



ACQUISITION OF ADVANCED ZINC PROJECTS IN SPAIN

Variscan Mines Limited ("Variscan" or the "Company") (ASX:VAR) is pleased to announce that it has agreed to acquire two advanced zinc projects in Spain from a consortium of vendors led by Slipstream Resources Investments Pty Ltd ("Vendors" or "Slipstream") (the "Transaction").

The projects (Novales-Udias and Guajaraz), which include granted mining tenements and are located in established mining jurisdictions, complement the Company's existing portfolio of high-impact base metals interests.

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.

The agreement is conditional and subject to shareholder approvals, as outlined in this release.

The Acquired Projects

- The *Novales-Udias 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. The Project is advanced and includes a number of granted mining tenements.
- Mississippi-Valley type ("MVT") situated in the Basque-Cantabrian Basin, adjacent (~10km) to the Reocin deposit (62Mt at 8.7% Zn and 1.0% Pb). Tenement area +68.3km².
- Old workings in Cantabria historically intersected karst-filled "ore bags" and recorded multiple intersections of 20-30m widths and grades of 18-35% Zn.
- Near term production potential (subject to positive exploratory work) at the former producing Novales underground mine.
- World's second largest zinc smelter (Glencore owned, Asturias) within trucking distance (~80km) with excellent infrastructure and local support for potential future mine development.
- The *Guajaraz Project* is centred around the former producing La Union underground mine together with the adjacent Mina La Blanca and Mina Manolita mines which forms a large surrounding exploration opportunity.

(Please refer to the Overview below for more detail on the advanced zinc projects).

Transaction Highlights

- Initial Consideration for the Transaction is 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'), subject to shareholder approval. The Company will also assume obligations to repay debt of A\$0.6 million in cash.

- Additional milestone-based consideration, conditional on the delineation of JORC Mineral Resources (as summarised below) of A\$2.2 million to be satisfied through the issue of a further 1,100,000,000 new ordinary shares to the Vendors at the Issue Price subject to shareholder approval and ASX waiver.
- Vendors have agreed to a voluntary escrow of the Consideration Shares.
- Placement of a minimum of A\$3 million to be launched, with the potential to accept oversubscriptions of a further A\$1 million, in two tranches as follows:
 - Tranche 1 of the Placement raising A\$0.6 million has successfully closed at the Issue Price having been taken up by two high-quality, sophisticated investors (a European investment fund and an Australian family office).
 - Tranche 2 of the Placement raising a minimum of A\$2.4 million, with the potential to accept oversubscriptions for a further A\$1 million, to be completed and subject to shareholder approval.
- Existing major shareholders in Singapore and Directors have provided voting intention statements in favour of the Transaction and the Placement at a General Meeting of the Company and indications of their interest to participate in Tranche 2 of the Placement.

A transformational and value accretive acquisition

Variscan's CEO, Stewart Dickson said the Board of Variscan believe this is a transformational and value accretive acquisition for the Company, with the Transaction representing a significant opportunity for the Company to benefit from exposure to advanced projects in established mining provinces in a metal strategic to Variscan's existing portfolio and expertise.

In addition to being a catalyst for growth, the Transaction also results in attracting specialist sector-specific investors onto the share register, providing capital to commence work in the immediate term as well access to potential additional capital in the future.

"This transaction provides Variscan with a fantastic opportunity to secure what we believe to be one of the most prospective zinc projects in Europe, in a low-cost and stable political environment. Both of the projects are centred around former producing mines in proven mining areas. In particular the Novales project, with its close proximity to the former Reocin Mine and the world's second largest zinc smelter at Asturias, is especially interesting.

With mining tenements already granted, work will be underway shortly so that we may be in a position to evaluate early production opportunities. This is undoubtedly a highly strategic and valuable growth opportunity for Variscan", Mr Dickson said.

Overview: The Advanced Zinc Projects

Variscan has conditionally agreed to acquire two high quality zinc projects in Spain:

- the Novales-Udias Project located in the Basque-Cantabrian Basin, 30km south west from the regional capital, Santander; and
- the Guajaraz Project located in the Central Zone of the Iberian Massif, approximately 60km south west from national capital, Madrid (together the 'Projects').



As part of the technical due diligence process, Variscan engaged Wardell Armstrong International ("WAI") to review the information available, conduct a site visit and prepare a technical report on the Projects.

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 exploitation concessions).
- Regional exploration potential for another discovery analogous to Reocin (total past production and remaining resource 62Mt @ 8.9% Zn and 1.0% Pb)¹.
- Novales Mine is within trucking distance (~80km) from the Asturias zinc smelter.

