



ASX Code: VAR  
 ACN: 003 254 395  
 Issued Shares: 1,559m  
 Listed Options: 593.4M  
 Unlisted Options: 20.0m

At 30 Sept 2019  
 Cash Balance: \$1.21M  
 Listed Investments: \$0.67M

#### Directors

Dr Foo Fatt Kah  
 Stewart Dickson  
 Michael Moore  
 Mark Pitts

#### Alternate Director

Kwan Chee Seng

#### Top Shareholders

Citicorp Nominees Pty Limited  
 Delphi Untemehmensberatung  
 Wainidiva Pty Ltd  
 BNP Paribas  
 HSBC Custody Nominees  
 RHB Securities Singapore  
 Chen-Kang Wang

Top 20 Shareholders: 68.9%

#### Head Office

Variscan Mines Limited  
 Suite 8, 7 The Esplanade  
 Mount Pleasant WA 6153

T +61 (0)8 9316 9100  
 E info@variscan.com.au

www.variscan.com.au

## HIGHLIGHTS

- **Signed agreement to acquire two advanced zinc projects in Spain**
- **Acquisition of Hispanibal option over Novales-Udias project simplifies ownership structure at completion and removes 15% minority holder and 2% royalty.**
- **Raised \$575,000 through the issue of 287,500,000 shares at \$0.002 and received further firm commitments to raise \$2.4 million, subject to shareholder approval**

The Quarter was highly productive with the management and Board of Variscan delivering the agreement for a transformational and value accretive acquisition for the Company. The signed agreement for two advanced zinc projects in Spain represents a significant opportunity for Variscan and its shareholders to benefit from exposure to advanced projects in established mining provinces in a metal strategic to Variscan's existing portfolio and expertise.

Directors believe this transaction provides Variscan with an outstanding opportunity to secure highly prospective zinc projects in Europe, in a low-cost and stable political environment.

In addition to considering the Transaction to be a catalyst for growth, Directors were especially pleased to be able to attract specialist sector-specific investors onto the share register through the Transaction. In addition to Tranche 1 securing some \$575,000 the Company also announced during the Quarter that it had received firm commitments for Tranche 2, a further \$2.4 million, subject to shareholder approval.

The funding will provide capital to commence work on the highly prospective projects in the immediate term as well access to potential additional capital in the future. And with mining tenements already granted, work will be underway shortly so that Variscan will be in a position to evaluate early production opportunities and advise shareholders during the current Quarter.

Reviewing the period, Stewart Dickson, CEO of Variscan said,

*"We are very pleased to have announced the acquisition of the Spanish zinc projects, which we consider to be among the most prospective zinc projects in Europe. The location of the Novales-Udias Project, being close to the existing Glencore-owned Asturias smelter, helps to establish this project as a near-term production asset, while the Guajaraz Project provides a great opportunity for exploration in the centre of a renowned zinc mining region. Significantly, these assets complement our existing portfolio of assets, with the opportunity to provide near-term cash flows to the company.*

*We look forward to discussing our projects with all shareholders at the upcoming Annual General Meeting in November, and are excited for shareholders to approve the transaction to allow us to commence exploration on these assets."*

## OPERATIONS

### Spain – Acquisition of Novales-Udias and Guajaraz Zinc Assets

During the quarter the Company agreed terms to acquire 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), which 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.

Initial Consideration for the Transaction is up to 1,100,000,000 new ordinary shares to the Vendors (at a deemed 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 up to 1,100,000,000 new ordinary shares to the Vendors at the Issue Price subject to shareholder approval. The vendors have agreed to a voluntary escrow of the Consideration Shares. The ASX has agreed to waive the requirements of Listing Rule 7.3.2.

Several key highlights of the projects include:<sup>1</sup>

- 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 +68.3km<sup>2</sup>.
- 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.

<sup>1</sup> Refer ASX Release 29 July 2019

**Figure 3. Location of the Novales-Udias and Guajaraz Projects**



### Spain – acquisition of Hispanibal Option

On 26 September 2019 the Company announced that it had signed a conditional agreement with Hispanibal S.L (“HSP”) to acquire their interest over the Novales-Udias project.

Furthermore, the parties have also entered into a Cooperation & Partnership Agreement which involves HSP providing Variscan with access to property and data, and confirms commercial terms for important transportation and logistics services, as well as HSP assisting Variscan to develop commercial relationships with Asturiana de Zinc (a subsidiary of Glencore), whom they already provide support services to.

