PORTE-AU-MOINES ZINC DEPOSIT UPDATE

- **Conversion and verification of extensive previous exploration and mine development data from the high grade Porte-aux-Moines zinc deposit completed**
- **Generation of a revised mineralisation model and wireframes for Resource estimation completed**
- **Resource modelling by independent consultancy to commence shortly**
- **Maiden JORC 2012 Resource Estimate expected around late May**
- **Drilling anticipated to commence mid-year to follow-up former BRGM intersections including –**
  - **PAM5 - 31.0 metres @ 10.4% zinc, 2.1% lead, 1.2% copper, 105.5 g/t silver, 1.0 g/t gold (21.1% Zn Eq*)**
  - **PAM14 - 27.0 metres @ 14.0% zinc, 3.3% lead, 0.8% copper, 161.4 g/t silver, 0.8 g/t gold (25.7% Zn Eq*)**
  - **SF25 - 18.8 metres @ 7.0% zinc, 1.7% lead, 2.1% copper, 125.1 g/t silver (15.7% Zn Eq*)**

Variscan Mines Limited (ASX: VAR) is pleased to provide an update of its activities at the high grade Porte-aux-Moines (PAM) zinc-lead-copper-silver-gold volcanogenic massive sulphide (VMS) deposit within the Merléac exploration licence Brittany, France.

Variscan has completed converting and verifying a large volume of previous exploration and mine development data at PAM and has generated a revised mineralisation model for the deposit. The Company has also constructed wireframes for the main zones of mineralisation and has forwarded these to an independent consultancy group for Resource estimation to meet 2012 JORC requirements. Resource estimation is anticipated to be completed in late May.

In addition, Variscan has identified areas within the deposit which justify additional surface drilling to increase tonnages and confidence limits that could be applied to the Resource. Strike potential for additional mineralisation is evident, notably to the west where a former Versatile Time Domain Electromagnetic (VTEM) survey indicated conductive horizons outside areas previously tested.

PAM AND RECENT WORK

Former exploration by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) at PAM from 1976-1984 included approximately ten kilometres of surface and underground drilling and two kilometres of underground mine development. This work defined zones of high grade zinc-lead-copper-silver-gold mineralization up to 20 metres thick from near surface to a depth of about 300 metres within a stacked massive sulphide system.

Variscan previously sampled the three remaining preserved surface core holes drilled into PAM announcing a number of outstanding, high grade, zinc-dominant, polymetallic intersections (see ASX announcements dated 19 May, 20 and 29 July 2015). In November, 2015 the Company received a comprehensive two gigabyte dataset from the BRGM containing scanned copies of all available technical information generated by the BRGM exploration work at PAM including drill hole logs, assays, mine development, mapping data and metallurgical work.

Variscan has now completed converting the majority of the drill and development data to electronic formats and has generated a revised mineralisation model for this deposit (Figure 1). Wireframes of the interpreted high grade mineralisation envelopes have been completed and have been sent to QG Australia Pty Ltd, an independent consultancy group to undertake a Resource estimation of PAM to 2012 JORC standards. This work is expected to be completed in late May.