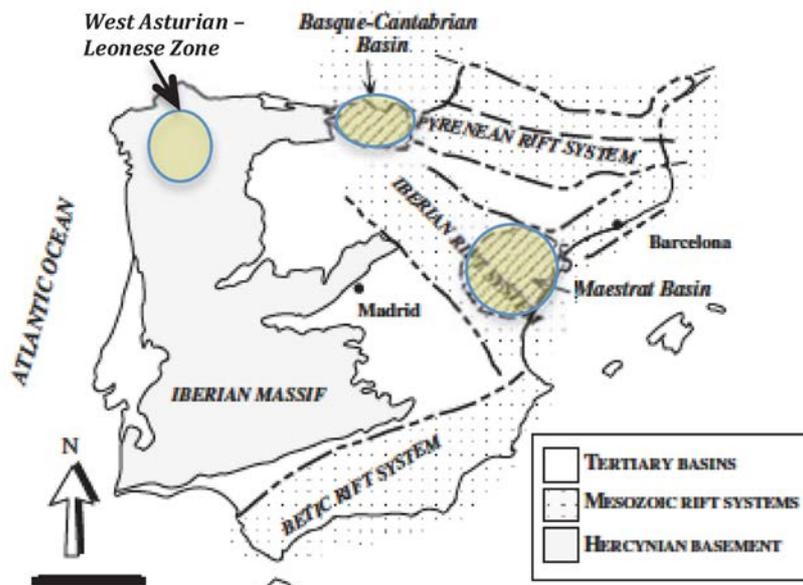
¹ Velasco *et al.*, Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain. *Economic Geology*. Vol. 98, 2003, pp. 1371-1396

- Classic MVT carbonate hosted Zn-Pb deposits.
- Historic production of high-grade zinc; average grade reported as ~7% Zn².
- Simple mineralogy of sphalerite – galena – calamine.
- Ore is strata-bound, epigenetic, lenticular and horizontal.
- Historic production of super high grade ‘bolsas’ (“ore bags”) commonly 10-20% Zn and in some instances +30% Zn³.
- Access and infrastructure all in place.
- Local community and government support due to historic mining activity.

Geological setting

Northern Spain hosts several regions of carbonate hosted zinc-lead deposits, mostly classified as Mississippi-Valley type (‘MVT’).

MVT style deposits rarely occur in isolation and are generally found in clusters with a grade around 8% Zn⁴. The simple mineralogy typically makes them straight forward to process and at the lower end of the cost curve.



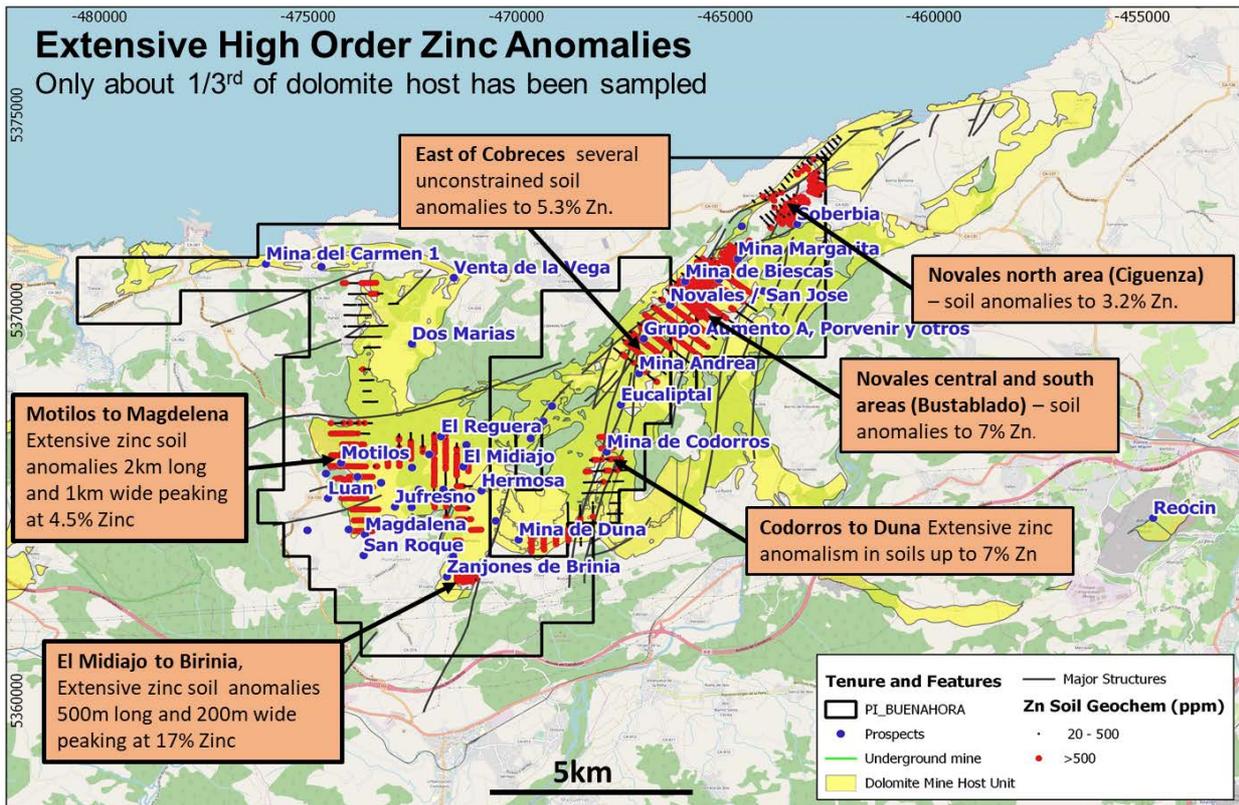
The Novales-Udias Project is located in the Basque-Cantabrian Basin (approximately 30km from the regional capital, Santander) which hosts five mineralised districts of which the Santander district hosts the Reocin Mine and the Novales-Udias Project.

The Novales-Udias Project has extensive MVT style carbonate-hosted zinc mineralisation. MVT deposits often feature high grade lead and zinc sulphide mineralisation hosted in sedimentary host rocks such as limestone and dolostone. The Reocin mine was one of the world’s largest MVT deposits. These often occur in clusters making the licence areas highly prospective for further discoveries.

² Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence.

³ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence.

⁴ Leach, D.L., Taylor, R.D., Fey, D.L., Diehl, S.F., and Saltus, R.W., 2010, A deposit model for Mississippi Valley-Type lead-zinc ores, chap. A of Mineral deposit models for resource assessment: U.S. Geological Survey Scientific Investigations Report 2010-5070-A, 52 p.



Historic production – Novales Mine

The Novales Mine (sometimes called “San Jose Mine”) is the principal former mine in the tenement area with smaller developments extending southwest into the Udias area. The underground galleries are accessible and stable.

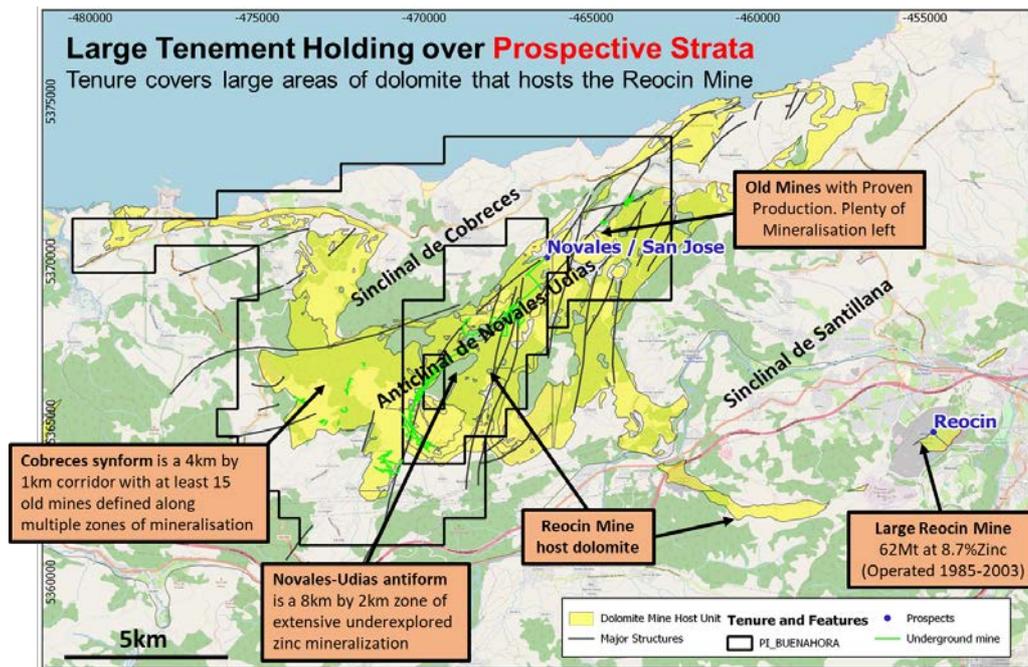
It is located approximately 10km from the historic Reocin Zn-Pb mine. Production at the nearby Reocin mine is documented to have spanned over 100 years with a mean grade of 8% Zn and 1% Pb.⁶ Reocin hosted the largest known MVT deposit in the world. Production ceased in 2003 when the prevailing zinc price was US\$790/tonne compared to current prices of approximately US\$2500/tonne.⁷

It is understood from anecdotal evidence that the historical head grade at the Novales Mine was commonly 7% Zn and 2% Pb. The geometry of ‘bolsas’ (translated as ‘ore bags’) were much larger and more amorphous than suggested by the literature. Some of the ‘ore bags’ took 2 years to mine out with others as long as 5 years to fully extract. The largest of these ore bags was reported to be approximately 70m in height, 150m in length and 200m wide. WAI have advised that as the tonnages of these high-grade areas can be significant there is a possibility to begin mining at an earlier stage within the Novales-Udias Project if one of the ‘ore bags’ can be proven with exploratory work.

Additionally, to the northeast of Novales/San Jose, and on trend, there is another group of deposits which have been mined historically for their carbonate hosted Zn-Pb style of mineralisation.

⁶ Velasco et al., *Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain*. *Economic Geology*. Vol. 98, 2003, pp. 1371-1396

⁷ <https://www.lme.com/en-GB/Metals/Non-ferrous/Zinc#tabIndex=0>



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Summary

The Novales-Udias Project has relatively well documented geology, exploration data and production performance information relating to previous mining activity.

Guajaraz Project

Highlights

- High quality brown-field zinc-rich polymetallic opportunity.
- 7 known mineral occurrences.
- Past mining in the area demonstrates excellent potential for drill targets.
- Foreign and historic non-JORC compliant resource estimate compiled by ENADMISA⁸ in 1990 of approximately 5-10Mt with grades of 10% Zn, 0.5% Pb and 130 g/t Ag⁹. (Refer Appendix 3 for further information provided in accordance with Listing Rule 5.12)
- Recent mapping and sampling by the Vendors returned high grades including; 17.35% Zn, 11.95% Pb, 0.49% Cu and 332 g/t Ag (see Appendix 2).
- Large permit area of 1,530 Ha.
- Existing access and infrastructure in place.
- Local community and government support due to historic mining activity.

⁸ Spanish state owned company: Empresa Nacional Adaro Investigaciones Mineras s.a

⁹ 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 done 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.

Geological setting

The Guajaraz Project is located in the highly mineralised Central Zone of the Iberian Massif, which ranks as one of the most mineralised geological units globally and represents the internal zone of the European Variscan Orogenic belt.



