


variscan mines

NEW JV PARTNER SECURED IN SIGNIFICANT DEAL

- ❖ **Apollo Minerals Limited acquires Ariege Tungstene SAS, the company in joint venture with Variscan over the Couflens exploration licence in France**
- ❖ **Under the JV, Apollo will earn an 80% interest with Variscan free-carried at 20% until a DFS is completed or total expenditure of €25 million (~\$A35 million) is reached**
- ❖ **Couflens covers the Salau mine, formerly one of the world's highest grade tungsten mines with average historic production grades of 1.5% WO₃**
- ❖ **Salau has very good potential to be brought back into production, with initial work aimed at generating a 2012 JORC resource as quickly as possible**
- ❖ **Variscan to raise an additional \$1.4 million to fund exploration activities on other assets through:**
 - **the early exercise of options held by Directors to raise \$0.9 million**
 - **a share placement to raise \$0.5 million**

Variscan Mines Limited (ASX: VAR) ("Variscan", "the Company") is pleased to confirm that Apollo Minerals Limited (ASX: AON) has today announced that it will acquire Ariege Tungstene SAS, Variscan's joint venture partner within the recently granted Couflens exploration licence, located in the Pyrenees region of southern France.

Through Ariege, Apollo will earn an 80% interest in the joint venture, with Variscan free-carried at 20% until the completion of a definitive feasibility study or the expenditure of €25 million (~\$A35 million) (whichever is achieved first). Apollo will take management control of the project by paying €125,000 to Variscan.

The Couflens licence covers an area of 42km² around the historic 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 mine is reported to have produced 0.93 million tonnes of ore to yield approximately 11,500 tonnes of WO₃ in concentrate (ASX announcement 25 October 2016). Production grades of up to 2.48% WO₃ were recorded in the latter years of mining (see Appendix for more information).

Variscan considers that Salau has very good potential to be brought back into production within a short time frame. Prior to mine closure, drilling below the existing underground development confirmed the continuation of the mineralised system and allowed the generation of a non-JORC resource estimate. In addition, a number of other tungsten-copper-gold prospects have been identified within and adjacent to the mine.

Commenting on the new partnership with Apollo Minerals, Variscan's Managing Director Greg Jones said:

"We are excited to be joined by Apollo in the exploration and possible development of this high grade tungsten-copper-gold project. Apollo has strong technical credentials and is well funded to progress exploration work at Salau."

"The acquisition of Ariege Tungstene by Apollo brings a third ASX-listed company into France and provides a clear vindication of the quality of Variscan project generation and the Company's investment into the country. We look forward to working closely with Apollo to advance the project as quickly as possible."

FUND RAISING

To help fund its current drilling programme at the St Pierre Gold Project in Brittany and other exploration activities, Variscan will raise an additional \$1.4 million (before costs) through a Share Placement and from the exercise of options held by Directors of the Company.

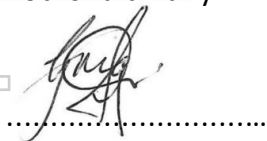
Exercise of Options

Variscan Directors have elected to exercise their share options issued as part of the May 2015 Rights Issue well in advance of the expiry date, with proceeds to total \$0.88 million. The Directors include the Company's major shareholders, Mr Kwan Chee Seng and Dr Foo Fatt Kah, who will contribute around \$0.78 million, with Chairman Pat Elliott and Managing Director Greg Jones contributing the remainder.

Placement

Variscan has raised \$0.52 million through a Placement to sophisticated investors of around 28.9 million shares issued at 1.8 cents per share. Patersons Securities Limited acted as Lead Manager to the Placement.

Yours faithfully



Greg Jones

Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), a Competent Person, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a full-time employee and 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.

APPENDIX

THE SALAU MINE

The Salau skarn tungsten deposit is located approximately 130 km south of Toulouse, within the Pyrenees region near the border with Spain.

