

ASX Announcement | 20 September 2024

Variscan Mines Limited (ASX:VAR)

CORPORATE & OPERATIONAL UPDATE

Highlights

- Preparations well advanced for Variscan's maiden underground drilling campaign at Udias Mine due to commence next month
- Asset portfolio refresh with due diligence on prospective zinc assets in Ireland underway and relinquishment of interest in Chilean project
- Additional Director funding in support of company activities
- Novales-Udias Project remains top priority and continues to progress with demonstrable milestones expected in H2 calendar 2024, these include:
 - ✓ Drilling in Udias Mine
 - ✓ Release of updated Mineral Resource Estimate
 - ✓ Publication of a Mine Re-Start Study

Variscan Mines Limited (ASX:VAR) ("Variscan" or "the Company") is pleased to provide the following corporate and operational update.

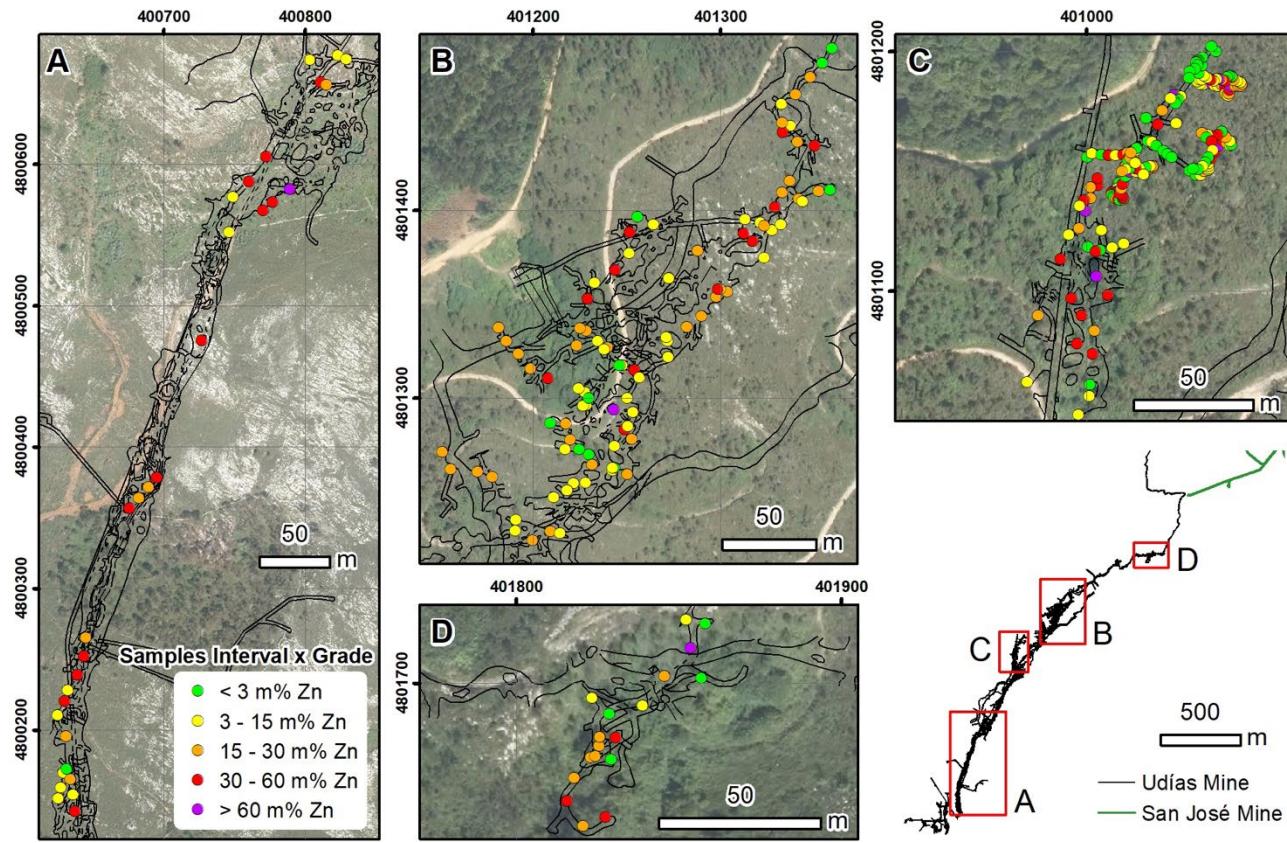
Maiden drilling campaign to test targets in the Udias Mine complex

Variscan remains on track to commence its maiden drilling campaign in the Udias Mine next month. Underground preparations and site access works are well advanced.

