



ASX Code: VAR

ACN: 003 254 395

Issued Shares: 175.7M

Unlisted Options: 25.3M

Group Cash Balance: \$6.1M

VAR Cash Balance: \$5.95M

VAR Investments: \$4.6M

#### Directors

Pat Elliott

Greg Jones

Kwan Chee Seng

Dr Kah Foo

Alan Breen

#### Top Shareholders

Kwan Chee Seng

UOB Kay Hian Private Limited

Chris and Betsy Carr

Minotaur Resources

Top 20 Shareholders - 73.8%

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## Highlights

- ▼ Variscan received confirmation of the grant of the St Pierre exploration licence (PER) in Brittany, France. This is Variscan's second licence in the country and continues the Company's positive progress.
- ▼ The St Pierre licence covers an area of 386 square kilometres around the La Bellière gold mine, which is reported to have produced approximately 334,000 ounces of gold from ore averaging 12 g/t gold.
- ▼ Gold mineralisation at La Bellière is shear hosted and contains high grade quartz veins up to 16 metres wide surrounded by zones of lower grade stockwork mineralisation. The potential of the La Bellière shear system to host multi-million ounce deposits is considered good.
- ▼ Aside from two shallow BRGM holes drilled during the 1980's, no significant exploration is believed to have been conducted within the area since mine closure in 1952.
- ▼ Variscan has six 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.
- ▼ Eastern Iron placed shares to raise up to \$1 million to fund additional drilling and metallurgical work on Nowa Nowa to bring the feasibility study to Definitive status.
- ▼ Eastern Iron secured a mining licence over Nowa Nowa.
- ▼ Thomson Resources reached agreement to obtain the Havilah VMS project believed to have strong base and precious metal potential.
- ▼ Silver City Minerals raised \$1.3 million to fund drilling of the company's Sellheim project, where an IP survey generated a number of strong chargeability anomalies suggesting sulphide mineralisation below copper and gold bearing rock chip samples.
- ▼ As at the end of the quarter, the Company held \$5.95 million in cash inclusive of a \$2.5M convertible note. Liquid investments held in listed resource companies totalled \$4.6 million.