The acquisition of the Hispanibal Option represents a significant milestone towards satisfying the conditions precedent required for the overall Transaction to close successfully. Further, this agreement with HSP will simplify the ownership and economic value attributable to the Novales-Udias Project.

Completion of the acquisition of the Novales-Udias and Guajaraz Projects is subject to standard conditions precedent for this type of acquisition, including, inter alia, Variscan making a conditional offer to purchase an option over 15% of the share capital in Slipstream Resources Spain S.LU (“SRS”) from HSP.

On completion, this acquisition removes this 15% external holding in the Novales-Udias project, along with the 2% royalty held by HSP. In consideration for the sale, the company will issue 145,588,235 ordinary shares to

HSP at a deemed price of \$0.002 per share, representing \$291,176. Furthermore, the following deferred consideration may be paid on the completion of certain milestones:

- 48,529,412 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”);
- 48,529,412 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”); and
- A cash payment of €200,000 payable on the Company successfully disclosing on the ASX announcements platform a Mineral Resource Estimate (as defined by a Competent Person in accordance with JORC Code 2012) (“Conditional Price”).

The two milestone issues of shares are subject to shareholder approval at the Company’s upcoming Annual General Meeting.

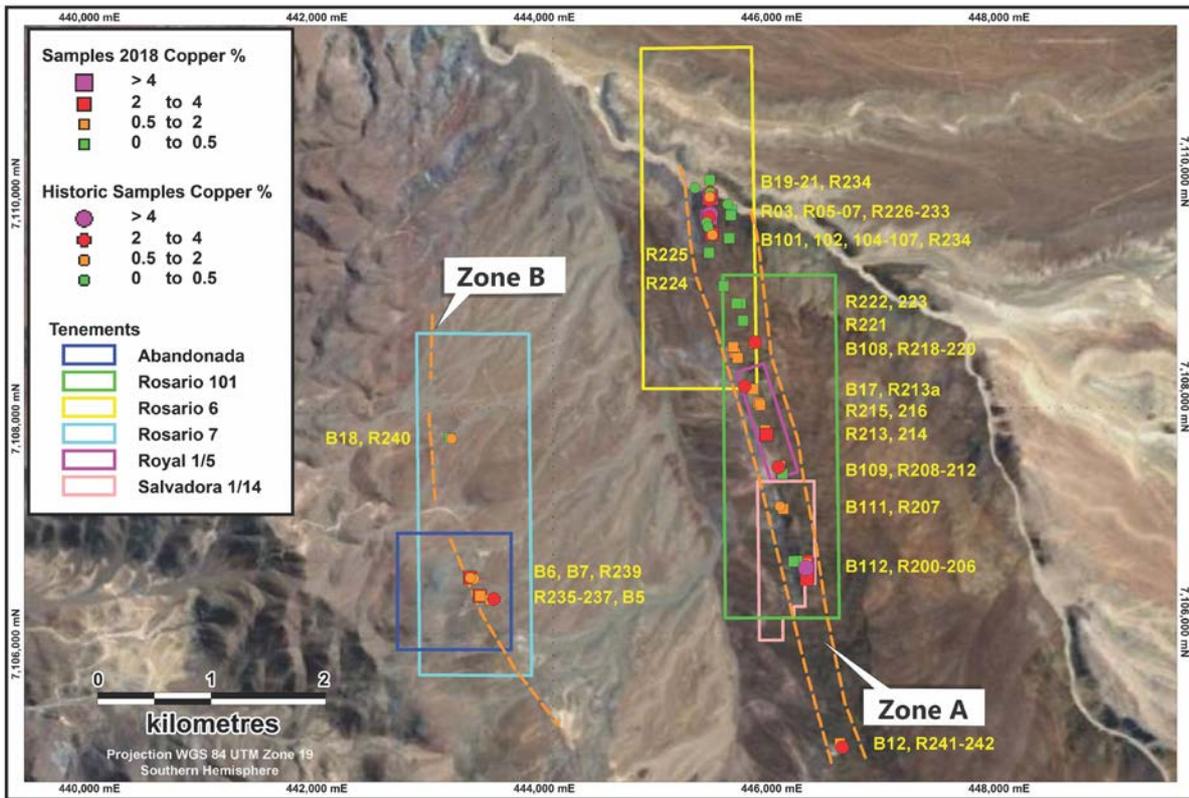
HSP have agreed to a voluntary escrow period whereby 50% of the consideration shares issued to them will be escrowed for a period of 6 months, and the remainder for a period of 12 months.

