



COMMENCEMENT OF UNDERGROUND DRILLING AT SAN JOSE-NOVALES MINE

Highlights

- **Drilling programme commences at San Jose – Novales Mine;**
- **Experienced Spanish drilling contractor appointed;**
- **Initial 2,000m diamond drilling programme;**
- **Programme testing high-grade targets identified from historic drilling including potential extensions of mineralization:**
 - **along strike to the north and south of elongated existing stopes; and**
 - **along the near vertical mineralised structure planes, both above and below existing stopes.**
- **Further targets already identified for follow-on drill campaigns of ~4,000m.**

Variscan's Managing Director & CEO, Stewart Dickson said,

"This is a very exciting time for Variscan as we commence the underground diamond drilling programme at the San Jose-Novales mine.

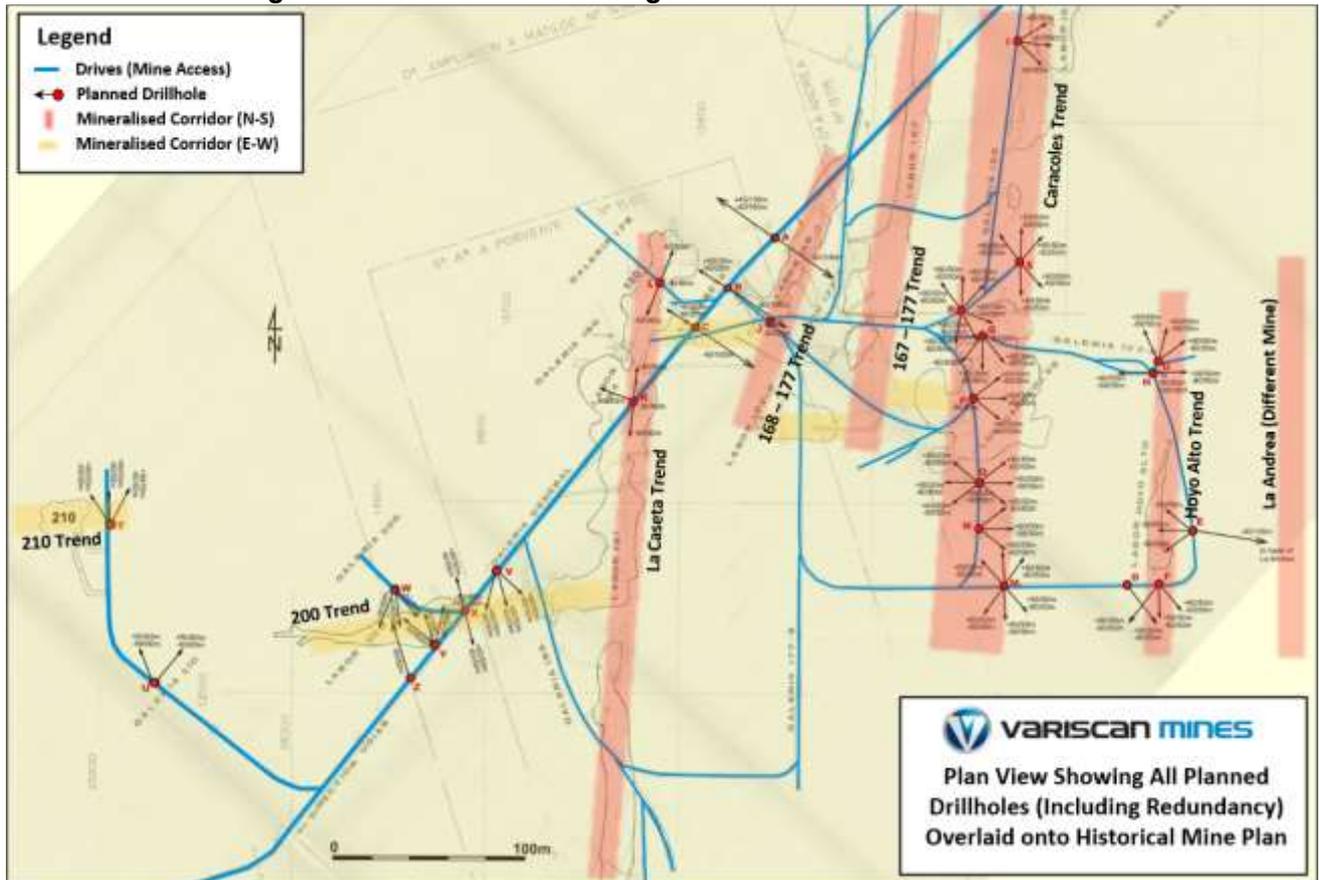
This is a proven high-grade zinc deposit and is displaying significant potential for restarting in the future. This programme is the culmination of significant technical analysis, operational effort and local cooperation. Underground drilling targets will be tested to establish extensions to the existing mine stopes and discover new orebodies.

We are pleased to be working with a Spanish drilling contractor who has a track record of working with international companies including many ASX listed resources businesses.

We look forward to reporting the new drill results as they become available."