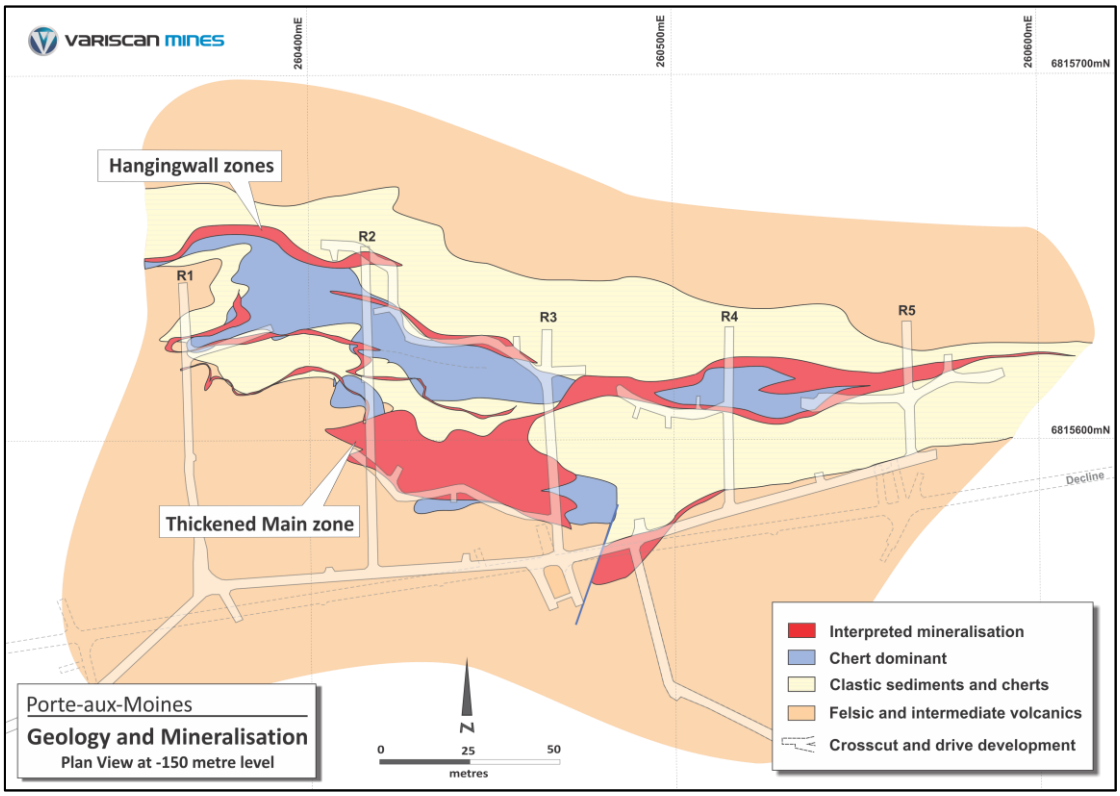


Figure 1 - Plan view of PAM geology and interpreted mineralisation at 150 metres below the surface showing underground development by the BRGM

PAM DRILL TARGETS

Although mineralisation within the deposit has been comparatively well defined by the large number of surface and underground drill holes (plus underground development), Variscan has identified areas within the deposit which justify additional surface drilling to potentially expand tonnages and increase the volume of Indicated Resource that could be defined.

The targets for near-term drilling are within the Main and Hangingwall zones, notably towards the interpreted base and eastern extension of the high grade, thickened Main zone (see Figures 1 and 2) where former coarse-spaced drilling by the BRGM intersected high grade mineralisation (often >15% Zn Eq*) (see ASX announcement 14 December 2015), in some holes with estimated true widths in excess of 20 metres.

Examples include -

- **PAM5 - 31.0 metres @ 10.4% zinc, 2.1% lead, 1.2% copper, 105.5 g/t silver, 1.0 g/t gold (21.1% Zn Eq*) - estimated true width 21 metres**
- **PAM14 - 27.0 metres @ 14.0% zinc, 3.3% lead, 0.8% copper, 161.4 g/t silver, 0.8 g/t gold (25.7% Zn Eq*) - estimated true width 18 metres**
- **PAM16 - 34.5 metres @ 5.3% zinc, 0.9% lead, 1.2% copper, 86.0 g/t silver, 0.9 g/t gold (14% Zn Eq*) - estimated true width 23 metres**
- **SF25 - 18.8 metres @ 7.0% zinc, 1.7% lead, 2.1% copper, 125.1 g/t silver (15.7% Zn Eq*) - estimated true width 16 metres**