The positive sampling data reported earlier this month (see ASX Announcement dated 10 September 2024), existing mine development and historical drill-hole data all indicate that there is excellent continuity of mineralisation extending, along strike, in a south-westerly direction over 2km linking the San Jose Mine and the Udias Mine. The style of zinc mineralisation is identical to that found at the San Jose Mine as it is predominately high-grade zinc sulphides and occurs at the same elevation (i.e., no vertical offset). The amount and closely spaced nature of the geological data have delineated high-priority targets for drill testing.

Drilling will commence at the southern end of the Udias Mine (labelled Zone A on Figure 1). The Upper (shown in blue in Figure 2) and Middle (shown in pink in Figure 2) levels will be drill-tested first where historical sampling returned grades in excess of 40% zinc.

Figure 1. Distribution of assays from underground face sampling results in the Udías Mine (see ASX Announcement dated 10 September 2024)



In the first instance, drilling will be conducted by the Company's in-house staff utilising its own portable drill rig. This will enable Variscan to execute the program efficiently, cost effectively and with a high degree of flexibility. The Company retains the ability to upsize and accelerate the campaign and utilise external contractors should capital resources permit.

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Figure 2. Plan view of southern end of the Udías Mine indicating areas of drilling, development and mine access

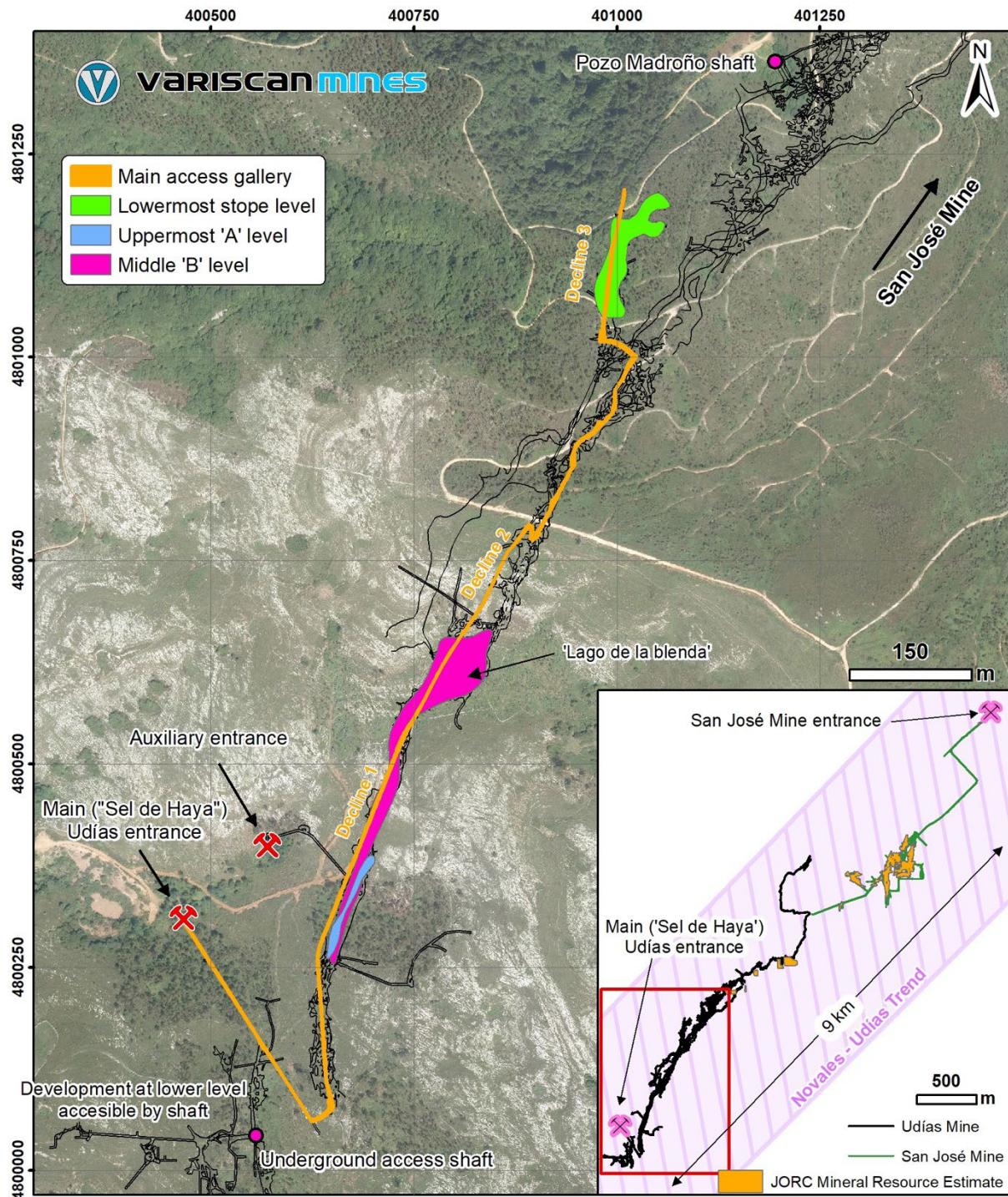


Figure 3. Principal access to the Udias Mine in the process of rehabilitation



Figure 4. Preparatory works to the auxiliary access to the Udias Mine



Due diligence to commence on zinc assets in Ireland

Variscan has entered into an asset due diligence agreement with Zinc GroupCo Pty Ltd to evaluate and, if appropriate, negotiate terms of a possible future earn-in and joint venture agreement over two prospective zinc projects in Ireland (see Figure 5).

These two assets are the Waterford and Midlands projects, both currently 100%-owned by BMEx Limited, an entity in which Zinc GroupCo holds a significant interest.

Figure 5. Location of Waterford and Midlands Projects and other zinc projects and mines in Ireland



Variscan's primary focus remains the advancement of its zinc development projects in Spain, especially the Novales-Udias Project, towards restarting production. However, having the opportunity to evaluate additional zinc projects in Europe provides potential exploration upside and further Company-level scale to the advanced, de-risked projects the Company already own in Spain, is attractive. Due diligence is at an early stage and there is no surety a transaction will occur.

Rosario project in Chile relinquished