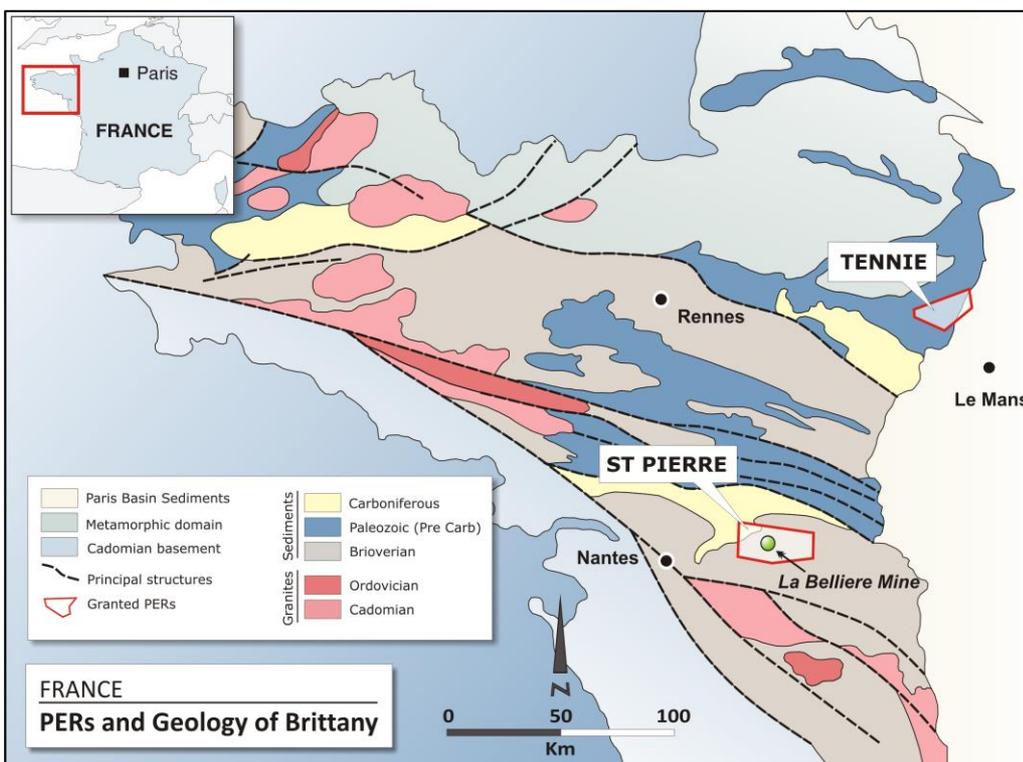
# Exploration

## FRANCE

### St Pierre

During the quarter the Company announced that its wholly owned European subsidiary Variscan Mines SAS received confirmation of the grant of its second exploration licence within Brittany, France. The licence (Permis Exclusif de Recherche or PER) covers an important hard-rock gold district believed to have been the third largest gold producer in France. The St Pierre PER encompasses an area of 386 square kilometres around the La Bellière gold mine located in the Department of Maine et Loire, approximately 60 kilometres east of the regional centre Nantes (Figure 1).

From 1906 to 1952 the mine produced about 334,000 ounces of gold\* (plus silver), up to a maximum depth of 170 metres below surface, intermittently over a strike length of about 1.6 kilometres (Figure 2). The average production grade was 12 g/t gold, mined from a series stacked, high grade veins hosted within an east-west oriented shear zone. The high grade quartz – sulphide veins individually vary in true thickness from 1 to 16 metres and dip steeply to the south (Figure 3).