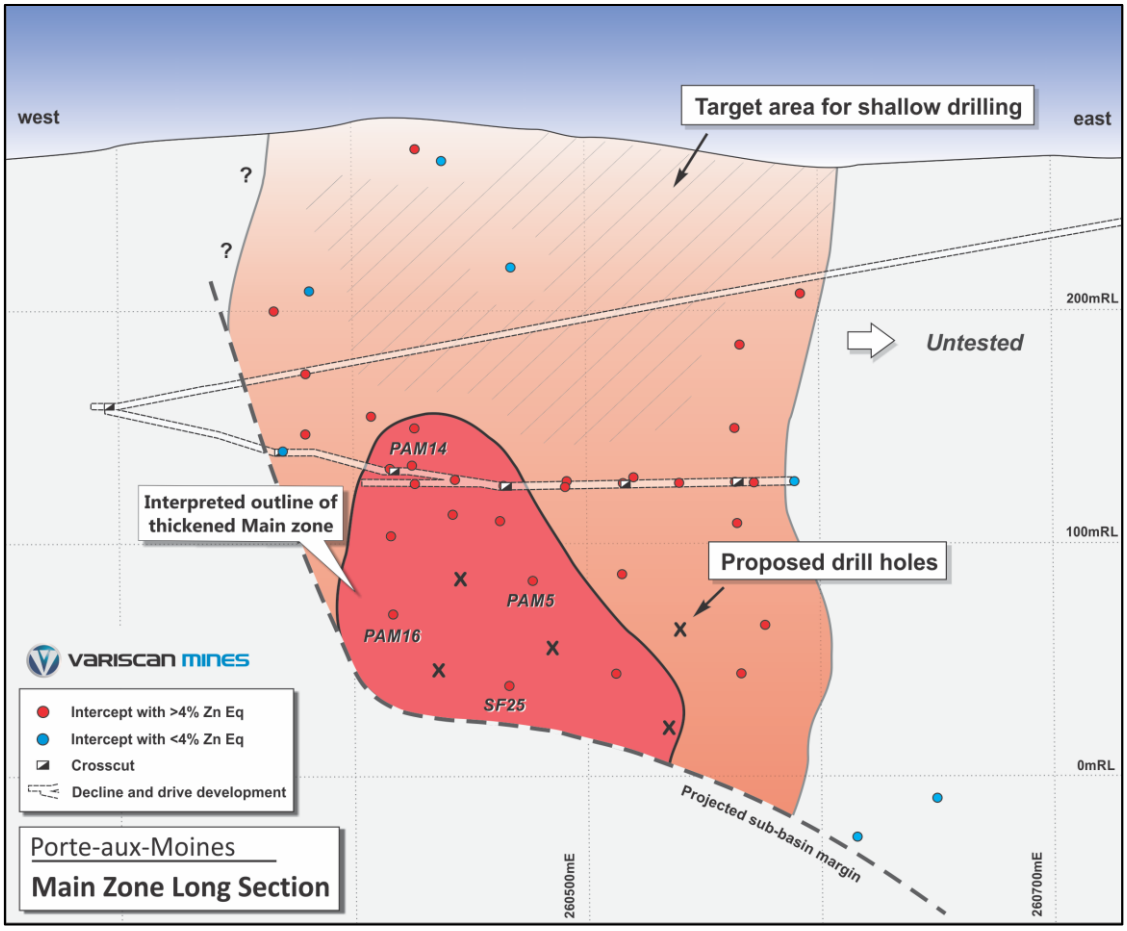


Figure 2 - Vertical long section at PAM of the Main surface showing the interpreted thickened zone and flanking mineralisation. Proposed deeper drilling pierce points shown as well as the target area for shallow drilling (hatched)

*Note: * The Zinc Equivalent value (Zn Eq) is based on zinc (US$1,800 per tonne), lead (US$1,800 per tonne), copper (US$5,600 per tonne), silver (US$15 per ounce) and gold (US$1,150 per ounce). The zinc equivalent calculation represents the total metal value for each metal, multiplied by a price based conversion factor, summed and expressed in equivalent zinc percent per tonne. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. Nevertheless, it is the Company's opinion that all the elements included in the metal equivalents calculation have good potential to be recovered as is commonly the case for similar VMS deposits*

Deeper drilling (at least 2-3 holes) is planned to test this area and confirm the geological interpretation during the French summer period (Figures 2 and 3), once programme designs are finalised, local approvals gained and access agreements signed.

In addition, drilling may also test 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 Resource above the level of the former underground development.

Outside the area defined for Resource estimation, additional strike potential is evident, notably to the west where former drilling by the BRGM (e.g. PAM15 - 1.0 metre @ 10.4% zinc, 5.5% lead, 0.1% copper, 103.0 g/t silver) and the results from the VTEM survey indicated a possible extension of the mineralised system (ASX announcement 28 September 2015).

