



COMPANY & OPERATIONS UPDATE

Variscan Mines Limited ("**Variscan**" or the "**Company**" or the "**Group**") (ASX:VAR) focused on the development of its high quality zinc assets in Spain, especially the Novales-Udias Project located in the Cantabria, northern Spain, provides an update on its plan to commence operations following the phased lifting of COVID-19 restrictions in Spain.

Key Points

- **Spanish Government reducing lockdown restrictions imposed due to COVID-19**
- **The Cantabria region, where the Novales-Udias Project is located, has been one of the least affected areas in Spain**
- **Work on the Novales-Udias Project to accelerate as restrictions are lifted and circumstances allow**
- **Objectives to estimate mineral resources at the Novales-San Jose Mine and explore early production opportunities remain unchanged**
- **Assay results from recent soil and rock samples collected from an infill exploration programme over the Udias-Buenahora exploration tenement package of the Novales-Udias Project, expected shortly.**

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

'As Spain lifts restrictions, Variscan has a robust plan designed to progress towards a maiden mineral resource estimate at the San Jose-Novales Mine. The collation of a substantial historic dataset comprising over 39,000m of surface and underground drilling provides a head start for geological and resource modelling. This is a key step in delivering one of our stated strategic objectives; exploring the early production potential at the Novales Mine. We have a busy time ahead of us and look forward to reporting our progress.'

COVID-19

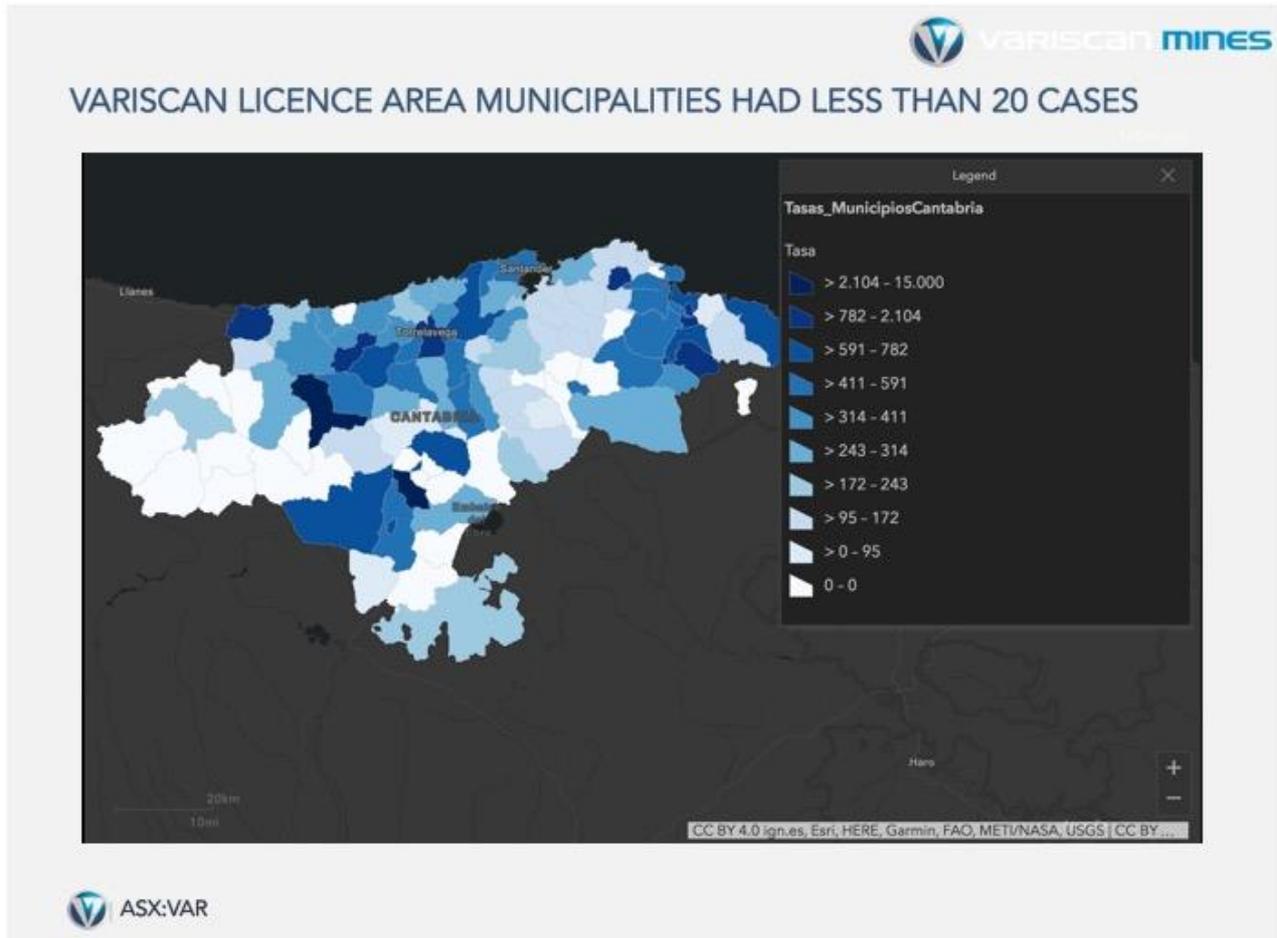
Variscan notes the recent announcements made by the Spanish Government as it begins to ease lockdown measures in a phased manner. In response, Variscan has formulated plans to accelerate fieldwork commensurately and safely. The work-plan for H2 2020 has commenced in early May; further details are set out below.