The success of the exploration and development work on Variscan's Spanish assets has merited capital allocation and resources being focused on those projects. Our focus is rightly on our key objective of working towards re-starting production at the Novales-Udias Project. Consequently, the Directors have decided to relinquish the Company's limited interest in the Rosario Project in Chile (refer ASX Announcement dated 1 July 2019). All expenditure has ceased in Chile and the local company is being wound up.

Director Funds

Further to the recent Interim Funding announcement (see ASX Announcement dated 22 July 2024), in which the Company's Chairman and Managing Director provided working capital loans (the "Director Loans"), Variscan advises that Mr Nicholas Farr-Jones, a Non-Executive Director, has also entered into a loan agreement for \$32,000.

Key terms of the Director Loan are as follows:

1. The Director Loan is unsecured;
2. The Company is not restricted on how the funds are used;
3. The Director Loan has a maturity date of 31 July 2025;
4. The Director Loan may be converted into ordinary shares, at the election of the Company and subject to shareholder approval, on terms outlined in the Appendix 3B to follow; and
5. If the Director Loans are not converted into ordinary shares they attract interest at the rate of 1% per month

Next Steps & Way Forward

The Novales-Udias Project continues to progress, with the following demonstrable milestones expected in H2 calendar 2024:

- Underground drilling at the Udias Mine
- Updated Mineral Resource Estimate
- Publication of a Mine Re-Start Study

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

"We have always maintained our growth mindset. Having the opportunity to evaluate additional zinc projects in Europe providing potential exploration upside and further company-level scale to the advanced, de-risked projects we currently own in Spain is attractive.

Whilst we consider these projects and seek to grow the Company, I want to clearly state that we are fully focused on developing our Spanish assets, principally the Novales-Udias project, one of the highest-grade, development stage zinc deposits in Europe, towards re-starting production. That remains our highest priority and gives us the platform to scale-up.

The Irish projects we are starting due diligence on have been originated by Mine Discovery Fund who have a successful track record of discovery and development. We will provide the market with an update on this process in due course."

The recently announced very high-grade sampling results are very exciting ahead of Variscan drill-testing the Udias Mine complex for the first time. With drilling in these areas about to start, we are poised to unlock further value from one of the highest-grade, development stage zinc deposits in Europe, which is continuing to make good progress towards re-starting production."

