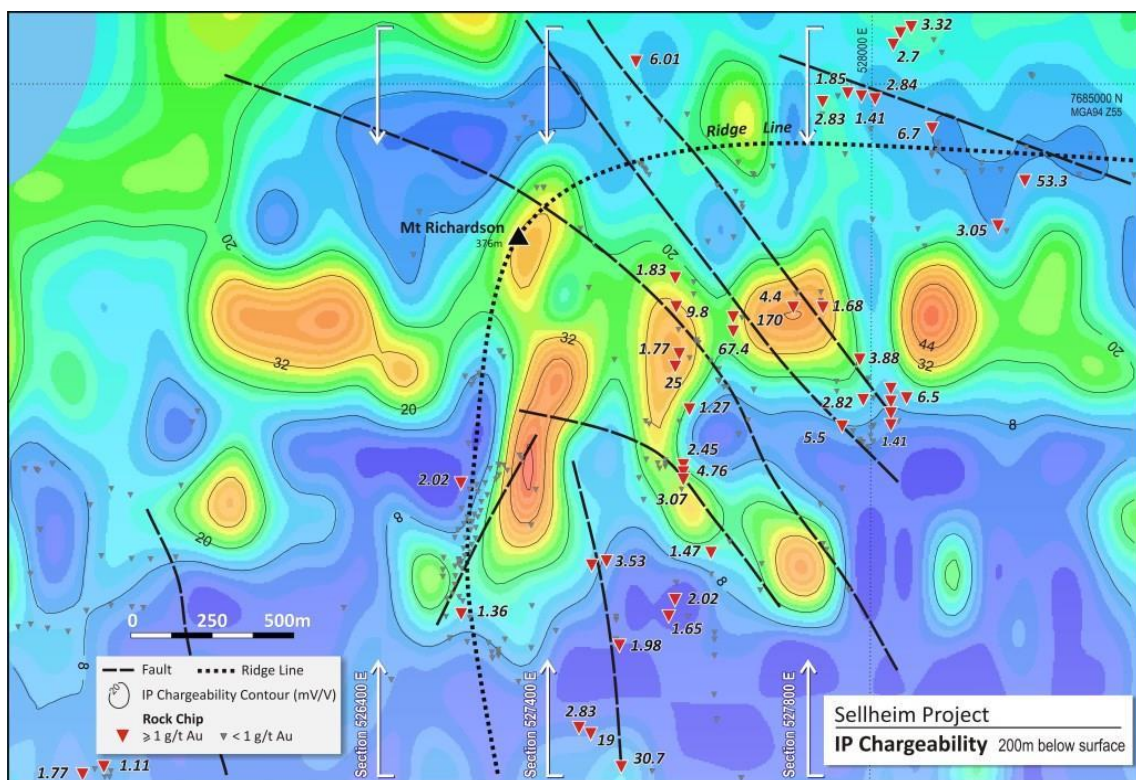


Figure 2 - Plan of IP chargeability modelled at approximately 200 metres below surface. IP anomalies are shown in the hot yellow and orange colours. Rock chip sample numbers refer to grams per tonne (g/t) gold in samples greater than or equal to 1g/t

Cross-sections through the model show that chargeability responses commence at between 100 and 200 metres below surface and extend to depth, with only minor and low strength responses reaching the surface (Figure 3). The strength of the anomalies suggests appreciable sulphide mineralisation is hosted in discrete rock bodies at depth.