The Guajaraz Project area lies within a primary igneous and metamorphic crystalline plateau that hosts abundant hydrothermal vein networks that have a long history of exploration. Deposits are of the BPGC type (zinc-galena-pyrite-chalcopyrite).

The Guajaraz Project contains seven mineral occurrences with the largest and best known being the old Guajaraz Mine (also known as La Union) located on the contact between Paleozoic (limestones) rocks and migmatitic rocks.

Tenements

The investigation permit for the Guajaraz Project was granted to the Vendors on 20 September 2018 for a three year period, which can be extended for an additional three year period for a total of six years.

Historic mines

The most important mining was centred on the main shaft called 'La Union' or 'La Economica'. Production began in 1945 and ceased in in the mid 1980s, with limited exploration since.

The mining complex is composed of a network of galleries, wells and ventilation zones extending to a depth of 380m. There are several kilometres of underground workings over 10 separate exploitation levels accessing ore. Historical records indicate that the mineralisation was only partially exploited and remains open both along strike and at depth. ENADMISA produced a provisional, non-verifiable

mineral resource estimate in 1990 of approximately 5-10Mt with grades of 10% Zn, 0.5% Pb and 130 g/t Ag¹⁰.



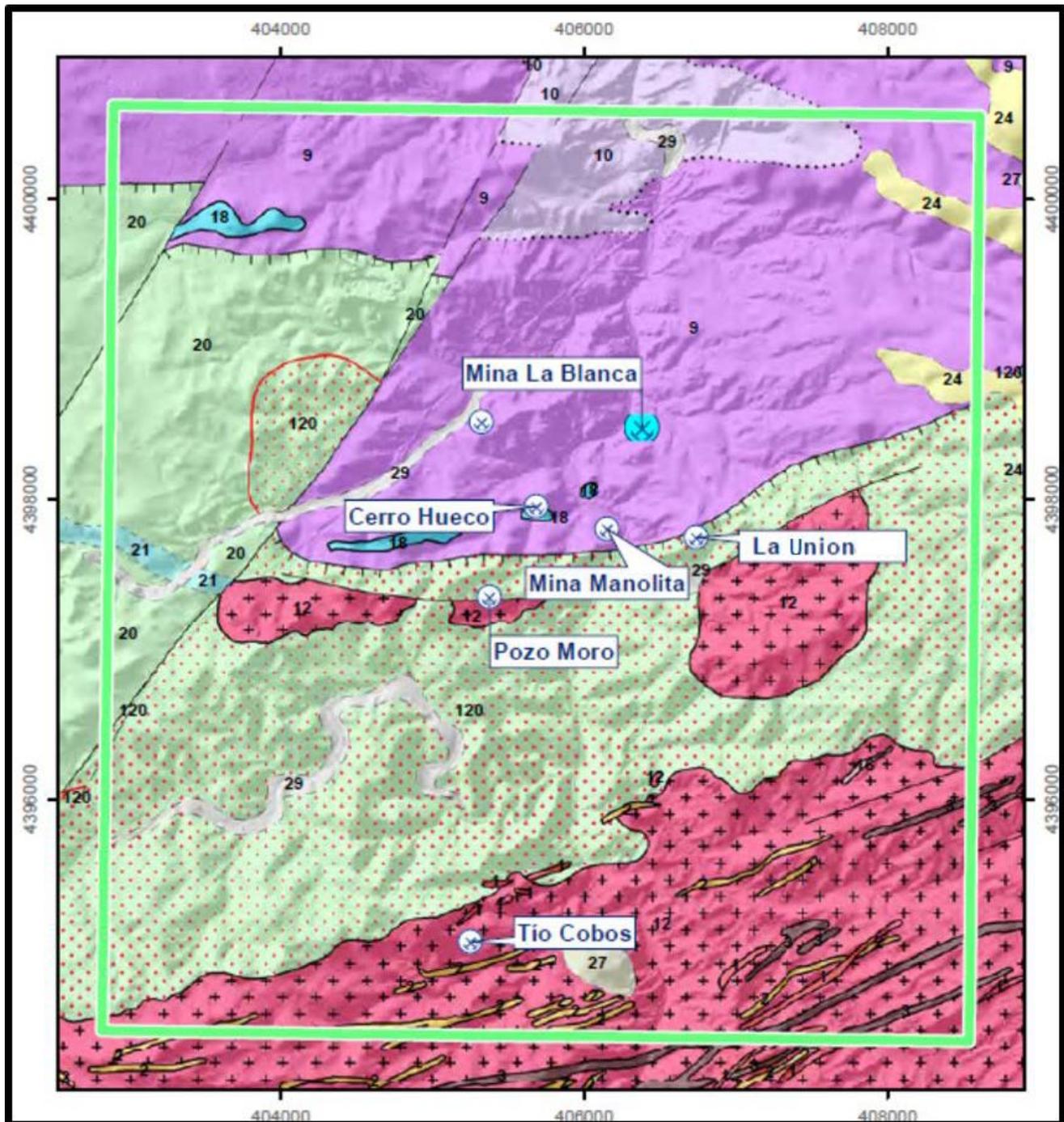
Recent exploration

Whilst the project area is under-explored using modern techniques, the Vendors commenced an early stage exploration program which successfully highlighted six key drill target areas which have excellent potential for zinc dominated polymetallic mineralisation – see summary table below:

ID_SAMPLE	Type	Area	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)
TCM-1	Dump	Tio Cobos	195	0.009	0.22	12.65
TCM-2	Dump	Tio Cobos	98	0.485	1.67	0.97
TCM-3	Dump	Tio Cobos	308	0.4	4.05	7.78
MGUA-1	Dump	Mina de Guajaraz	86	0.013	1.35	2.6
MGUA-2	Dump	Mina de Guajaraz	32	0.005	0.1	2.27
MGUA-3	Dump	Mina de Guajaraz	276	0.239	6.05	0.79
MGUA-4	Dump	Mina de Guajaraz	332	0.266	10.45	1.14
MGUA-5	Dump	Mina de Guajaraz	249	0.015	0.86	17.35
MGUA-6	Outcrop	Mina de Guajaraz	1	0.005	0.01	0.02
MGUA-7	Outcrop	Mina de Guajaraz	2	0.005	0.09	0.28
MGUA-8	Outcrop	Mina de Guajaraz	1	0.005	0.01	0.08
GUAN-1	Dump	Mina La Blanca	195	0.031	0.66	5.09
GUAN-2	Dump	Mina La Blanca	139	0.166	1.34	6.83
WGUA1-1	Dump	Pozo Moro	51	0.007	11.95	0.09
WGUA1-2	Dump	Pozo Moro	30	0.03	6.73	0.19
WGUA2-1	Dump	Mina Manolita	116	0.005	7.35	1.74
WGUA2-2	Dump	Mina Manolita	82	0.005	4.68	2.16
WGUA3-1	Dump	Cerro Huevo	36	0.006	0.15	2.51

Refer to Appendix 2 for JORC Table 1, Sections 1 and 2 information.

¹⁰ 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 done 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.



Rationale & Benefits of the Transaction

The Board of Variscan believe that this is a transformational acquisition for the Company and acts a real catalyst for growth.

The Transaction represents a significant opportunity for the Company to benefit from:

- acquisition of two high-quality, advanced zinc projects in proven mining regions;
- exposure to zinc - the outlook is very positive for the development of future mines;
- attracting high-quality investors onto the share register providing immediate capital to commence work as well potential access to capital in the future;
- adding to a portfolio of high-impact base-metal interests; and
- strengthening the Company as a platform to make additional value accretive acquisitions.

Key Commercial terms of the Transaction

Variscan has secured the Projects by entering into binding Terms Sheets with the Vendors to acquire the entire share capital of:

- Slipstream Spain Pty Ltd (“SS”), the sole shareholder of Slipstream Resources Spain S.L.U. (“SRS”), the registered holder of the licences over the Novales-Udias Project located in the Basque-Cantabrian Basin; and
- Slipstream Spain 2 Pty Ltd (“SS2”), the sole shareholder of Slipstream Guajaraz S.L. (“SG”), the registered holder of the licences over the Guajaraz Project located in the Central Zone of the Iberian Massif,

subject to the satisfaction of the Conditions (as set out later in this announcement), which include the Company obtaining shareholder approval.

Consideration

The respective binding Terms Sheets to acquire Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd obliges Variscan to satisfy the consideration payable to the Vendors as follows:

The initial consideration for the Transaction is A\$2.2 million payable through the issue of new Ordinary Shares to the Vendors at the Issue Price comprising:

1. On completion, the Issue of 825,000,000 Shares (“SS Consideration Shares”) in respect of the acquisition of SS; and
2. On completion, the Issue of 275,000,000 Shares (“SS2 Consideration Shares”) in respect of the acquisition of SS2.

Additionally, the Company will assume obligations to repay existing debt of A\$0.6 million in cash as follows:

1. On signing, a non-refundable cash payment of A\$75,000 to be applied to the repayment of loans from Slipstream to SS and SS2;
2. On completion, a further cash payment capped at a maximum of A\$500,000 (having already paid A\$75,000 on signing) whereby Variscan reimburses Slipstream for loans provided to SS and SS2; and
3. On completion, Variscan pays to Slipstream an amount equal to €35,000, which was previously provided to SRS as a security deposit.

Deferred consideration has also been agreed to be paid to the Vendors on the achievement of certain milestones.

1. 275,000,000 Shares payable upon the Company successfully disclosing on the ASX announcements platform an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) or greater, which may be a combination of a Mineral Resource and an Ore Reserve, on one or more of the concessions within the Novales-Udias Project, of a minimum of 4Mt at 7% Zn (“Milestone 1”);

2. 275,000,000 Shares payable upon the Company successfully disclosing on the ASX announcements platform an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) or greater, which may be a combination of a Mineral Resource and an Ore Reserve, on one or more of the concessions within the Novales-Udias Project, of a minimum of 8Mt at 7% Zn (“Milestone 2”);
3. 275,000,000 Shares payable upon the Company successfully disclosing on the ASX announcements platform an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) or greater, which may be a combination of a Mineral Resource and an Ore Reserve, on one or more of the concessions within the Guajaraz Project, of a minimum of 4Mt at 7% Zn (“Milestone 3”); and
4. 275,000,000 Shares payable upon the Company successfully disclosing on the ASX announcements platform an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) or greater, which may be a combination of a Mineral Resource and an Ore Reserve, on one or more of the concessions within the Guajaraz Project, of a minimum of 8Mt at 7% Zn (“Milestone 4”).

