



HIGHLIGHTS

- **Transformational and value accretive acquisition of the Novales-Udias and Guajaraz zinc projects in Spain complete**
- **Tranche 2 of the placement raising A\$2.53m completed, bring the total funds raised to A\$3m before costs**
- **Established a partnership with the School of Mines at the University of Cantabria**
- **Reviewed historic geochemical information identifying a number of zinc anomalies adjacent to historical workings**
- **Rock chip sampling underground and at surface confirms high grade zinc at Novales-Udias including 31.83% Zn and 62.3% Pb taken from within the underground mine**
- **Completed the proposed Capital Consolidation**

The quarter ended 31 December 2019 (the ‘**Quarter**’) was a very busy one for Variscan, culminating at the Company’s Annual General Meeting with the approval by shareholders of the acquisition of two advanced zinc projects in Spain.

The strategic transaction was concluded with the acquisition of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, which respectively own the mineral licences over the Novales-Udias and Guajaraz zinc projects in Spain.

Concurrently, the Company settled Tranche 2 of the placement announced earlier in the Quarter.

Variscan's CEO, Stewart Dickson said, *"I am delighted to have completed our acquisition. The quality of these advanced zinc assets makes this a transformational acquisition for Variscan shareholders and marks a significant step for the Company towards our strategic ambition of having base metal operations of scale.*

We can now focus on growing the value of Variscan through the focused exploration and development of the Novales-Udias and Guajaraz zinc projects, as well as leverage future success to position the Company for further value accretive acquisitions should suitable opportunities arise."

ASX Code: VAR

ACN: 003 254 395

Issued Shares: 206m

Listed Options: 29.6M

Unlisted Options: 1m

At 31 Dec 2019

Cash Balance: \$2.6M

Listed Investments: \$0.54M

Directors

Dr Foo Fatt Kah

Stewart Dickson

Michael Moore

Mark Pitts

Alternate Director

Kwan Chee Seng

Top Shareholders

Slipstream Resources Investments Pty Ltd

Citicorp Nominees Pty Limited

Delphi Untemehmensberatung

Effective Investments Pty Ltd

SL Hisbanibal

Wainidiva Pty Ltd

Top 20 Shareholders: 63.4%

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OPERATIONS

Spain – Novales-Udias and Guajaraz Zinc Assets

During the Quarter the Company completed the acquisition of two advanced zinc projects from a consortium of vendors led by Slipstream Resources Investments Pty Ltd (“**Slipstream**”) (refer ASX announcement 29 July 2019).

The projects (Novales-Udias and Guajaraz), include granted mining tenements and are located in established mining jurisdictions in Spain.

Spain is a desirable location for mining with increasing activity and in-bound investment, and this transformational acquisition provides Variscan shareholders with additional exposure to zinc, a commodity that continues to have a positive pricing outlook.



Figure 1. Location of the Novales-Udias and Guajaraz Projects

Transaction Consideration

Initial Consideration

The initial consideration for the Transaction was A\$2.2 million payable through the issue of 1,100,000,000 new ordinary shares to the Vendors at a price of A\$0.002 per ordinary share (the 'Issue Price').

1,020,000,000 new ordinary shares, comprising 765,000,000 Shares ("**SS Consideration Shares**") in respect of the acquisition of Slipstream Spain Pty Ltd and 255,000,000 Shares ("**SS2 Consideration Shares**") in respect of the acquisition of Slipstream Spain 2 Pty Ltd (together the "**Initial Consideration Shares**") have been allotted and issued to the Vendors and are identical in all respects to Variscan's existing issued shares.

As a result, Slipstream, a specialist early stage mining investment fund, will hold approximately 19.4% of the total share capital of Variscan on issue immediately following completion. Variscan will issue a balance of 80,000,000 new ordinary shares ("**Balance Consideration Shares**") to Slipstream six months after the date of issue of the Initial Consideration Shares, provided that the issue of the Balance Consideration Shares would not result in Slipstream have a voting percentage in Variscan more than 3 percentage points higher than that held on the date of the issue of the Initial Consideration Shares. The issue of Balance Consideration Shares is subject to and conditional upon the issue of the Balance Consideration Shares not resulting in any person being in breach of section 606(1) of the Corporations Act.