Variscan adopted a proactive and pragmatic approach to the COVID-19 measures implemented in Spain which included a substantial reduction to cash compensation paid. Variscan has acted and will continue to operate in full compliance with the regulations to safe-guard the health of our staff and contractors as well as the local communities. The Company has also continued to maintain its positive relationship with the Government of Cantabria.

Thankfully the Cantabria region, where the Novales-Udias Project is located, has been one of the least affected areas in Spain. As indicated in Figure 1, cases within the municipalities in which the licence areas of the Novales-Udias Project are situated have been extremely low; approximately 18 cases in total¹.

¹ Total number of cases aggregated across Ruiloba, Alfoz de Lloredo, Udías and Comillas municipalities as at 29 May 2020

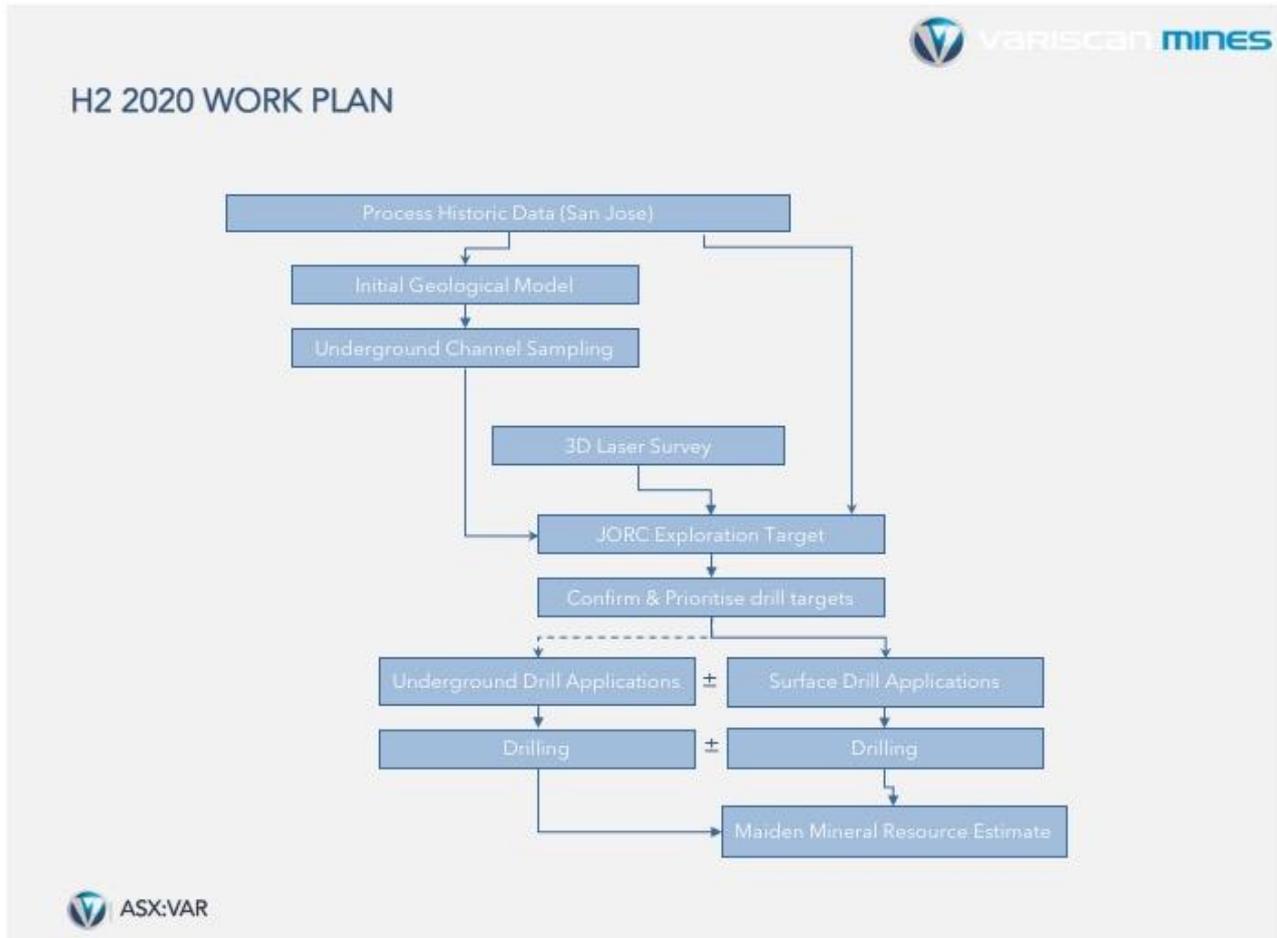
Figure 1. Cases of COVID-19 in Cantabria, northern Spain