The deposit was discovered in 1964 by the BRGM (Bureau de Recherches Géologiques et Minières). Les Mines d'Anglade (LMA) operated the mine from April 1971 to November 1986, during which time it is reported to have produced 0.93 million tonnes of ore at an average grade of 1.5% WO_3 (Fonteilles et al., 1989) to yield approximately 11,500 tonnes of WO_3 in concentrate. Notwithstanding the existence of remaining resources, the discovery of promising mineralised zones elsewhere (Fonteilles et al., 1989) and the much higher grade production from the last years of production (up to 2.48% WO_3) (Figure 1), the precipitous fall in the tungsten price caused by Chinese dumping in 1986 led to mine closure.

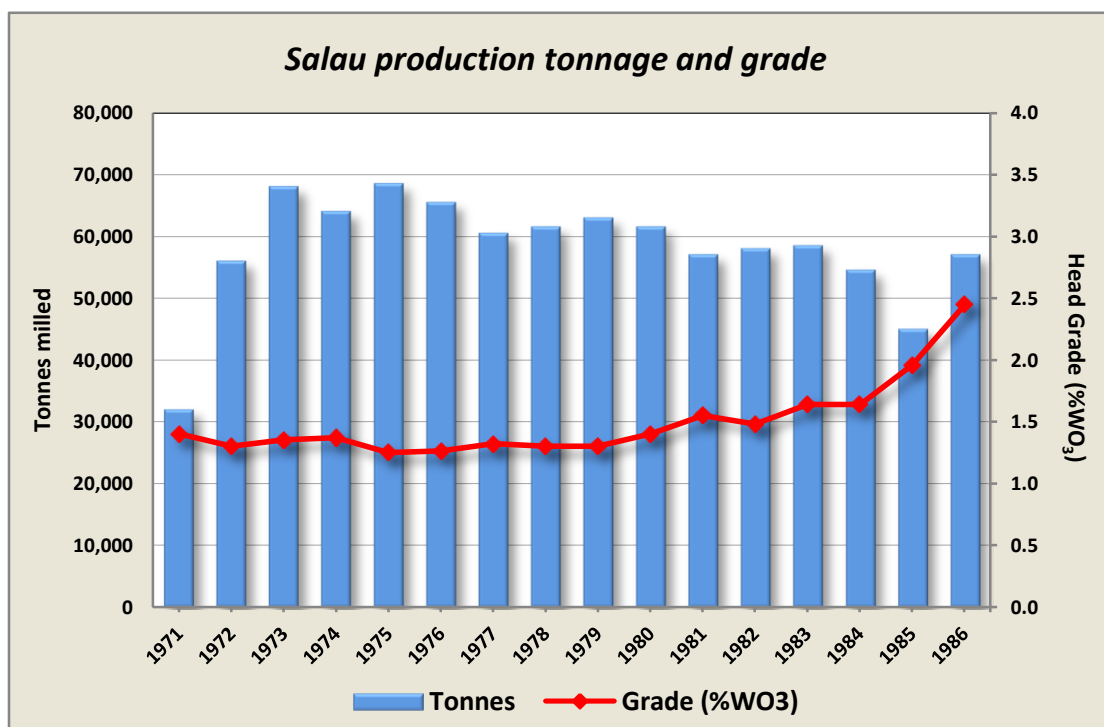


Figure 1 - Salau mine production

GEOLOGY

Salau is a tungsten-bearing (primarily scheelite) skarn deposit developed at the contact between Devonian pelites and calcareous sediments (the 'Barregiennes') and a Hercynian-aged granodiorite stock ('Fourque') (Figure 2). The skarn formed within both the carbonate-bearing sediments and, to a much lesser degree, the host granodiorite. Mineralisation is directly related to the Fourque granodiorite which provided hot, tungsten-gold-copper bearing solutions that reacted with the host rocks to form the skarns and deposit metal-bearing minerals.