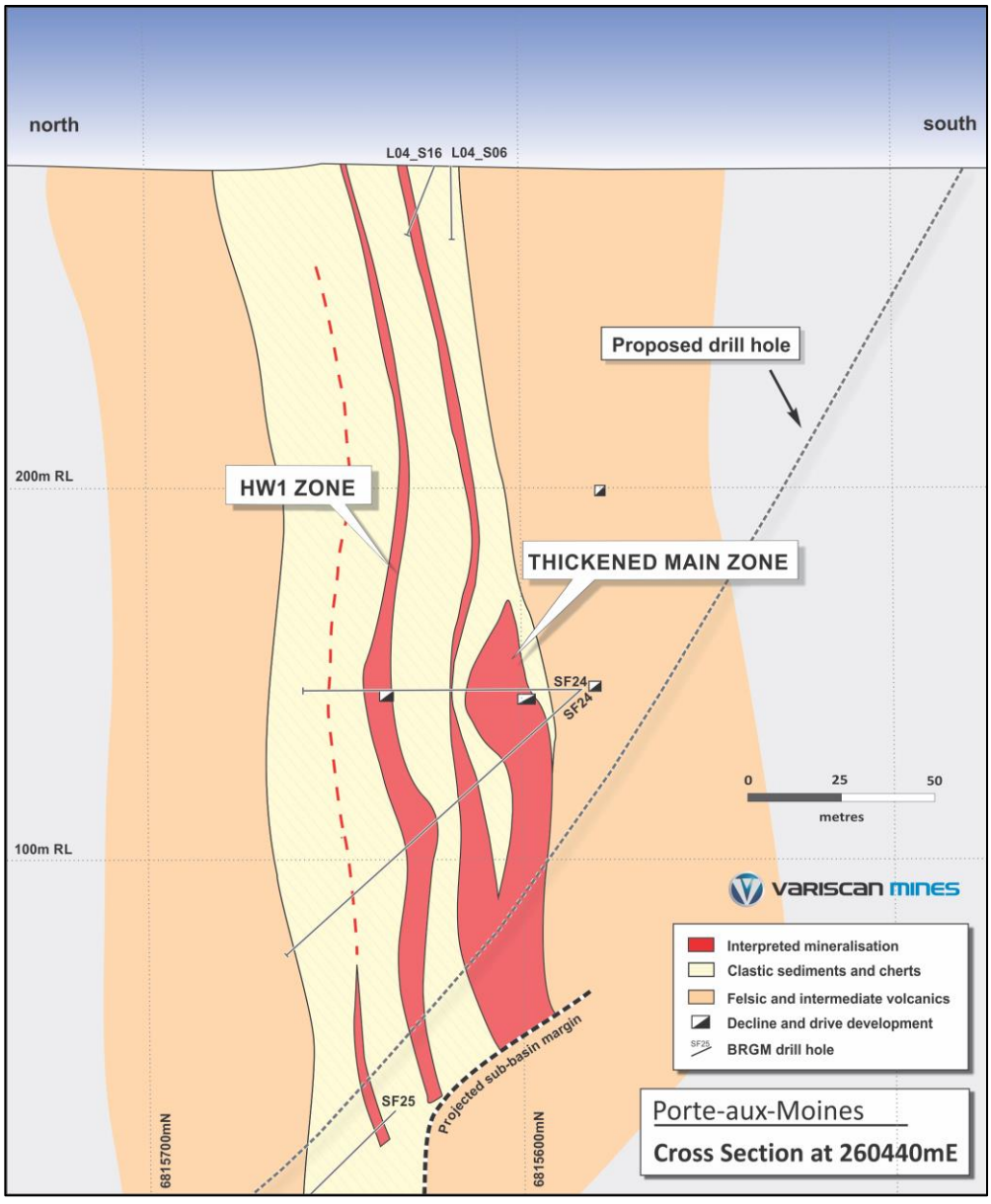
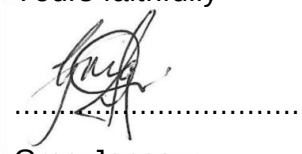


Figure 3 - Cross section through PAM at 260440mE showing interpreted mineralised zones (at 4% Zn Eq cut-off) and proposed deeper core drilling.

Yours faithfully



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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.