Work Plan

Variscan is pleased to set out its work plan for H2 2020. The work-streams and activities are specifically designed to progress towards defining a maiden mineral resource estimate at the San Jose- Novales Mine in a logical and step-wise approach.

Figure 2. Plan of field work and desktop work for H2 2020



Infill Geological & Geochemical Reconnaissance

Immediately prior to lockdown restrictions being imposed, Variscan commenced an infill soil and rock sampling programme on prospects within the Buenahora licence area of the Novales-Udias Project. The sampling programme was designed to better define existing geochemistry anomalies and develop the understanding of known occurrences in the area as part of drill target generation. Samples have been sent to ALS Global in Seville, Spain for analysis. Variscan will report the assay results as they become available.

Next Steps

So long as it is safe for Variscan staff to conduct their work in accordance with national and regional government health guidelines and laws we intend to undertake the following workstreams:

San Jose Mine, Novales

- Continue to process historic underground drill data;
- Digitise historic mine plans and underground investigations;
- Develop the geological model;
- Conduct underground channel sampling
- Conduct an underground laser survey, when travel circumstances permit;
- Delineate an Exploration Target in accordance with JORC 2012;
- Reinitiate drilling applications
- Refine drill targets to test mineralisation identified
- Drill underground (probably first) and from surface
- Delineate a Mineral Resource Estimate in accordance with JORC 2012; subject to satisfactory results
- Investigate early production potential

Udias – Buenahora Exploration Tenement

- Report rock and soil sample results from Q1-Q2 exploration
- Continue the review of historic data on regional exploration targets
- Expansion of the soil and rock geochemical programme to additional untested targets
- Ground geophysics
- Definition and prioritisation of drill targets
- Scout Drilling

Other activities

In support of the above activities, Variscan are continuing to enhance environmental, social and governance initiatives.

Project Summary

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km southwest from the regional capital, Santander. The project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include a number of satellite underground and surface workings and areas of zinc anomalism identified from recent and historic geochemical surveys which include anomalies up to 2km long and close to 1km wide and up to 17% Zn.

Significantly, the Novales-Udias Project includes a number of granted mining tenements (refer 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 Reocín (total past production and remaining resource 62Mt @ 8.7% Zn and 1.0% Pb²³)
- 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% Zn⁴
- 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% Zn⁵
- Assay results of recent targeted grab samples taken from within the underground Novales Mine recorded 31.83% Zn and 62.3% Pb⁶
- Dataset of historical surface and underground drilling results over 39,000m collated⁶
- Access and infrastructure all in place
- Local community and government support due to historic mining activity

ENDS

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

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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.

Competent Person Statement

Where the Company refers to the previous ASX Announcements relating to the Novales-Udias Project, and the historic exploration results and production 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 those market announcements and all material assumptions and technical parameters underpinning the results disclosed in those announcements continue to apply and have not materially changed.

² Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seebold, I. and Leach, D., 2003 - Geology and Geochemistry of the Reocín Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain: in Econ. Geol. v.98, pp. 1371-1396.

³ 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.

⁴ 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.

⁵ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence.

⁶ Refer to ASX Announcement of 19 December 2019

⁶ Refer to ASX Announcements of 01 April 2020, 16 March 2020 and 3 March 2020