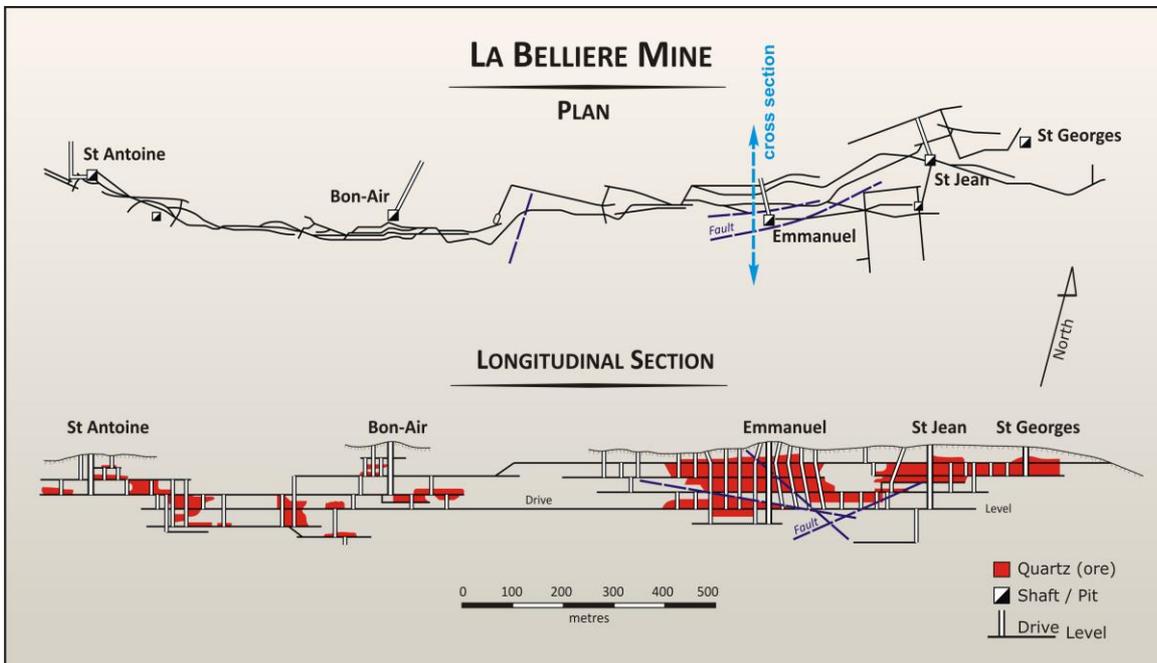


**Figure 1 – Location of the St Pierre PER**

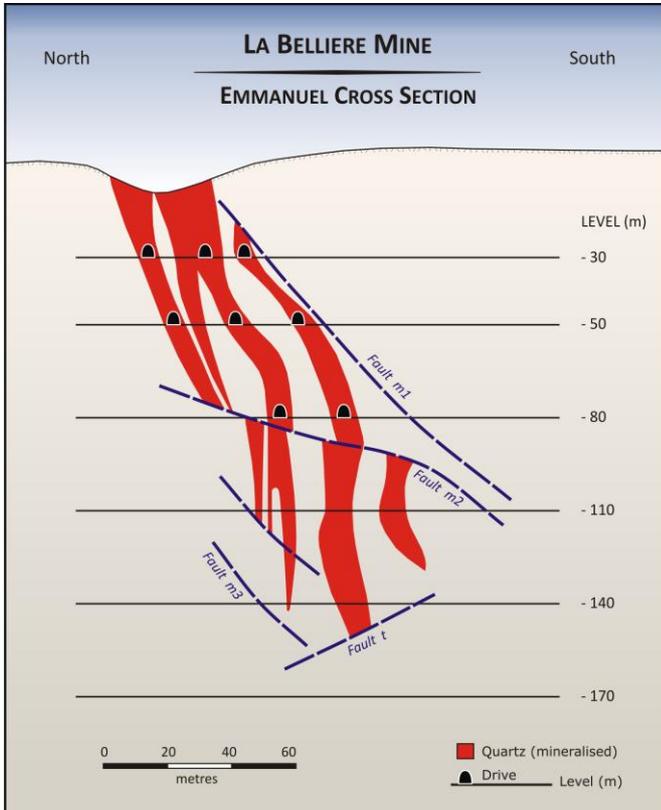
Within the shear, between these thicker veins, the country rocks are invaded by structurally controlled stockwork vein / veinlet arrays identical in composition to the main lodes. Old records obtained by Variscan document zones of lower grade material between the high grade veins which were not mined. The width of the mineralised shear is believed to approach 30-50

\* C Louis. *Les exploitations minières dans le Massif Armoricain. Déclin ou progrès. In: Norois. N°141, 1989. pp. 5-32.*

metres in the mine workings (Figure 3) and offers bulk mineable potential. These will be one of the first targets to be tested by Variscan once initial geological work is completed and approvals to commence drilling are received.



**Figure 2 – Plan and long section views of La Bellière mine**



**Figure 3 – Cross section through Emmanuel - La Bellière mine**

The richest part of the La Bellière deposit is characterised by large scale and very intense

quartz – sericite – pyrite hydrothermal alteration which bleaches the country rocks, forming a halo up to 200 metres on the flanks of the shear. Given the scale and intensity of this alteration and the nature and style of the mineralisation, Variscan believes that La Bellière displays the hallmarks of a major orogenic shear-hosted gold system with potential to host multi-million ounce gold deposits.

To the north and south of La Bellière old data also indicates the presence of parallel shears, highlighting the potential for additional gold deposits within the immediate proximity of the mine and throughout the remainder of the St Pierre PER.

Since gold mining halted at La Bellière in 1952, the only significant documented exploration in the goldfield has been conducted by the BRGM, who drilled two shallow diamond holes at the mine during the 1980's. No other substantive modern exploration is believed to have been carried out and the project is considered highly underexplored.

Variscan will shortly commence compilation and assessment of geological data held at the BRGM (Bureau de Recherches Géologiques et Minières - the French Geological Survey) and commence structural studies to generate short term drill targets in and around the old mine workings. This data was not available until the licence was granted. Consequently full Table 1 reporting is not possible until work commences.

A combination of shallow drill holes to follow-up targets defined from old mine development assays and/or drill holes, as well as deeper drilling to test the down plunge extensions of the La Bellière vein system is envisaged. Variscan also intends to commence a programme of shallow auger and rock chip geochemistry covering other shear zones within the PER to define additional targets within this underexplored region.

The St Pierre PER is the second exploration licence granted to Variscan following the approval of the Tennie PER in June 2013. These PERs represent some of the first new exploration licences granted in France for more than two decades and clearly establish Variscan as one of France's pre-eminent exploration companies. It again demonstrates Variscan's capacity to successfully work together with the French Government and local communities and within the French mining code.

