



ACQUISITION OF HISPANIBAL OPTION SPANISH PARTNER FOR THE NOVALES-UDIAS PROJECT

Key highlights:

- **Variscan simplifies ownership structure on the Novales-Udias Project through the acquisition of the Hispanibal S.L. (HSP) option**
- **Variscan and HSP also enter into a Cooperation & Partnership Agreement, which includes assistance in developing commercial relationships with the Glencore owned, Asturias zinc smelter (located ~80kms from the Novales-Udias Project) whom HSP already provide support services to.**
- **Acquisition of the Advanced Zinc Projects (announced 29 July 2019) progressing well with Notice of Meeting to approve the transaction to be lodged shortly**

Variscan Mines Limited ("Variscan" or the "Company") (ASX:VAR) is pleased to announce that the Company's proposed acquisition of two advanced zinc projects in Spain (the "Transaction") is progressing well following the signing of a conditional agreement with Hispanibal S.L ("HSP") to acquire the Hispanibal Option over the Novales-Udias Project located in Cantabria, northern Spain.

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.

On 29 July 2019, Variscan announced the acquisition of two high-quality, advanced zinc projects in Spain from a consortium of vendors led by Slipstream Resources Investments Pty Ltd ("Vendors" or "Slipstream"). Completion of the acquisition of the 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.

Transaction Highlights

- Simplifies the ownership and economic value attributable to the Novales-Udias Project; 15% shareholding option and potential 2% royalty over the NSR have been terminated
- Secures the involvement of a strong Spanish local partner with the ability to provide value-added services through a Cooperation & Partnership Agreement
- The consideration payable is heavily weighed to equity-based payments and demonstrates a close alignment with the interests of the Company and its shareholders.

- Initial Consideration for the Transaction is approximately A\$ 0.3million payable through the issue of 145,588,235 new ordinary shares to HSP at a price of A\$0.002 per ordinary share (the 'Issue Price'), subject to shareholder approval.
- Vendors have agreed to a voluntary escrow of the Initial Consideration Shares.
- Additional milestone based consideration subject to the delineation of JORC Resources (summarised below) of up to 48,529,412 new ordinary shares in each instance to the Vendors at the Issue Price subject to shareholder approval and a conditional cash payment of €200,000.

Variscan's CEO, Stewart Dickson said Variscan is pleased to have agreed with HSP to acquire the Hispanibal Option and satisfy an important condition precedent to the acquisition of the Novales-Udias Project. Further to this, the companies have also signed a Cooperation & Partnership Agreement that will ensure Variscan is well supported in Spain.

"This transaction aligns with the interests of all shareholders and stakeholders. Additionally, Hispanibal, a subsidiary of the Anibal Group, provides Variscan with a strong Spanish local partner with an established track record of providing logistics and engineering services to the mining industry in Spain. In particular, they have long-standing contracts supporting the world's second largest zinc smelter at Asturias owned by Glencore, approximately 80 kilometres from the Novales Mine."

Key Commercial terms of the Transaction

Variscan has agreed to acquire the Hispanibal Option through an amendment to existing contracts between HSP and various Slipstream entities, in particular, Slipstream Spain Pty Ltd ("SS"), the sole shareholder of Slipstream Resources Spain S.LU ("SRS"), the registered holder of the licences over the Novales-Udias Project located in the Basque-Cantabrian Basin.

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.

Under the binding Terms Sheet announced on 29 July 2019, the parties agreed that Variscan would 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.

Partnership & Alliance Agreement

The parties have also entered into a Cooperation & Partnership Agreement whereby HSP shall:

- Provide unfettered land access to the project sites owned by them;
- Provide the Company and its subsidiaries with the use of land, buildings and property (especially the Novales Mine) for nil consideration;
- Take all reasonable steps to legally procure all exploration and mining data relating to the project areas;
- Take all reasonable steps to legally procure all exploration and mining data owned by Asturiana de Zinc;

- Wholly cooperate with and support the activities of the Company and its subsidiaries, acting always in its best interests and shall not solicit staff, circumvent the Company or compete (directly or indirectly);
- Provide access and assistance to locate and facilitate discussion / information exchange with former employees at the Novales Mine;
- Be granted a right of first refusal to provide transportation, logistics and associated activities on normal commercial terms (or better); and
- Assist with the Company with developing a working relationship with Asturiana de Zinc.

The consideration payable to HSP under the Cooperation & Partnership Agreement shall be nil save for the Conditional Price as described below.

Consideration

The binding amendment obliges Variscan to satisfy the consideration payable to HSP as follows:

1. The initial consideration for the Transaction is approximately A\$0.3 million payable through the issue of 145,588,235 new ordinary shares to HSP at the Issue Price (the “Hispanibal Consideration Shares”), subject to shareholder approval.

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

2. 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”);
3. 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
4. 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”).

Upon issue, the Hispanibal Consideration Shares and the Hispanibal Deferred Consideration Shares shall rank *pari passu* with all other shares in the capital of Variscan Mines. The issue of the Consideration Shares and the Deferred Consideration Shares is subject to shareholder approval and the Deferred Consideration Shares will be subject to a waiver from ASX Listing Rule 7.3.2.

The consideration is heavily geared towards HSP receiving Ordinary Shares in Variscan, which aligns the respective parties’ interests and links future consideration to an increase in value of the Projects.

HSP Voluntary Escrow

HSP have voluntarily entered into escrow arrangements whereby the Hispanibal 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.

Project Summary:

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km south west from the regional capital, Santander. The advanced zinc 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. Significantly, the Novales-Udias Project includes a number of granted mining tenements.

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 @ 8.9% Zn and 1.0% Pb)
- 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% Zn
- 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% Zn
- Access and infrastructure all in place
- Local community and government support due to historic mining activity

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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 Novales-Udias Project and the historic exploration results and production data previously advised to the ASX on 29 July 2019 it confirms that it is not aware of any new information or data that materially affects the information included in that market announcement.