The issue of the deferred consideration is subject to shareholder approval and a waiver from ASX Listing Rule 7.3.2.

Assuming the Milestones are achieved, the total consideration for the Transaction could equate to an aggregate value of approximately A\$5million (based on the deferred consideration being calculated at the Issue Price and including the repayment of debt). The consideration is heavily geared towards the Vendors' receipt of Ordinary Shares in Variscan, which will align the respective parties' interests and link future consideration to an increase in value of the Projects.

Conditions

Completion of the acquisition of Projects must occur on or before 11 November 2019 and is subject to standard conditions precedent for this type of acquisition, including, *inter alia*:

- Variscan obtaining shareholder approval for the Transaction and the Placement;
- Variscan successfully applying for a waiver from ASX Listing Rule 7.3.2 to permit it to issue the deferred consideration Shares upon satisfaction of the Milestones;
- Variscan making a conditional offer to purchase an option over 15% of the share capital in SRS from Hispanibal S.L. (“HSP”). Further details are set out below;
- Variscan and the Vendors completing due diligence enquiries to their own satisfaction;
- Variscan obtaining any approvals required for the Transaction by any Spanish authority or Australian regulatory authority; and
- Variscan procuring the resignation of Mr. Mark Pitts as a director and appointment of Mr. Simon Fyfe (as nominated by Slipstream) with effect at Completion. Mr. Pitts will continue to hold the appointment of Company Secretary.

The Terms Sheets also contain usual warranties provided by the parties associated with an acquisition of this nature. The Terms Sheets may be terminated by either party if the conditions precedent are not satisfied or if there is a breach of the Terms Sheets or warranties provided by either party.

Hispanibal Option

On 24 April 2018, HSP, SS, Slipstream Resources Investments Pty Ltd and SRS entered into an acquisition agreement whereby HSP sold certain assets within the Novales-Udias Project to SRS. Under the terms of that agreement, HSP was granted an option to receive a fully paid-up non-dilutable shareholding of 15% in SRS exercisable at any time, at nil cost, until authorisation to commence mining

was granted (the “HSP Option”). If the HSP Option had not been exercised prior to the commencement of mining operations, it may receive a 2% net smelter royalty (“NSR”) for an indefinite period. If the HSP Option had been validly exercised, it also has the right to elect to return the shareholding to the company and receive the NSR instead. Further, in the event of a sale or transfer of SS or SRS, HSP has the right to participate in the sale and receive the consideration it would have received if it held 15% of SRS at the time. Accordingly, under the Terms Sheet the parties have agreed that Variscan shall be obliged as a condition precedent to completion to make an offer to HSP to purchase the HSP Option on equivalent terms to the purchase of SS. Should the offer be accepted it would result in the issue of 145,588,235 new ordinary shares being issued to HSP (the “Hispanibal Consideration Shares”). Should Milestones 1 and 2 be achieved, deferred consideration of 48,529,412 Shares would be issued to HSP in each instance (the “Hispanibal Deferred Consideration Shares”). Preliminary discussions with HSP indicate that they would be interested to proceed with the re-purchase of the HSP Option on the terms outlined above.

Vendors Voluntary Escrow

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.

Should HSP accept an offer from Variscan to purchase the HSP Option, it is the Company’s intention that the Hispanibal Consideration Shares would be subject to a voluntary escrow agreement on the same terms as the Vendors (as described above) and that the issue of shares would comply with the ASX Listing Rules.

Consultancy Fee

The Company has entered into a Consultancy Agreement with Risely Resources Pty Ltd under which it will pay a fee equal to A\$138,750 payable in new ordinary shares (the “Advisory Shares”) for the provision of introductory, facilitation and advisory services in connection with the Transaction. Risely Resources Pty Ltd has voluntarily agreed that the Advisory Shares will be subject to the same escrow arrangements as the Vendors.

Placement

In connection with the Transaction, the Company is conducting a placement of new ordinary shares (“Shares”) to raise a minimum of A\$3million, with the potential to accept oversubscriptions for a further A\$1 million (the “Placement”).

The Placement comprises two tranches with the first tranche, (“Tranche 1”) of 287.5 million new ordinary shares to be issued at A\$0.002 per Share (the “Issue Price”), to raise A\$0.575 million. Tranche 1 has been completed using Variscan’s existing placement capacity under ASX Listing Rules 7.1 (160,392,641 shares) and 7.1A (127,107,359 shares). Additional 7.1A information will be provided on issue of the shares expected to occur on 2 August 2019. Tranche 1 has been subscribed for by two high quality investors, being Delphi Unternehmensberatung Aktiengesellschaft (“Delphi”) which is a European investment fund and Wainidiva Pty Ltd, an affiliate of an Australian family office.

The second tranche (“Tranche 2”) of the Placement will be completed subject to obtaining shareholder approval at a General Meeting. Tranche 2 will result in the issue of approximately 1,200 million Shares at the Issue Price to raise a minimum of approximately A\$2.4million. Oversubscriptions for a further 500 million shares to raise A\$1 million may be accepted.

Variscan's largest shareholders, Mr. Kwan Chee Seng and Dr. Foo Fatt Kah (Chairman), together with Mr. Stewart Dickson (Managing Director and CEO) have indicated that they will subscribe for new Shares in Tranche 2 of the Placement, subject to shareholder approval.

Funds raised pursuant to the Placement will provide the Company with sufficient cash reserves for:

- exploration activities at the Novales-Udias and Guajaraz Projects;
- repayment of loans to the Vendors; and
- general corporate purposes.