## **Tennie**

The Tennie PER 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. 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.

In late 2013 Variscan commenced an extensive auger soil geochemical survey within the PER believed to be the first significant mineral exploration programme conducted in France for decades. 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. Work is continuing.

## Other Applications

Variscan has six other applications for exploration licences in France within the approvals process, 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

Exploration activity within Variscan's Australian joint ventures was subdued for the quarter. No significant work was completed.

## 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 projects in Victoria and Queensland

**Silver City Minerals** – Exploration interests at Broken Hill, NSW and in North Queensland

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

**WPG Resources** – Iron, coal and gold projects in South Australia

**Agua** – Phosphate and potash projects in Brazil

As at 28 April 2014, the total value of the Variscan shareholdings in ASX listed resource companies stood at approximately \$4.6 million.

## EASTERN IRON LIMITED

Eastern Iron (ASX: EFE) continued the Mine Feasibility Study of the Nowa Nowa Iron Project in eastern Victoria. The Company recently announced results that confirmed scoping study outcomes, indicating a low capital cost (\$36.1M) and robust margins over the projected life of the mine.

During the quarter, in order to take the feasibility study to the definitive stage (DFS), Eastern Iron committed to undertaking further work including a short program of RC drilling to upgrade part of the Inferred Mineral Resource at Five Mile to higher confidence categories for inclusion within a mining study for the DFS.

A total of 10 vertical RC holes (590 metres) were completed (Figure 4), with assay results summarised in Table 1. The results are consistent with assays reported from earlier drilling completed by the Victorian Dept of Mines in the 1950's and used to compile the current Resource. Significantly it was noted that the thickest intersections were in the easternmost holes NRC044, NRC045 and NRC047 with the resource still open in this direction.

Weighted average of all mineralised intercepts was 52.8% Fe confirming that the mineralisation in this area tends to be somewhat higher grade than the bulk of the Resource. Assay results have been provided to resource consultants and an updated resource estimate should be available in early May.

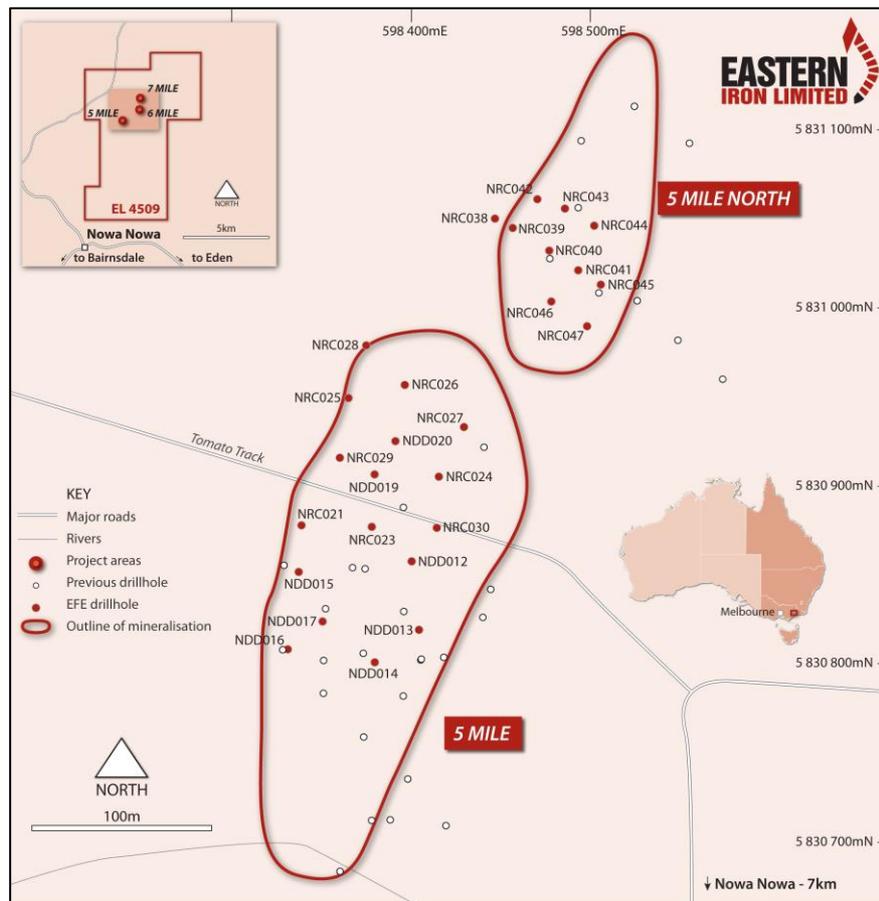
**Table 1 – Nowa Nowa drill assay results**