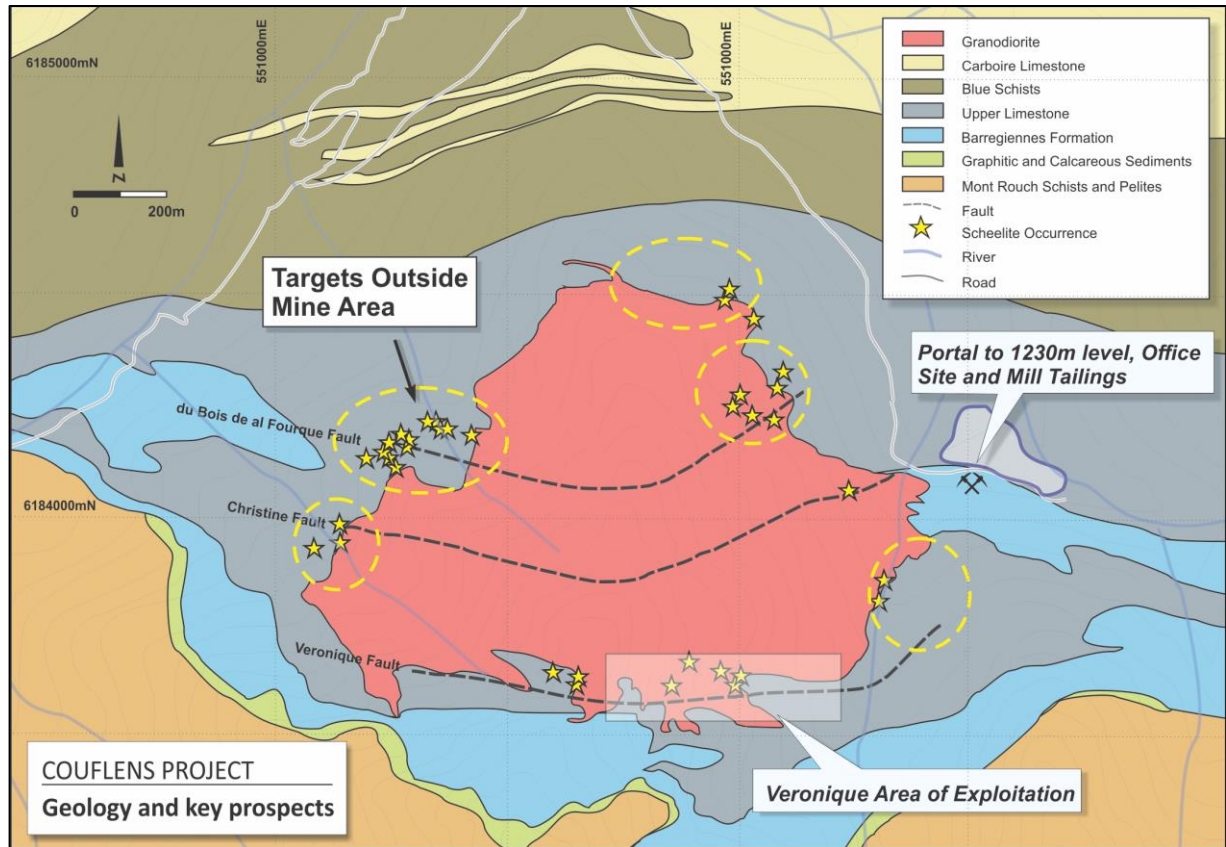


Figure 2 - Plan view of the geology and targets with recorded scheelite occurrences at surface around the Salau tungsten mine

Salau consists of two known mineralised systems, the 'Bois d'Anglade' embayment (North Formation, Gulf South Formation, Column and SC ore zones) and 'Veronique' (Figure 3). Bois d'Anglade was discovered first and provided the bulk of the early production. Veronique, 300 metres to the west, was discovered in 1975 and provided higher grade tungsten production (average 1.9% WO_3), including gold-rich material (not recovered in milling) towards the end of the mine life. In limited sampling this material graded around 10g/t gold in the lower section of the Veronique Southeast zone (Fonteilles et al, 1989).