Patersons Securities Limited has been mandated as Lead Manager to the Placement.

Shareholder Approvals & Irrevocable Voting Commitments

The Transaction and the Placement are subject to shareholder approval. An indicative timetable for Tranche 2 and the date of the General Meeting will be notified as soon as practicable.

The Variscan Board encourages shareholders to recognise the significance of this opportunity.

The Variscan Board intend to unanimously recommend that shareholders vote in favour of the resolutions to be proposed at the General Meeting, as each Director intends to do in respect of their own beneficial holdings which amount in aggregate to 433,953,235 Shares, representing approximately 34.1 per cent of the existing issued share capital of the Company as at the date of this announcement. Binding commitments have been received from each Director to this effect.

Positive outlook for Zinc

The International Lead and Zinc Study Group ("ILZSG") is forecasting zinc demand to exceed supply in 2019. Zinc demand is forecast to increase 0.6% in 2019, to reach 13.77 million tons. Usage is forecast to rise 0.7% in Europe.

Variscan believes that the outlook for zinc is positive due to the following factors:

- Large drawdowns of refined zinc exchange stocks, bringing exchange inventories to critical levels;
- Global concentrate market moved to surplus due to decreased refined production in China and rest of the world;
- Environmental policy and poor profit margins limited buying by Chinese smelters in 2018;
- Zinc market is currently estimated to be moving into a smelter bottleneck in 2019, with concentrate surpluses and continued refined deficits;
- Reduced mine guidance, flooding in Queensland, and environmental restrictions on small mines in China is putting the concentrate surplus at risk; and
- Additional mine and smelter production needed to satisfy the zinc market.

Competent Person Statement

The information in this document that relates to technical information about the Novales-Udias and Guajaraz Projects 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.

The information in this report that relates to information in respect of foreign resource estimates provided pursuant to ASX Listing Rules 5.1.2.2 to 5.1.2.7 is an accurate representation of the available data and studies for the Guajaraz Project, and has been compiled 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.

ENDS

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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.

APPENDIX 1

JORC Table 1, Sections 1 and 2 in reference to Novales Soil Geochemistry:

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> The specific soil sampling technique is unknown due to age (mostly from 1984 from Asturiana de Zinc who no longer own the licences). Geochemical analysis technique unknown. Depth and colour of samples recorded on hard copy tabulated results for Zinc and Lead quoted in ppm. Co-ordinates not provided for all samples, just reference number to grid lines specific to planned soil grid also in hard copy maps. Samples unknown whether measures taken for sample to be fully representative of soil profile
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> N/A – drilling not conducted
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> N/A – drilling not conducted
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to 	<ul style="list-style-type: none"> Logging has not been conducted to a level suitable for the estimation of a Mineral Resource.

Criteria	JORC Code explanation	Commentary
	<p>a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</p> <ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> Logging is qualitative. Logging of observations on hard copy tables for each sample only. Details noted are whether sample was deep enough to hit the underlying dolostone or limestone strata.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Sub-sampling and preparation unknown. Unknown as to whether samples were split or reduced in any way. Weight of the samples are not known. Unknown if any quality control procedures were adopted. Unknown whether sample sizes are appropriate to the grain size of the material being sampled.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Unknown whether samples were analysed with the appropriate analytical method. Unknown as to which laboratory and what assay type was utilised, not possible for handheld XRF usage as samples were taken in approximately the mid-1980's. Quality control procedures unknown.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Data has only been verified with occasional overlap of soil sampling grids which do concur. WAI is not aware of any additional sample verification. Primary data is in the form of hand written tables, no laboratory certificates and no known data entry protocols.
Location of data	<ul style="list-style-type: none"> Accuracy and quality of surveys used to 	<ul style="list-style-type: none"> GPS not used for each point, only a section line with

Criteria	JORC Code explanation	Commentary
points	<p>locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</p> <ul style="list-style-type: none"> • Specification of the grid system used. • Quality and adequacy of topographic control. 	<p>numbers assigned to each sample point along that line, thus a compass must have been used to give a bearing from a single starting point, unknown as to whether this starting point was survey controlled.</p> <ul style="list-style-type: none"> • Original maps are in 1:2000 scale and are hand drawn with superimposed 2m contour lines, these may have been instrumental in the orientation and location of grid lines and points therein.
Data spacing and distribution	<ul style="list-style-type: none"> • Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<ul style="list-style-type: none"> • 200m x 20m spacing for most soil sample grids • Data spacing is deemed sufficient to delineate mineralisation at surface only, however is not sufficient for Mineral Resource estimation. • Unknown whether sample compositing was applied.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> • Orientation of soil sample grid lines is varied throughout NW-SE, N-S and E-W. • Unknown as to whether there was a sample bias
Sample security	<ul style="list-style-type: none"> • The measures taken to ensure sample security. 	<ul style="list-style-type: none"> • Unknown, due to age of sampling campaign
Audits or reviews	<ul style="list-style-type: none"> • The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> • WAI is unaware of any audits or reviews of sampling techniques

APPENDIX 2

JORC Table 1, Sections 1 and 2 in reference to Guajaraz Float Sampling Campaign:

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> Samples taken at random from waste dumps surrounding historic mine workings. Samples are classified as float or grab or rock chip samples and are not considered representative of sub-surface grades and are only indicative of the presence of mineralisation. WAI cannot locate within the reference material, including the sampling report by "Consulting de Geologia y Minería, S.L.", the method of analysis or laboratory these samples were sent. Samples were documented with photographs and text in the report from "Consulting de Geologia y Minería, S.L.", it is deemed sufficient for the sample type.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> N/A – drilling not conducted
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> N/A – drilling not conducted
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining 	<ul style="list-style-type: none"> Logging has not been conducted to a level suitable for the estimation of a Mineral Resource. Logging is qualitative.