Hole ID	Depth (m)	From (m)	To (m)	Interval (m)	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
NRC038	43			NSI					
NRC039	52			NSI					
NRC040	58	22	46	24	53.4	12.7	2.0	0.01	2.37
NRC041	64	22	56	34	54.4	11.9	2.1	0.02	2.23
NRC042	46			NSI					
NRC043	65	14	54	40	50.9	16.2	2.0	0.01	1.45
NRC044	67	16	62	46	54.2	12.2	2.7	0.02	3.42
NRC045	67	26	67	41	50.7	13.4	2.9	0.03	3.87
NRC046	54	40	50	10	55.0	9.1	1.7	0.01	2.60
NRC047	74	42	72	30	53.2	12.0	2.7	0.02	2.65

*Fe Intercepts reported applying a >40% Fe lower cut off. No top cuts were applied.  
Mineable width of >5 metres assumed.*

*RC percussion drillholes sampled nominally at 2 metre composite intervals for XRF analysis.*

*NSI – no significant intercept*



**Figure 4 – Drilling at Nowa Nowa**

Additional metallurgical confirmation work was also completed using large, pilot-scale, dry, low intensity magnetic separation (Dry LIMS) equipment to enhance recoveries. Overall results

exceeded expectations with significant improvement in the average product grade to 58% iron (versus 56% iron in the feasibility study), at an average iron recovery of more than 90%.

Upgrade factors (i.e. from feed grade to product grade) suggest that the Dry LIMS is highly effective in its application to the Nowa Nowa ore, even at a relatively coarse feed size of -6mm. The technique was also successful in reducing sulphur grades to well below 1% sulphur in product.

On 23 April Eastern Iron announced that the Victorian Government had granted a mining licence, MIN 5571, over the Nowa Nowa Iron Project, an important milestone towards developing the project.

During the quarter Eastern Iron also announced that it had agreed to issue 14.3 million new ordinary shares at a price of \$0.042 per share to Harland Capital Fund LLC (Harland) to help complete the DFS. The first tranche of the share issue raised approximately \$600,000 and a subsequent tranche \$100,000. Harland was granted a call option until 30 June 2014 to subscribe for additional shares at the same issue price to raise a further approximate \$300,000. Following the completion of the first tranche Mr Michael Giles representing Harland joined the Eastern Iron Board.

*Variscan's shareholding in Eastern Iron is 52.5 million ordinary shares (39.05%). As at 28 April 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 its new project generation initiative, on 4 April Thomson (ASX: TMZ) announced that it had acquired the Havilah base and precious metal project located approximately 20 kilometres southeast of Mudgee, central NSW. The Havilah Project lies within the Silurian Hill End Trough and is believed to have strong potential for volcanogenic massive sulphide (VMS) deposits also found in the region such as Lewis Ponds and Sunny Corner.

Previous work at Havilah has defined zinc, lead, gold and silver anomalism in soil and rock chip sampling coincident with a strong sericite-pyrite-silica alteration zone. The soil anomaly covers a large area of over 1000 metres by 400 metres, with just one drill hole completed within the anomaly to date. The alteration is hosted in rhyolitic to dacitic volcanoclastics, a typical setting for VMS deposits. The pyritic alteration has shown up strongly in a previous IP survey, which was not completed over the whole soil anomaly.

Historical drilling largely targeted more distal parts of the alteration system, returning the following intercepts (for full details see Thomson Resources' announcement of 4 April):

- 4 metres at 4.0 g/t gold, 81 g/t silver from 2m depth in CPDH10;
- 30 metres at 0.2 g/t gold from surface in HAV18
- 4 metres at 1.1% lead, 0.7% zinc from 26m depth in CPDH4
- 4 metres at 0.9% zinc, 0.6% lead from 122m depth in CPDH6 – this is the only hole drilled within the soil anomaly area.