The geometry of the orebodies at Salau is complex and appears controlled mainly by irregularities in the intrusive contact and by faulting. Two principal types of metalliferous skarns are developed:

Prograde skarns – initial metasomatism resulted in the formation of broad zones of prograde skarns containing modest tungsten values (0.2 to 0.5% WO_3),

Retrograde skarns - later hydrothermal fluids overprinted the prograde skarns and deposited sulphide-rich material (mainly pyrrhotite) containing substantially higher values of tungsten, gold and copper. It is these sulphide-rich skarns which provided the bulk of the former production from Salau.

In a general sense Salau can be compared to the Mactung and Cantung skarn deposits of the Yukon, USA. These large tonnage, high grade systems, (e.g. Mactung, 44.8 Mt at 0.85% WO_3 - Narciso H. et al, 2009) are skarn deposits formed by multistage granodiorite intrusions into calcareous sequences, similar to Salau.

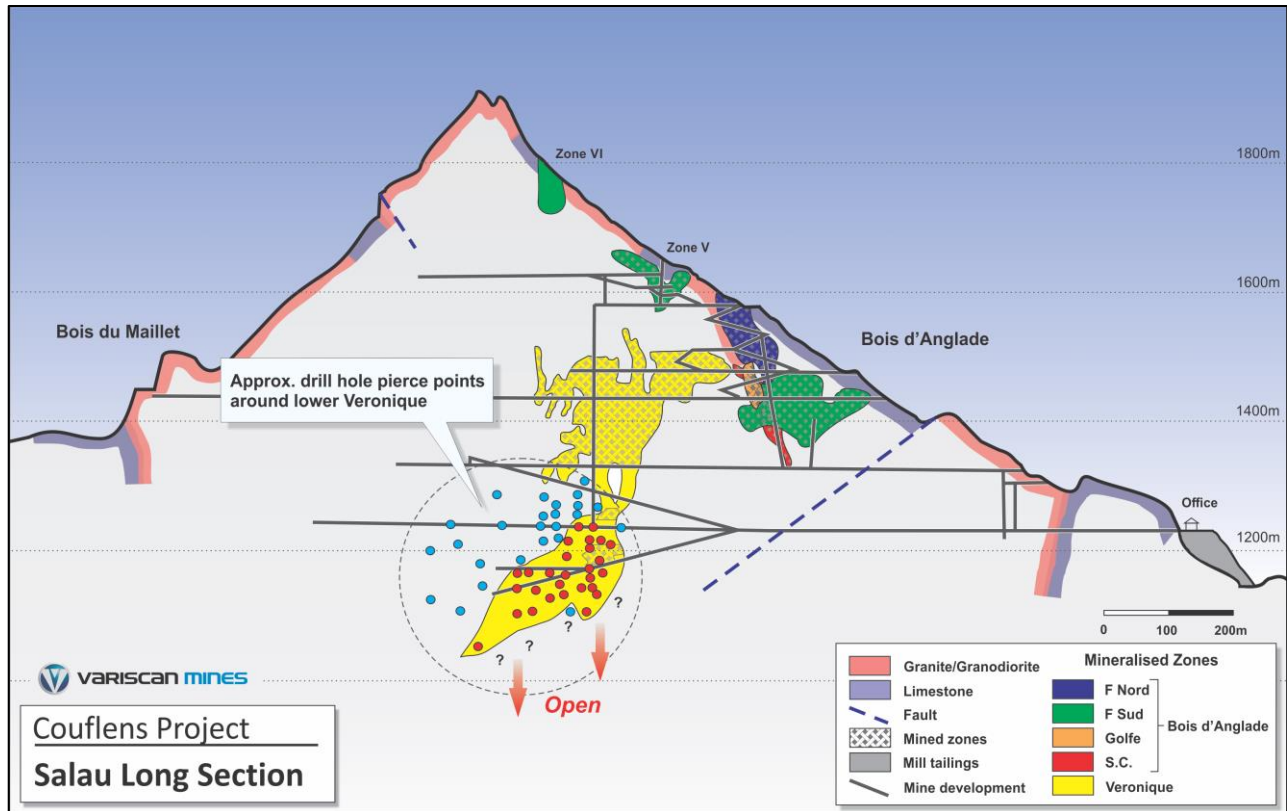


Figure 3 - Composite long section through the Salau mineralised system showing the key mineralised zones defined from previous exploration/mining. Approximate recorded position of LMA underground drilling testing the lower section of Veronique shown in yellow (red - >1.0% WO₃, blue - low grade/barren). Source - Dr. Nick Le Boutilliere.

EXPLORATION TARGETS AND UPSIDE

Previous underground drilling by the former mine owners recorded a number of high-grade tungsten-bearing skarn intersections below the 1230 metre level access adit (Figure 3), the down-plunge continuation of the Veronique ore system. This enabled a non-JORC resource to be calculated by LMA with a similar tungsten grade to that derived from mining in the upper levels of Veronique. The system remains open at depth and is believed to contain substantial gold credits as stated in Fonteilles et al, 1989.

Potential also remains around the other previously mined areas (Veronique and Bois d'Anglade systems) where remnant zones of tungsten-bearing material appear present.

In addition, unexplored discoveries documented by LMA occur at "Ouer d'Aigle" and "Christine", plus a number of other scheelite skarn occurrences at the surface on the flanks of the Fourque granodiorite (Figure 2).

EXPLORATION PLAN

The initial exploration work plan for the Couflens Project includes -

- Acquisition and digitisation of available mine and exploration data
- Mine area and old tailings area risk assessments