ENDS

This ASX announcement has been approved by the Board and authorised for issue by Mr Stewart Dickson, Managing Director and CEO, Variscan Mines Limited

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About Variscan Mines Limited (ASX:VAR)

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. Its primary focus is the development of its advanced zinc projects in Spain. 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.

To learn more, please visit: www.variscan.com.au

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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 San Jose 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 and a sub-parallel 3km trend from contemporary and historical data across both the Buenahora exploration and Novales mining permits.

The San Jose Mine is nearby (~9km) to the world class Reocin Mine which is the largest known strata-bound carbonate-hosted Zn-Pb deposit in Spain¹ and one of the world's richest MVT deposits². Further it is within trucking distance (~80km) from the San Juan de Nieva zinc smelter operated by Asturiana de Zinc (100% owned by Glencore). Significantly, the Novales-Udias Project includes a number of granted mining tenements³.

Novales-Udias Project Highlights

- Near term zinc production opportunity (subject to positive exploration and development work)
- Maiden JORC compliant Mineral Resource Estimate of 1.08 Mt at 9% Zn defined in Q4/2023
- Large tenement holding of +100 km² (including a number of granted mining tenements)
- Regional exploration potential for further discoveries 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 zinc smelter in Asturias
- 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 pods and lenses) 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

¹ Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seibold, I. and Leach, D., (2003) 'Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain' Econ. Geol. v.98, pp. 1371-1396.

² Leach, D.L., Sangster, D.F., Kelley, K.D., Large, R.R., Garven, G., Allen, C.R., Gutzner, J., Walters, S., (2005) 'Sediment-hosted lead-zinc deposits: a global perspective'. Econ. Geol. 100th Anniversary Special Paper 561 607

³ Refer to ASX announcement of 29 July 2019

⁴ Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seibold, 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 These figures have been taken from historical production data from the School of Mines in Torrelavega historical archives.