Escrow Arrangements

The Vendors have voluntarily entered into escrow arrangements whereby the SS Consideration Shares and the SS2 Consideration Shares will be locked up on the basis of 50% for a period of six months and the remaining 50% for a period of 12 months from the date of issue. The Balance Consideration Shares will be subject to a 6 months voluntary restriction agreement from the date of issue of the Balance Consideration Shares.

The Company has repaid the debt obligations of the acquired companies of A\$0.6 million in total.

Deferred Consideration

Deferred consideration to be paid to the Vendors on the achievement of certain milestones (see ASX announcement dated 29 July 2019) remains extant having received shareholder approval and a waiver from ASX Listing Rule 7.3.2.

Cooperation Agreement Signed with School of Mines – University of Cantabria

The Company signed a Technical Memorandum and a Cooperation Agreement during the Quarter with the University of Cantabria in Torrelavega in northern Spain. The School of Mines at the University of Cantabria is very well regarded with an established 65year history and a deep understanding of mining and exploration activity in the Basque-Cantabrian Basin.

The School of Mines has been mandated to collate, digitise and analyse the relevant information contained within the Documentary and Bibliographic Funds of the Reocín Mine, known as "Fondo Documental Mina Reocín". It is a large historical archive composed of administrative, technical, cartographic, geological and mining documentation covering the exploration and mining activity of the first company to develop the Reocín Mine (Real Compañía Asturiana de Minas), and all of the mining exploration work that the Asturian company of Zinc S.A. carried out throughout the region from 1981 to 2003, the year of the mine's closure.



Figure 2. The School of Mines, University of Cantabria

Review of Historic Geochemical Data

Review and analysis of historic geochemistry data carried out in conjunction with the School of Mines at the University of Cantabria has confirmed the potential of the Novales-Udias Project. The review highlights multiple, large geochemical anomalies identified at surface across the tenement area.

The Company has transferred this information into a digital dataset which will provide an excellent tool to progress our exploration and development work.

Initial Field Work

Initial focus has been on the Novales-Udias Project, Variscan reported the results of a selective grab sampling programme which was undertaken assist with target definition and drill hole positioning. The grab sampling confirmed high grade zinc occurrences at Novales-Udias. Target samples recorded the following assay results: (ASX - 19 December 2019)

- Assay results of new targeted samples taken from within the underground Novales Mine recorded:
 - 31.83% Zn and 62.3% Pb
- Assay results of new samples taken over the licence area recorded:
 - 33.16% Zn and 12.25% Pb at former workings near Brinia
 - 32.85% Zn and 7.69% Pb within the Motilos-Magdalena areas
 - 21.3% Zn and 3.85% Pb at former workings near near Mina de Duña

Of the 66 grab samples collected during the fieldwork:

- 42 samples recorded assays +0.5% Zn
- 37 samples recorded assays +1% Zn
- 31 samples recorded assays +5% Zn
- 29 samples recorded assays +10% Zn
- 20 samples recorded assays +15% Zn
- 4 samples recorded assays +30% Zn

There were a significant number of high-grade zinc-lead assay results returned from the sampling completed in the Novales – San Jose mine workings. The best assay results were obtained from the north eastern section of the mine workings, which was a focus of the historic mining operations. High zinc values from the regional target areas are just as encouraging; the mapping and grab sampling confirmed the regional prospectivity of the project (refer Figure 3).