A VTEM survey (Versatile Time-Domain Electromagnetic geophysical system) has been commissioned to test the Havilah Project. VTEM is widely considered the best helicopter TEM massive sulphide detection and imaging tool with notable successes including the discovery of the Mallee Bull deposit in the Cobar Basin.

The VTEM survey will also be flown over several other priority prospects including the Wilga Downs VMS target (EL 8136), Furneys VMS (EL 8251) and the Wilgaroon tin-tungsten prospect (EL 8011).

The latter deposit type is often associated with the sulphide mineral pyrrhotite and the single hole drilled previously in the area intersected 250 metres of low grade cassiterite (tin) – sulphide mineralisation.

Variscan holds 18.0 million fully paid Thomson shares, or 25.7% of the company. As at 28 April 2014 TMZ shares were trading at \$0.041. For further details please refer to the Thomson Resources website.

## SILVER CITY MINERALS LIMITED

Work during the quarter by Silver City (ASX: SCI) largely focussed on preparation for drilling at Sellheim.

The Sellheim Project is located 140 kilometres southeast of Charters Towers in North Queensland and has been mined for eluvial / alluvial gold since the 1860's. Silver City believes that the gold mined from the surficial deposits has shed from local hard rock sources and that the area has strong potential for intrusive related gold (IRG) (and copper?).

Previous rock chip sampling has generated a number of high grade gold (and copper) results which may represent leakage zones from buried deposits. Recently the company completed a large induced polarisation (IP) survey to help explore the hard rock potential of the project defining a number of very strong (greater than 100 mV/V) and discrete chargeability anomalies believed possibly related to significant sulphide mineralisation commencing 100 to 200 metres below the surface. These targets have not been tested by previous shallow drilling (Figures 5, 6 and 7).