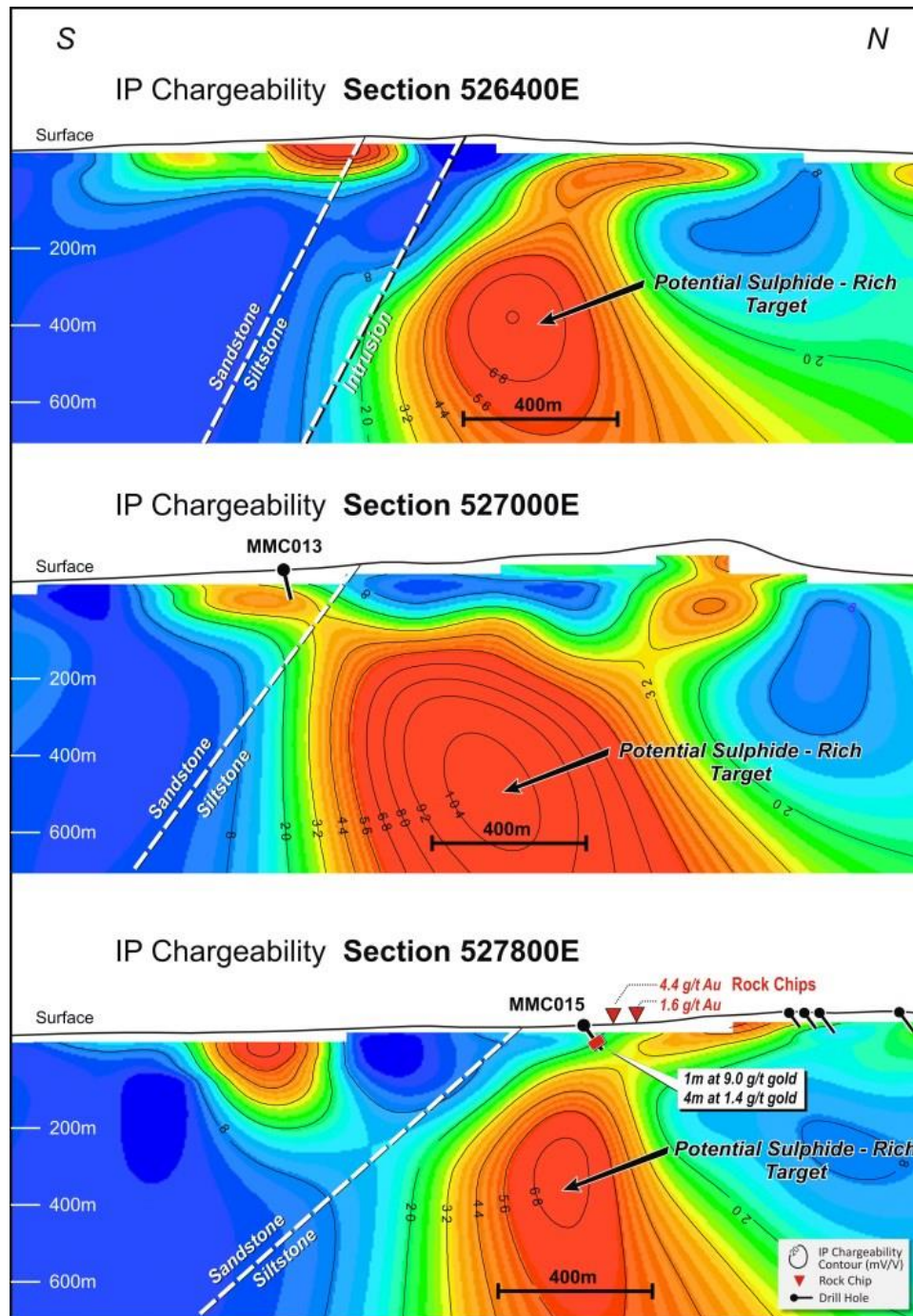


Figure 3 - IP chargeability cross-sections (locations shown as white arrows on Figure 2) showing the size and intensity of the anomalies

At surface, indications of sulphide minerals occur in narrow gold-bearing shear structures, a quartz-tourmaline and sericite-iron oxide (from weathered sulphide) breccia complex and in calc-silicate replacement zones. None of these appear to return chargeability responses of the size and strength of those outlined by the IP survey at depth. No historic drilling has penetrated deep enough to test these anomalies with average hole depth only 47 metres.

Silver City intends to drill test these anomalies as soon as the rainy season ends in March or April 2014.

Variscan holds 14.3 million fully paid shares in Silver City, or 14.6% of the company. As at 28 January 2014 Silver City shares were trading at \$0.076. For further details refer to the Silver City website.

WPG RESOURCES LTD

WPG Resources (ASX: WPG) is an iron ore exploration and development company with exploration tenements in South Australia. The company owns the significant Penrhyn and Lochiel North coal projects in South Australia and has a land asset and capacity to develop a bulk export facility at Port Pirie.

During the quarter WPG continued to work on its exploration licences whilst progressing the search for advanced assets.

Variscan holds 10.4 million fully paid WPG shares, or 4.2% of the company. As at 28 January 2014 WPG shares were trading at \$0.031. 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 calculated JORC compliant resources at its Lucena and the Tres Estradas phosphate projects, with potential for further resource expansion apparent at both projects.

During the quarter Agua announced intersections in auger drilling at Três Estradas South. Intersections included 10.0 metres grading 10.6% P_2O_5 from surface and 12.0 metres grading 9.8% P_2O_5 from 2.0m (Including 5.0 metres grading 11.1% P_2O_5). The results confirm that mineralised carbonatite host rocks extend for approximately 1,400 metres southwest from the existing JORC-compliant Três Estradas resource.

Variscan holds 1.185 million fully paid shares, as well as 200,000 options exercisable at \$0.50. As at 28 January 2014 Agua shares were trading at \$0.062. For further details refer to the Agua website.

Business development

The Company is progressing project acquisition work in France. It is currently in the advanced stages to secure additional licences within regions of demonstrated endowment 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 for 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 the Variscan Group on exploration and project appraisal for the quarter was \$0.9 million. Expenditure by joint venture parties on projects in which Variscan has an interest was \$70,500 for the quarter. Cash available for Variscan and for the Group at 31 December 2013 was \$6.3 million and \$7.0 million respectively. Eastern Iron is consolidated with Variscan Mines, including its wholly owned subsidiary Bluestone 23 Pty Ltd (The Group).

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.