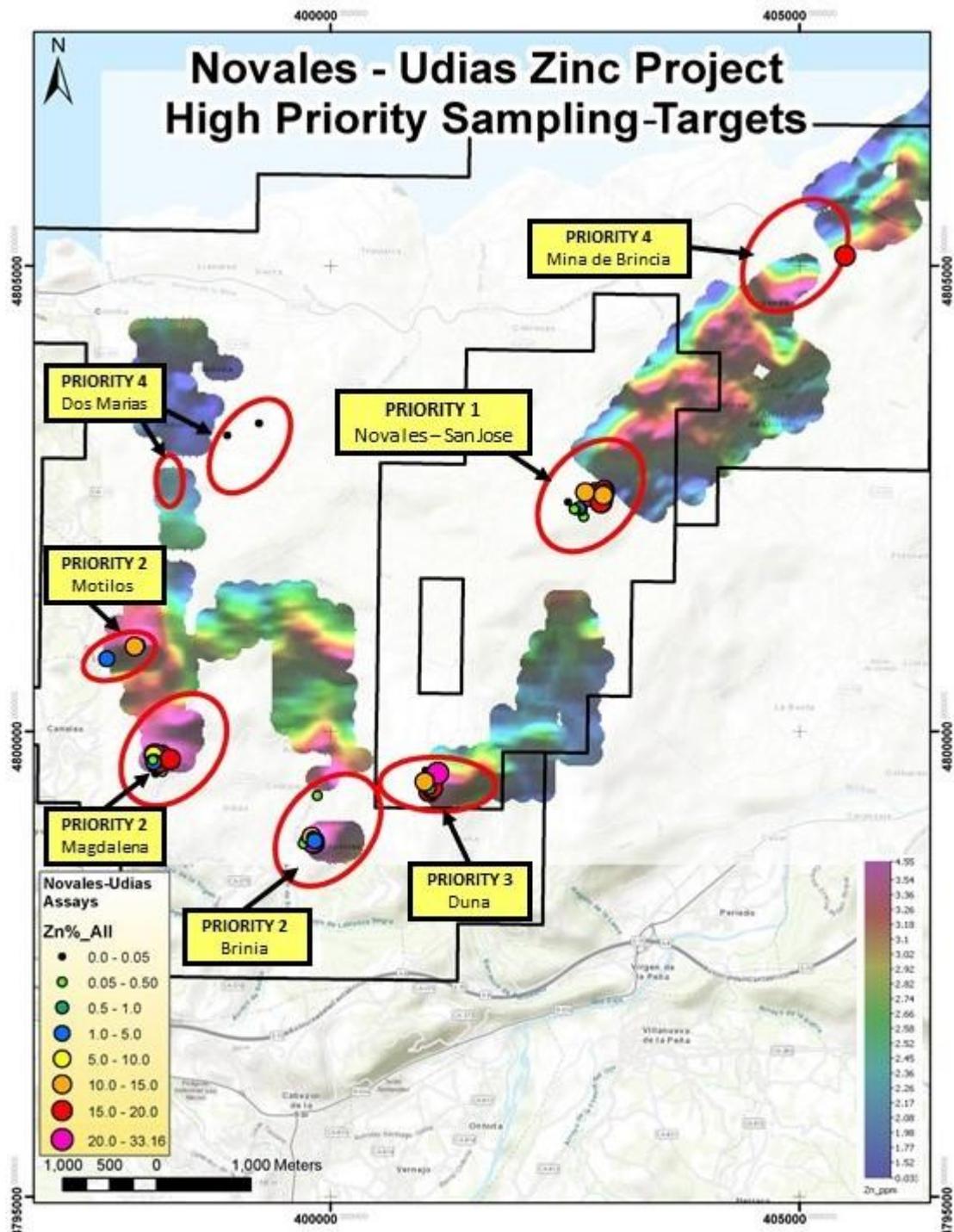


Figure 3. Soil geochemistry results for the Novales-Udias Project

Project Summary

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km south west from the regional capital, Santander. The advanced zinc project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include zinc soil anomalies over 2km long and close to 1km wide and up to 17% Zn.

Significantly, the Novales-Udias Project includes a number of granted mining tenements (see ASX announcement dated 29 July 2019).

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% Pb¹²)
- 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% Zn³
- Simple mineralogy of sphalerite – galena – calamine
- Ore is strata-bound, epigenetic, lenticular and sub-horizontal
- Reported historic production of super high grade ‘bolsas’ (ore bags) commonly 10-20% Zn and in some instances +30% Zn⁴
- Access and infrastructure all in place
- Local community and government support due to historic mining activity

Chile – Rosario Copper Project

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is proven mining jurisdiction and is the largest producer of copper globally. The Rosario project lies about 20 kilometres north of the El Salvador mine (owned by Codelco). It is one of the country’s larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.

1 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.

2 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.

³ 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.

⁴ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence.