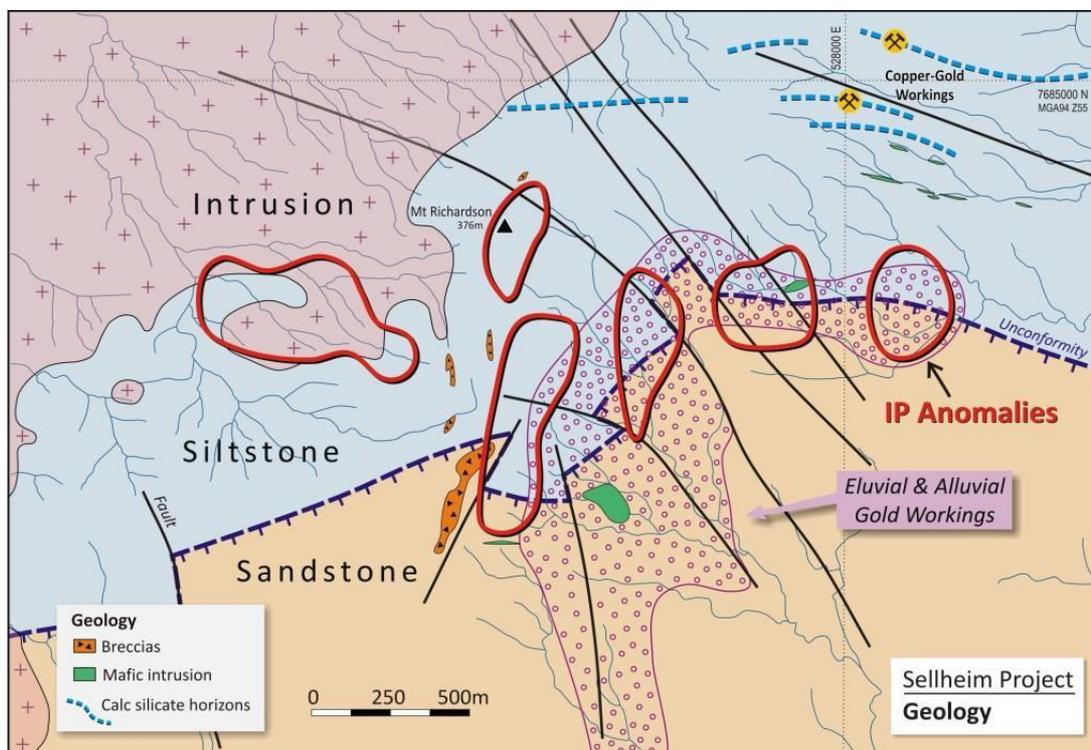


Figure 5. Local geology showing relationship of IP anomalies (modelled at 200 metres below surface) to the eluvial/alluvial goldfield and a contact between two rock types (courtesy of Silver City).

SCI has commenced an initial 2,000 metres drilling program to assess these targets. One hole 14SH001 has been completed to date (Figure 6). Geological logging and assaying is ongoing.

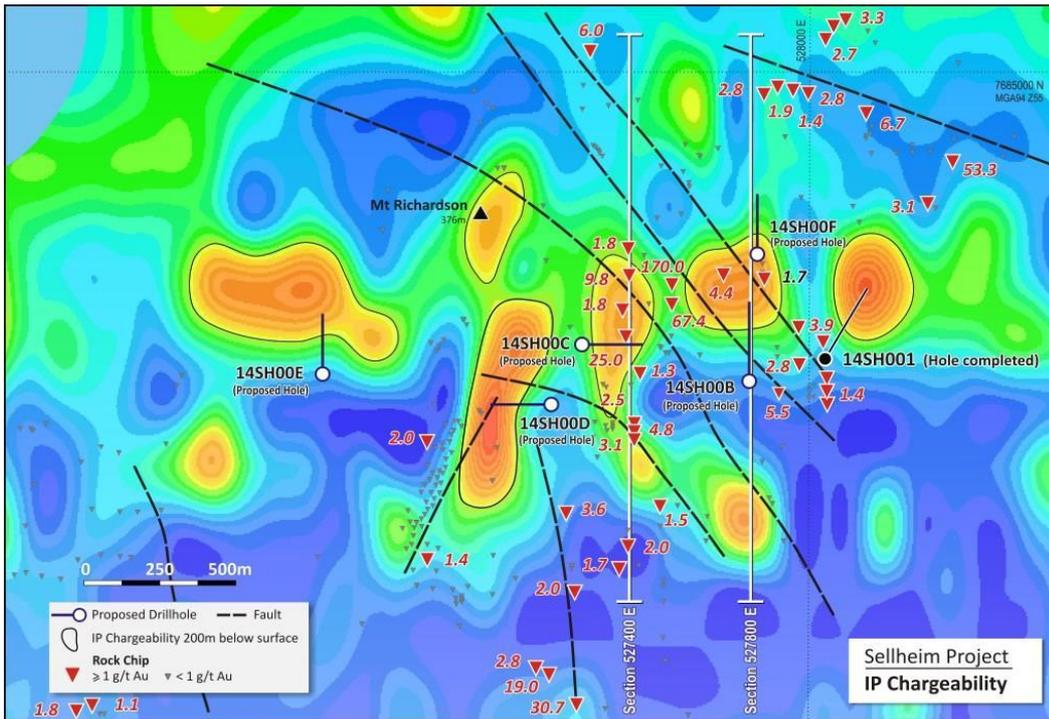


Figure 6. Same map area as Figure 4 showing IP chargeability and the relationship to elevated gold in surface rock chip samples. Completed and proposed holes are shown (courtesy of Silver City).

