



CAPITAL RAISE ATTRACTS NEW CORNERSTONE INVESTOR AND STRONG SUPPORT FROM EXISTING MAJOR SHAREHOLDERS

Variscan Mines Limited (“**Variscan**” or the “**Company**” or the “**Group**”) (ASX:VAR) is pleased to announce a \$1.85 million capital raise (before costs) which was led by a natural resources-focused group, Zinc GroupCo Pty Ltd (“**ZincCo**”) as a cornerstone investor. ZincCo have subscribed for AU\$1.3 million and may provide funding of up to AU\$2.3 million through the exercise of attaching options. Additionally, a further A\$0.55 million has been raised through certain key existing shareholders.

Highlights

- **Variscan Mines has secured a A\$1.85 million capital raise subject to shareholder approval**
- **Natural resources-focused investor ZincCo will subscribe for \$1.3million with the balance of \$550k coming from supportive, key existing shareholders**
- **Placement is priced at \$0.018 per share with attached 1:2 options at \$0.0275 per share**
- **ZincCo is investing to support Variscan to complete its planned Concept Study to assess the re-start potential of the San Jose Mine**
- **ZincCo stakeholders have significant experience developing global resource projects and bring capabilities that can assist Variscan with marketing and trading future zinc products in due course**

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

“The capital raise announced today gives us the additional funding required to progress our plan to further prove up and expand the resources at and around the highly prospective San Jose Mine. It also allows us to complete the planned Concept Study that will assess the re-start potential of the mine.”

We are particularly pleased to attract a new cornerstone investor in ZincCo. ZincCo has experience in investing and supporting companies that are pursuing drill ready, highly qualified zinc exploration assets and / or near-term production opportunities. The San Jose Mine and wider Novales-Udias Project clearly fits ZincCo’s focus areas.

Variscan has always sought to attract ‘value-add’ capital to its share register, and ZincCo brings a capability in commodities trading and marketing and development that will assist us as we advance key workstreams to consider our mine re-start options in due course.

It was also pleasing to see key existing shareholders participate in the placement.”

Subscription by new cornerstone investor

ZincCo has subscribed for 72,222,222 new, fully paid ordinary shares in Variscan ('Subscription Shares') at a subscription price of \$0.018 per share ('Subscription Price'), raising AU\$1.3M for Variscan (the 'Subscription'). The Subscription will be in two tranches with the First Tranche expected to settle on 20 March 2023 and Second Tranche, subject to shareholder approvals at a General Meeting, on or around 30 April 2023. Following settlement of the Second Tranche, ZincCo will have a holding of 72,222,222 Ordinary Shares representing approximately 19.3% of the issued share capital at that time.

Under the terms of the Subscription Agreement the Subscription Shares will have 1 attaching option for every 2 Subscription Shares issued ('Subscription Options'). The Subscription Options will be unlisted, with a 21 month term and an exercise price of \$0.0275 per share. The issue of the Subscription Options is conditional on shareholder approval. Upon successful close of the subscription, Variscan will pay the Subscriber capital raising costs of \$65,000.

Existing Key Shareholders Support

In addition, Variscan has also secured a further \$0.55M from a number of existing key supportive shareholders through the issue of 30,555,556 new fully paid ordinary shares.

The issuance of these further shares will also be in two tranches (the 'Placement Shares'). The Placement Shares will have 1 attaching option for every 2 Placement Shares issued ('Placement Options'). The terms of the Placement Shares and Options are the same as the Subscription Shares and Options. The issue of the Placement Options is conditional on shareholder approval.

It is intended that 51,388,889 new shares comprising the First Tranche of the Subscription Shares and the Placement Shares will be issued under the Company's existing placement capacity, with 40,009,803 shares issued in accordance with Listing Rule 7.1 and 11,379,086 shares issued under Listing Rule 7.1A.

All shares issued under these Agreements will rank equally with Variscan's existing Shares quoted on the ASX. Upon successful close of the Placement, Variscan will pay fees equal to 5% of the funds raised from the Placement Shares, which may, subject to shareholder approval, be settled through the issue of shares with a deemed price of \$0.018.

Directors Support: Issuance of Shares to Directors in lieu of certain fee entitlements

Additionally, Directors have deferred certain fee payments in order to focus capital into the exploration and development program. It is proposed, subject to shareholder approval, to convert an aggregate amount of \$70,940 of deferred/accrued remuneration for the period ended

31 January 2023 into new ordinary shares in the capital of the Company (the "Conversion Shares"). No options are attaching to the Conversion Shares. Full details of the fees owing and the basis of the issue will be set out in a Notice of Meeting to be sent to shareholders.

General Meeting

A Notice of Meeting for a General Meeting (GM) of Shareholders will be circulated in due course.

Funds focused on workstreams to evaluate the re-start potential for the San Jose Mine

The Company will use the funds raised to accelerate the exploration and the evaluation of future production potential at the San Jose Mine. The Company is progressing towards publishing a maiden JORC-compliant Mineral Resource estimate and report on a Mine Re-Start Concept Study for the San Jose Mine during 2023.

Marketing & Trading Support from ZincCo

The Company and ZincCo have agreed to enter a dialogue to assess the prospectivity and marketability of future commodities that may be produced and traded from the Company's assets. If appropriate for both parties, the Company and ZincCo may choose to enter into a commercial arrangement whereby ZincCo assists the Company in marketing future off-take.

ZincCo, together with its partner Square Marketing ("Square") , bring considerable global marketing and trading experience and capacity across a number of commodities. ZincCo is seeking, together with its partner Square to support the Company with Square's capabilities in marketing and trading and to work closely with Variscan as it progresses its assessment of the re-start potential of the San Jose Mine and the various products it may produce.

About Zinc GroupCo Pty Ltd

ZincCo is a special purpose investment vehicle established by mining industry professionals together with commodity traders. Its focus is to pursue the exploration of new highly qualified zinc exploration assets and support near-term production opportunities in zinc mining either through new discoveries or restart of historically low capex, high grade zinc operations. The principals of ZincCo have operated around the world in numerous geographies in both listed and unlisted environments. ZincCo principals have experience in building businesses and supporting projects from exploration to development including financing new projects through equity, debt, offtake or other hybrid or structured financing solutions with a focus on preserving and unlocking shareholder value.

Looking Ahead & H1 Workplan

The Company is now progressing the following activities all of which are focused on the San Jose Mine:

- Delivery of approvals to undertake further surface drilling in and around the San Jose Mine to test promising step-out targets
- Phase 3 underground infill and resource definition drilling at the San Jose Mine
- Finalising the ongoing comprehensive 3D wireframe model of all historic and present-day drilling at and around the San Jose Mine
- Publishing a focused JORC-compliant maiden Mineral Resource estimate for the San Jose Mine
- Commencing a Mine Re-Start Concept Study for San Jose Mine
- In support of the above activities, the delivery of associated environmental, social and governance (“ESG”) initiatives

ENDS

This announcement has been approved by the Board and 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. 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

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.

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.

Novales-Udias 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 exploratory work)
- Large tenement holding of 68.3 km² (including a number of granted mining tenements)
- Regional exploration potential for another discovery analogous to Reocin (total past production and remaining resource 62Mt @ 8.7% Zn and 1.0% 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 significant infrastructure already in place
- Strong local community and government support due to historic mining activity

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

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