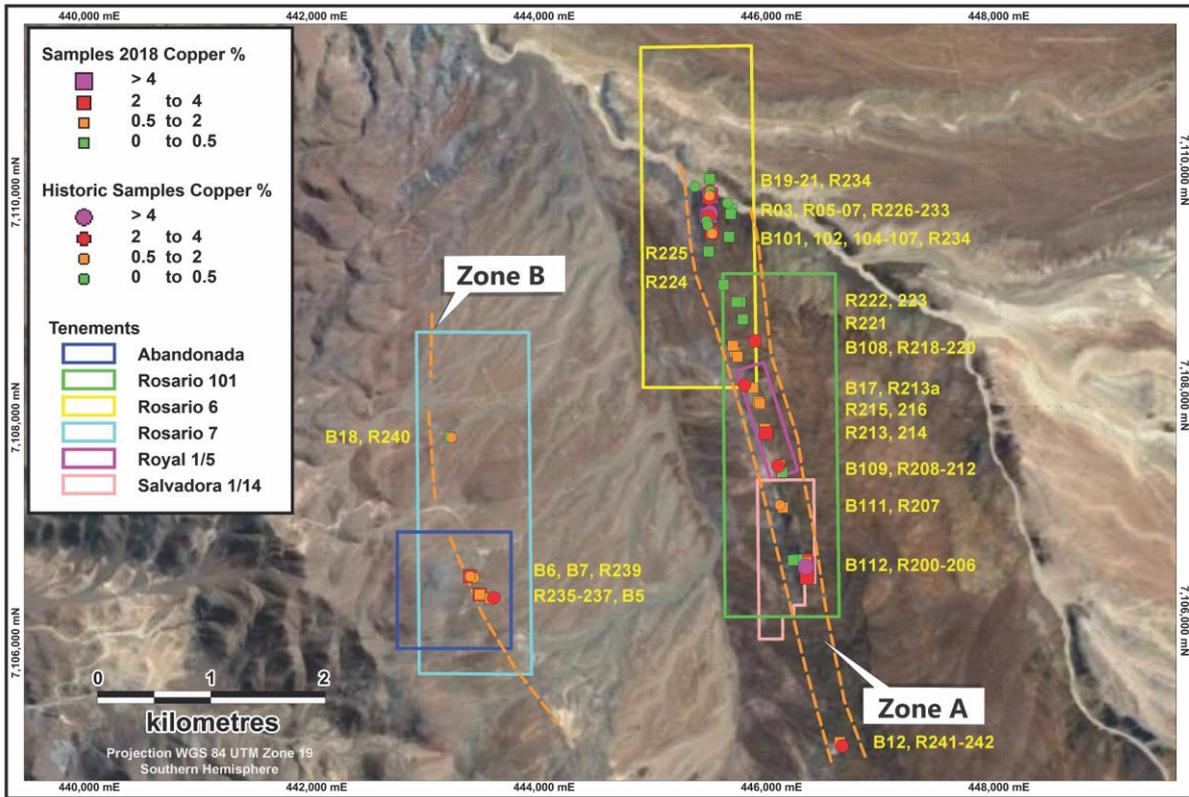


Figure 4. Plan of Rosario licence areas and historic rock Chip & Grab Sampling Results



Figure 5. Location of the Rosario Project

The Rosario project comprises three granted exploitation concessions, Rosario 6, Rosario 7 and Salvadora, one granted mineral exploration licence (Abandonara) and an exploration concession under application (Rosario 101). These concessions cover two outcropping copper trends (Zones A and B) over a combined strike length of approximately 6 kilometres.