⁷ 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

Figure 6. Map of Novales-Udias Project Licence Areas with Udias Mine highlighted

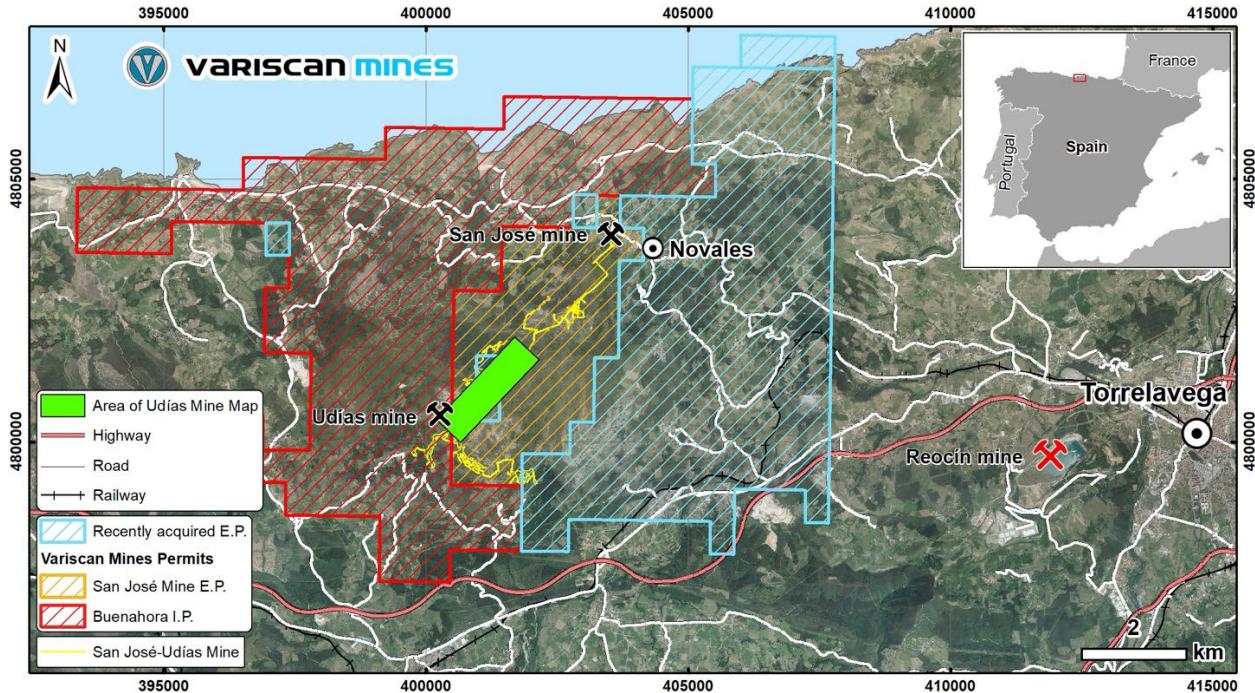
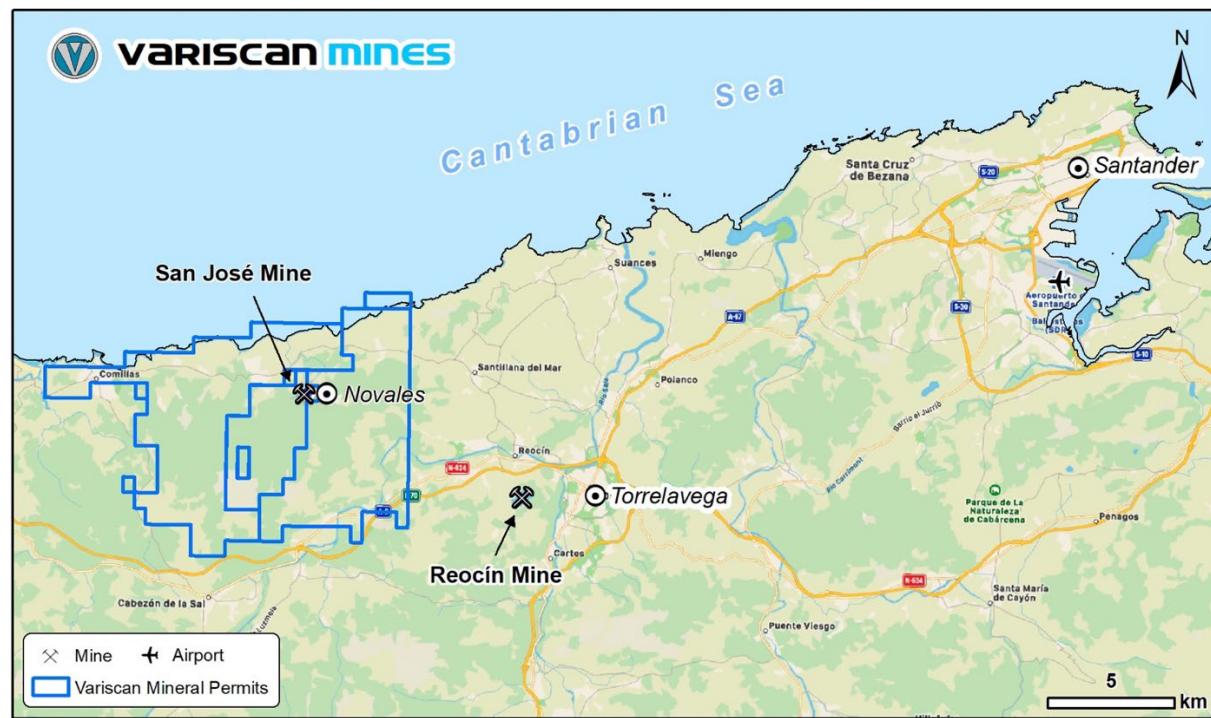


Figure 7. Map of Novales-Udias Project Licence Areas and local infrastructure



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 Dr. Mike Mlynarczyk, Principal of the Redstone Exploration Services, a geological consultancy acting as an external consultant for Variscan Mines. Dr. Mlynarczyk is a Professional Geologist (PGeo) of the Institute of Geologists of Ireland, and European Geologist (EurGeol) of the European Federation of Geologists, as well as Fellow of the Society of Economic Geologists (SEG). With over 10 years of full-time exploration experience in MVT-style zinc-lead systems in several of the world's leading MVT provinces, Dr. Mlynarczyk 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'). Dr. Mlynarczyk 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 document that relates to previous exploration results was prepared pre-2012 JORC code. It is the opinion of Variscan that the exploration data is reliable. Although some of the data is incomplete, nothing has come to the attention of Variscan that causes it to question the accuracy or reliability of the historic exploration.

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.