Criteria	JORC Code explanation	Commentary
	<p><i>studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • Recording of observations is detailed for each of the total 18 samples taken within the sampling report compiled by “Consulting de Geologia y Minería, S.L.”. • Photographs and tables of analysis results are available, and observations are predominantly qualitative.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • Sub-sampling and preparation unknown. • Unknown as to whether samples were split or reduced in any way. • Weight of the samples are not known. • Unknown if any quality control procedures were adopted. • Unknown whether sample sizes are appropriate to the grain size of the material being sampled. • Samples are not necessarily representative of in-situ material and are potentially bias due to random sample selection.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i> • <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> 	<ul style="list-style-type: none"> • Unknown whether samples were analysed with the appropriate analytical method. • Quality control procedures unknown.
Verification of sampling and assaying	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • WAL is not aware of any sample verification of the primary data.
Location of data points	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and</i> 	<ul style="list-style-type: none"> • Unknown method of geo-location for each sample, the co-ordinate system is quoted as ETRS89, as these samples were taken recently and were likely located with base

Criteria	JORC Code explanation	Commentary
	<p><i>other locations used in Mineral Resource estimation.</i></p> <ul style="list-style-type: none"> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<p>maps or a handheld GPS, however this has not been confirmed.</p>
Data spacing and distribution	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Data is spaced sporadically around historic mine workings and therefore not suitable for Mineral Resource estimation. • Unknown whether sample compositing was applied.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<p>N/A – drilling not conducted</p>
Sample security	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • Samples security protocols are unknown.
Audits or reviews	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • WAI is unaware of any audits of reviews of sampling techniques

APPENDIX 3

Reporting of Foreign Estimates

With respect to the reporting of mineral resources estimates for the Guajaraz Project, the Company provides the following information pursuant to ASX Listing Rule 5.12:

- 5.12.1 The Guajaraz historical estimate (“Historical Estimate”) has been extracted from a report published by Instituto Geológico y Minero de España (“IGME”). IGME is the Geological and Mining Institute of Spain. The report dated July 1990, is publicly available and can be downloaded at:
<http://info.igme.es/cartografiadigital/sidimagenes/magna/20657/Informe%20recursos%20naturales/Informe%20recursos%20naturales.pdf>.
- 5.12.2 No categories of mineralisation have been included. The Company does not consider that the Historical Estimate is readily comparable to any classification of JORC resource.
- 5.12.3 The Historical Estimate is considered by Variscan Mines Limited to be both relevant and of significant materiality to the proposed acquisition of the Guajaraz Project as it provides a background to the history of the region. Informing shareholders of publicly available mining information over a former producing mine is assessed to be relevant in allowing shareholders to be fully informed to assess the merits of the Transaction. The Company has undertaken its own due diligence on the Guajaraz Project (as set out in JORC Sections 1 and 2 of this announcement) but has not undertaken sufficient work to determine whether a resource can or will be disclosed under JORC Code (2012) on the Historical Estimate.
- 5.12.4 Variscan Mines Limited does not consider that investors should rely on the Historical Estimate. It is provided by way of information purposes only and should not be compared to resource statements under JORC. As a national body responsible for geo-sciences, IGME can be deemed to be impartial and objective, and the Historical Estimate can be used as an objective reference point to other statements made by IGME.
- 5.12.5 At the date of this announcement, the Company does not have any other information to corroborate the reliability of the Guajaraz Mineral Resource Estimate. The Company opines that as a former producing mine, the historical presence of mineralisation is undeniable, with the main shaft reaching a depth of 380m. The most important mining was centred on the main shaft called ‘La Union’ or ‘La Economica’. Production began in 1945 and ceased in in the mid 1980s. The mining complex is composed of a network of galleries, wells and ventilation zones extending to a depth of 380m. There are several kilometres of underground workings over 10 separate exploitation levels accessing ore. Historical records indicate that the mineralisation was only partially exploited and remains open both along strike and at depth. All known details of the mining activities are available in the report.
- 5.12.6 Variscan Mines Limited is not aware of any recent estimates or data relevant to the Guajaraz Mineral Resource Estimate. A significant exploration work programme will be required to provide information on the Historical Estimate in a manner consistent with the JORC Code (2012) and it is uncertain whether further exploration will result in the declaration of a mineral resource with the same tonnages and grades as the Historical Estimate, or at all.
- 5.12.7 The Company intends, upon successful completion of the proposed Transaction, to undertake complete further geological fieldwork, interpretation and drilling to support a new estimate at Guajaraz. Prior to declaring a mineral resource, the Company will be required to undertake its own estimation work, which will include site visits, geological interpretation, new estimation and modelling techniques, assessment of relevant environmental factors and assumptions, assumptions re the accuracy and confidence of any prospective resource estimates and assumptions regarding mining methods, processing and potential dilution. The Company reiterates that there is no guarantee that after taking such work, a mineral resource consistent with the JORC Code (2012) will be announced.