Variscan Mines Limited ("**Variscan**" or the "**Company**" or the "**Group**") (ASX:VAR) is pleased to announce the commencement of a 2,000m diamond drilling programme at the San Jose – Novales Mine which forms part of the Novales-Udias project located in Cantabria, northern Spain, as shown in Figure 1.

Figure 1. Plan view of drill targets at San Jose – Novales Mine



Drilling Programme

In total, Variscan has identified 26 accessible drilling bays (Figure 1), from which a total of 126 diamond drillholes (6,095m) have been provisionally planned, including multiple redundancy holes. Of these provisional 6,095m, Variscan plan to undertake 2,000m in the coming months, with the higher priority drillholes being completed initially.

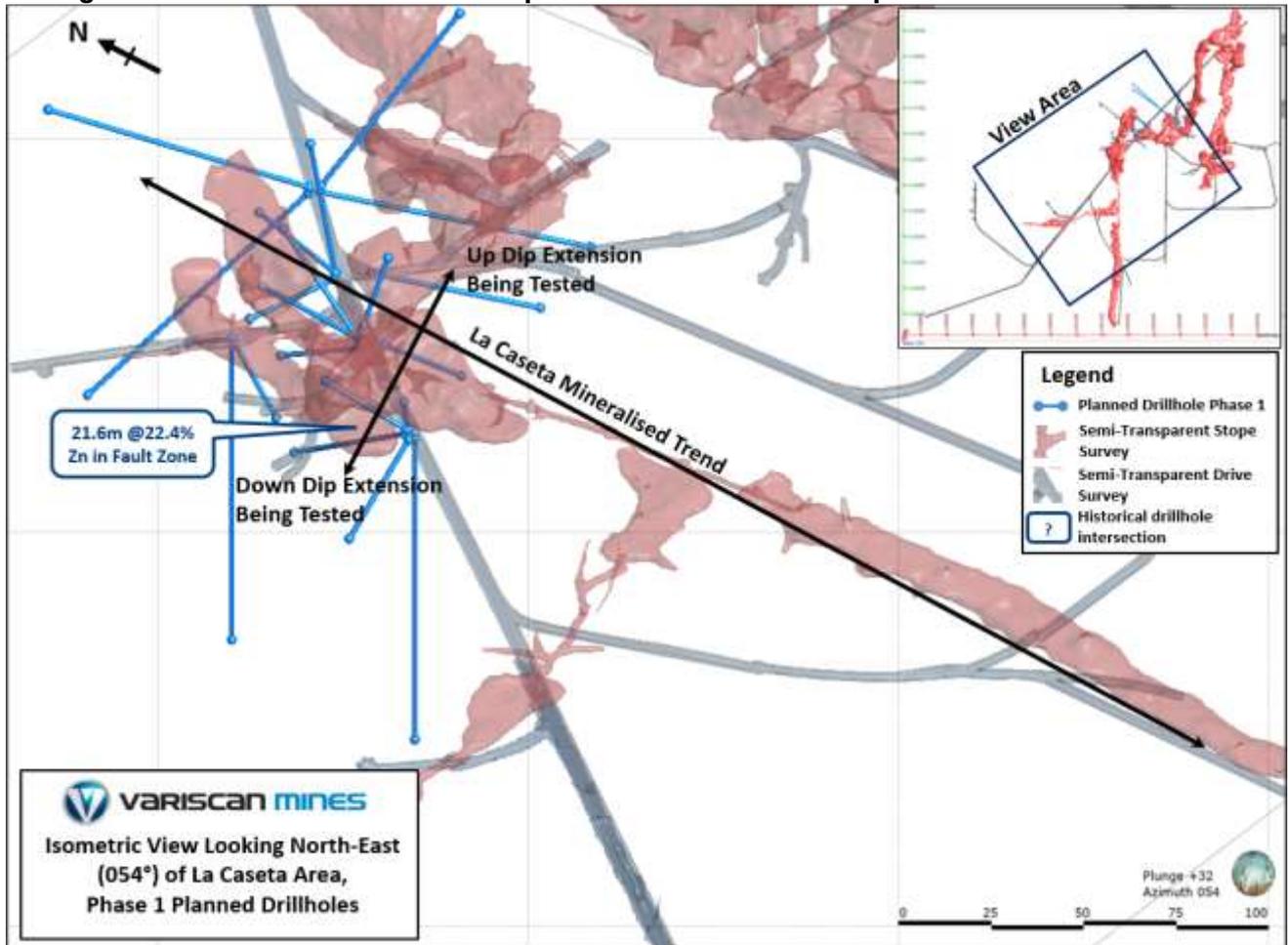
The planned 2,000m campaign will be completed in two equal 1,000m phases, either side of the Christmas period. The first phase includes 21 drillholes (925m) from five drilling bays that provide easy access to one of the most prospective targets known as “La Caseta”, this area is shown in Figure 2.

The drilling will test the potential for extensions of mineralisation along strike to the north and south of elongated stopes and along the near vertical mineralised structure planes, both above and below existing stopes.