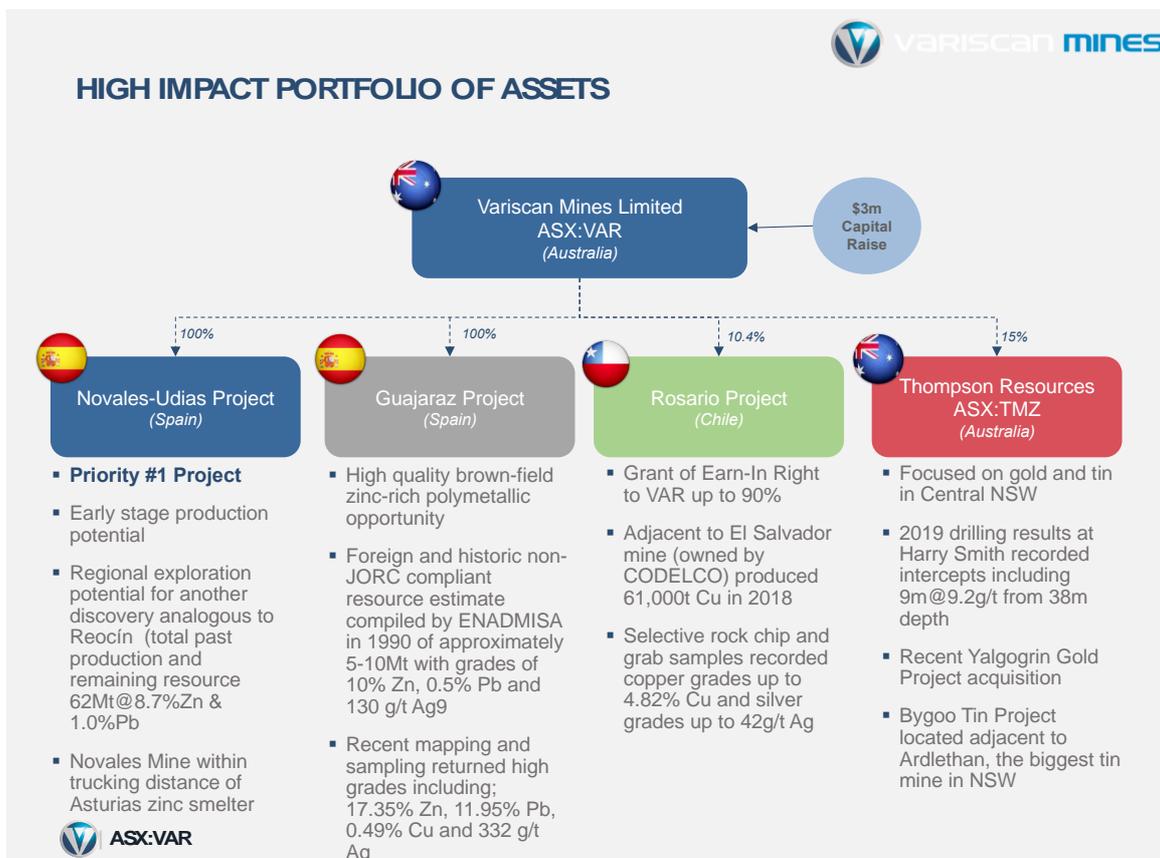
The project area has undergone historic modest informal mining and contains numerous shallow pits in areas of copper-stained outcrops. There are also indications of previous surface sampling and trenching. Site visit inspections also revealed 13 diamond drill holes within the adjacent licences to the Rosario project.

Australia

The Company holds minority interests in a number of areas of eastern and central Australia, as well as a 19.99% holding in Thompson Resources Limited (ASX:TMZ).

Summary of Assets

Variscan has a portfolio of projects in proven mining jurisdictions. There is an unambiguous prioritisation on the Novales-Udias and Guajaraz zinc assets in Spain, however the additional projects provide the potential for further value creation and monetisation where possible.



Cash

Cash at bank at 31 December 2019 was \$2.64 million.

Investments

Variscan holds a significant investment of 18,100,000 shares in Thomson Resources (ASX:TMZ) which has exploration tenements prospective for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW. As at 31 December 2019, the value of the shareholding was approximately \$0.53 million.

Placement

Variscan completed Tranche 2 of its previously announced placement during the quarter (ASX 12 December 2019) of 1,265,850,000 shares raising A\$2,531,700 before costs. The placement was made to sector focused institutional and sophisticated investors in Europe and Australia.

The Placement included subscriptions from Directors of the Company totalling \$250,000, following the receipt of shareholder approval received at the Company's recent Annual General Meeting.

Proceeds from the placement are being used to accelerate planned exploration programs including drilling and feasibility work at the Company's Novales-Udias Project in Cantabria, northern Spain, progressing the Guajaraz Project in central Spain and general working capital. The placement was managed by Canaccord Genuity (Australia) Limited in Perth.

Share Capital

Following the completion of the acquisition of the two Spanish Zinc Assets and the finalisation of the placement the Company had 4,121,866,320 ordinary shares on issue. However in accordance with the approval obtained at the Annual General Meeting held on 14 November 2019 the Company proceeded with the consolidation of its capital on a 1 for 20 basis.

The total number of shares on issue at the end of the quarter was 206,093,551.

Through the placement and amid challenging market conditions, the Company has successfully attracted new, and retained key, sophisticated and sector experienced investors from Europe, Asia, North America and Australia.

ENDS

Variscan Mines Limited

Stewart Dickson
Managing Director & CEO
info@variscan.com.au

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

Background

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 Persons Statement

Where Company refers to exploration results and historical data previously advised to the ASX it confirms that it is not aware of any new information or data that materially affects the information included in previous announcements and all material assumptions and technical parameters disclosed in those announcements continue to apply and have not materially changed.