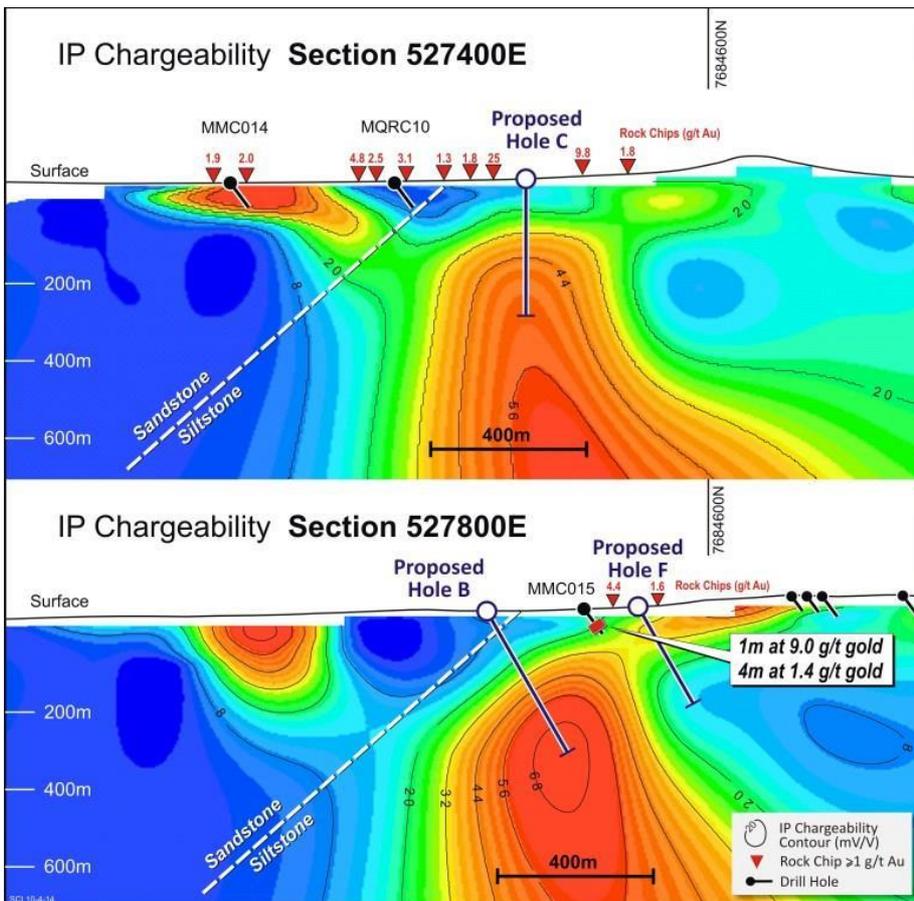


Figure 7. Cross-sections of the IP inversion model showing historic shallow drill holes, surface rock chip samples, IP anomalies located beneath a geological contact and proposed drill holes (courtesy of Silver City).

On 11 March 2014 Silver City announced that it had arranged a placement of new shares to major shareholders at 7.1 cents per share and a share purchase plan (“SPP”) to allow existing eligible shareholders the opportunity to apply for shares at the same price. The SPP closed on 7 April 2014 and together with the placement successfully raised \$1.3 million before costs.

*Variscan holds 14.5 million fully paid shares in Silver City, or 12.5% of the company. As at 28 April 2014 Silver City shares were trading at \$0.075. For further details refer to the Silver City website.*

## **WPG RESOURCES LTD**

WPG Resources (ASX: WPG) is an iron ore, coal and gold 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 announced that it had entered into a binding Term Sheet with Mungana Goldmines Limited (ASX: MUX) to purchase Mungana’s Tarcoola and Tunkillia gold projects which are located around 450 kilometres north-west of Port Augusta in South Australia. The projects have a considerable gold resource (with expansion potential), with former studies suggesting that the deposits can be mined by conventional open pit operations and are amenable to CIL/CIP processing.

The completion of the transaction is subject to completion of successful due diligence studies by WPG and other conditions precedent being met.

*Variscan holds 10.4 million fully paid WPG shares, or 4.2% of the company. As at 28 April 2014 WPG shares were trading at \$0.036. 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 reported JORC compliant resources at its Lucena and the Tres Estradas phosphate projects, with potential for further resource expansion apparent at both projects.

*Variscan holds 1.185 million fully paid shares, as well as 200,000 options exercisable at \$0.50. As at 28 April 2014 Agua shares were trading at \$0.058. For further details refer to the Agua website.*

## **Business development**

Variscan 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 \$0.84 million. Expenditure by joint venture parties on projects in which Variscan has an interest was \$53,000 for the quarter. Cash available for Variscan and for the Group at 31 March 2014 was \$5.95 million (inclusive of a \$2.5M convertible note due in April) and \$6.14 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.*