The “La Caseta” area is also considered a high priority target due to the multiple in-situ high-grade intersections from historical drillholes, which lie outside of existing stopes, including a known fault zone with a 21.6m @22.4% Zn¹ as shown in Figure 2.

¹ This intersection is taken from a historical drillhole and the hole is oriented near horizontal and may not represent true thickness of mineralisation, the intersection is demarcated as a fault zone in the logging and has been ground truthed by Variscan geologists.

Figure 2: Isometric view of Phase 1 planned drillholes with stopes and drives for reference



The Company will commence with one diamond drilling rig, with the potential to increase to two, subject to operational constraints, to ensure that the programme is completed as quickly as possible.

First assay results from the drilling campaign are expected in January 2021.

Drilling Contractor

Variscan, through its wholly owned Spanish subsidiary, Variscan Mines Cantabria, S.L. has appointed Geonor Geonor Servicios Técnicos, S.L. ("Geonor")², a local drilling contractor to conduct the drilling programme. Geonor has significant drilling experience having worked with a number of international mining companies and also being located in northern Spain.

Looking Ahead

The Company's immediate focus is progressing with underground drilling at the San Jose Mine and returning results as soon as possible.

In addition to the drilling campaign Variscan are planning to undertake structural mapping underground at San Jose-NOVALES to better determine the controls on mineralisation.

ENDS

² Further information available at: <https://www.geonor.es/en/>

This announcement has been authorised for issue by Mr Stewart Dickson, Managing Director & CEO, Variscan Mines Limited.

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Project Summary

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km southwest from the regional capital, Santander. The project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include a number of satellite underground and surface workings and areas of zinc anomalism identified from recent and historic geochemical surveys. Variscan has delineated a significant 9km mineralised trend from contemporary and historical data across both the Buenahora exploration and Novales mining permits.

Significantly, the Novales-Udias Project includes a number of granted mining tenements³.

Novales-Udias Project Highlights

- Near term zinc production opportunity (subject to positive exploratory work)
- Large tenement holding of 68.3 km² (including a number of granted mining tenements)
Regional exploration potential for another discovery analogous to Reocin (total past production and remaining resource 62Mt @ 8.7% Zn and 1.0% Pb⁴⁵)
- Novales Mine is within trucking distance (~ 80km) from the Asturias zinc smelter
- Classic MVT carbonate hosted Zn-Pb deposits
- Historic production of high-grade zinc; average grade reported as ~7% Zn⁶
- Simple mineralogy of sphalerite – galena – calamine
- Mineralisation is strata-bound, epigenetic, lenticular and sub-horizontal
- Reported historic production of super high grade ‘bolsas’ (mineralised bags) commonly 10-20% Zn and in some instances +30% Zn⁷
- Assay results of recent targeted grab samples taken from within the underground Novales Mine recorded 31.83% Zn and 62.3% Pb⁸
- Access and infrastructure all in place
- Local community and government support due to historic mining activity

³ Refer to ASX announcement of 29 July 2019

⁴ Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seebold, I. and Leach, D., 2003 - Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain: in Econ. Geol. v.98, pp. 1371-1396.

⁵ Cautionary Statement: references in this announcement to the publicly quoted resource tonnes and grade of the Project are historical and foreign in nature and not reported in accordance with the JORC Code 2012, or the categories of mineralisation as defined in the JORC Code 2012. A competent person has not completed sufficient work to classify the resource estimate as mineral resources or ore reserves in accordance with the JORC Code 2012. It is uncertain that following evaluation and/or further exploration work that the foreign/historic resource estimates of mineralisation will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012.

⁶ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence supported with historical production data from the School of Mines in Torrelavega historical archives.

⁷ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence. In addition, reports of the super high grade mineralisation are supported with historical production data from the School of Mines in Torrelavega historical archives. (Refer ASX release 29 July 2019)

⁸ Refer to ASX Announcement of 19 December 2020

Notes

Variscan Mines Limited (ASX:VAR) is a growth oriented, natural resources company focused on the acquisition, exploration and development of high quality strategic mineral projects. The Company has compiled a portfolio of high-impact base-metal interests in Spain, Chile and Australia.

The Company's name is derived from the Variscan orogeny, which was a geologic mountain building event caused by Late Paleozoic continental collision between Euramerica (Laurussia) and Gondwana to form the supercontinent of Pangea.

Competent Person Statement

The information in this document that relates to technical information about the Novales-Udias project is based on, and fairly represents information and supporting documentation compiled and reviewed by Mr. Ché Osmond, an employee of Wardell Armstrong International. Mr. Osmond is a Chartered Geologist (CGeol) and Fellow of the Geological Society of London, and European Geologist (EurGeol) of the European Federation of Geologists, 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 December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ('JORC Code'). Mr Osmond consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

Forward Looking Statements

Forward-looking statements are only predictions and are not guaranteed. They are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of the Company. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. The occurrence of events in the future are subject to risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ from those referred to in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and the ASX Listing Rules, the Company, its directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of the events referred to in this announcement will occur as contemplated.