- Initial access and assessment of existing mine development and stoping areas

- Mapping and sampling of mineralisation exposed in previously developed mine areas
- Generation of a 3D model of the geology, zones of mineralisation and principal controls on mineralisation
- Underground drilling to confirm known zones of mineralisation and test for extensions of these zones
- Estimation and reporting of a Mineral Resource in accordance with the JORC Code
- Surface exploration programs to further assess identified prospects and generating new targets within the broader project area
- A second phase of exploration may include the development of an underground incline to provide access below the existing mine workings and to allow more extensive drill testing of the down plunge continuation of the high grade Veronique system and parallel structural positions

The Company will undertake the work program with a strong commitment to all aspects of sustainable development with an integrated approach to economic, social, environmental, health and safety management.

Initial work will focus on defining sufficient high grade tungsten mineralisation to justify commencement of mine feasibility studies, as well as testing the gold potential within and adjacent to the Salau mine area.

JV STRUCTURE

Variscan entered into the joint venture with Ariege Tungstene SAS, an EU registered company, as a means of funding the exploration and initial underground development required to prove up sufficient mineral resources to justify mine feasibility studies.

Ariege will fulfil its joint venture minimum spend requirement through the expenditure of €2.5 million (over a maximum of 3 years). Variscan will then be free-carried at 20% until the completion of a DFS or the total expenditure of €25 million (~\$A35 million), whichever is the earlier.

On 14 March 2017, Apollo Minerals Limited (ASX: AON) announced that it had acquired Ariege Tungstene and would assume all expenditure requirements of the joint venture.

References

Fonteilles M., Soler P., Demange M., Derré C., 1989; "The Scheelite Skarn Deposit of Salau (Ariège, French Pyrenees)", Economic Geology, Vol 84, pp 1172 – 1209

Narciso H., Iakovlev I., Marinus A., de Ruijter A., Impey G., Cowie S., Tanase A., Nichols A., Collins J., Goodall N., Lacroix P., Trimble R., 2009; "Amended Technical Report on the Mactung Property", Wardrop report to North American Tungsten Corporation Ltd, 372 pages