### **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.

**Figure 1. Plan of Rosario licence areas and historic rock Chip & Grab Sampling Results**



**Figure 2. 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).

## **FINANCIAL & CORPORATE**

### **Cash**

Cash at bank at 30 September 2019 was \$1.21 million. On 2 August 2019 the Company completed a placement of \$575,000 (before costs) at \$0.002 per share. Furthermore, subsequent to the end of the quarter the Company announced it had received firm commitments of an additional \$2.4 million at \$0.002 per share. The issue of these shares is subject to shareholder approval at the Company's upcoming Annual General Meeting, to be held on 14 November 2019.

### **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 30 September 2019, the value of the shareholding was approximately \$0.67 million.

### **Share Capital**

The total number of shares on issue at the end of the quarter was 1,558,573,585.

**ENDS**

### **Variscan Mines Limited**

Stewart Dickson  
Managing Director & CEO  
[info@variscan.com.au](mailto:info@variscan.com.au)

### **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.*

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Variscan Mines Limited

### ABN

16 003 254 395

### Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(8)	(8)
(b) development	-	-
(c) production	-	-
(d) staff costs (excludes direct exploration salaries)	(102)	(102)
(e) administration and corporate costs	(87)	(87)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(196)</b>	<b>(196)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(38)	(38)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(38)</b>	<b>(38)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	575	575
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(75)	(75)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (share capital applications)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>500</b>	<b>500</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	947	947
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(196)	(196)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(38)	(38)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	500	500

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,213</b>	<b>1,213</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,213	947
5.2	Call deposits and foreign currency equivalents	-	-
5.3	Bank overdrafts	-	-
5.4	Other – term deposits	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,213</b>	<b>947</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

102

-

Salaries, Directors fees and consultancy fees at normal commercial rates.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

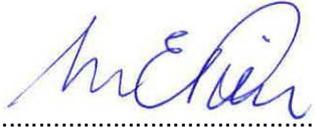
--

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	150
9.2 Development	-
9.3 Production	-
9.4 Staff costs (excludes direct exploration salaries)	100
9.5 Administration and corporate costs	85
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>335</b>

<b>10.</b>	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....  
(Director, Company secretary)

Date: 30 October 2019

Print name: Mark Pitts

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

**Mining exploration entity and oil and gas exploration entity quarterly report**

Tenement	Tenement No.	Interest	Joint Venture Details
<b>NEW SOUTH WALES</b>			
<b>Broken Hill</b>			
Willyama	EL 8075	0%	Note 1
Hillston	EL 6363	39.2%	Perilya can earn 80%, Eaglehawk 9.8%
Native Dog	EL 8236	0%	Note 1
<b>Lachlan Fold Belt</b>			
Woodlawn South	ELs 7257 and 7469	0%	Royalty interest only
<b>SOUTH AUSTRALIA</b>			
Junction Dam	EL 5682	9.9%	Teck 87%, Eaglehawk 2.5%, Marmota 100% in uranium rights only, Note 2
Callabonna	EL 5360	49%	Red Metal 51%, can earn 70%
<b>FRANCE</b>			
St Pierre	PER	100%	
Beaulieu	PER	100%	
<b>CHILE</b>			
<b>Rosario</b>			
Rosario 6 1-40	0310259624	10.4%	Note 4
Rosario 7 1-60	0310259632	10.4%	Note 4
Rosario 101	03102N2229	10.4%	Note 4
Salvadora	0310231355	10.4%	Note 4
Abandonara	0310248487	10.4%	Note 4

EL = Exploration Licence

ELA= Exploration Licence Application

PER = Permis Exclusif de Recherche (France)

Note 1: Under an agreement with Silver City Minerals Limited, Broken Hill Operations and Eaglehawk Geological Consulting Pty Ltd Variscan has converted its interest in parts of these tenements to a NSR (Net Smelter Return).

Note 2: Marmota has earned 100% of the uranium rights only in EL 5682. Variscan has retained a 3.75% net profits royalty on production from a uranium mine.

Note 3: The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) have been conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. Pursuant to the approval for the Subsidiary Sale, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining licences. The Company has approved the relinquishment request and has yet to receive a response. The timetable for the completion of the relinquishment process is unknown.

Note 4: On 1 July 2019 the Company announced it had successfully renegotiated the terms of the existing Option Agreement to provide the Company with a participating interest of 10.4%. The Company can earn up to 90% of the project through payment of amounts totaling approximately US\$2.25 million.