

Variscan Mines Limited

ABN 16 003 254 395

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2014



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Your Directors submit their report on the Consolidated Entity (the Group) consisting of Variscan Mines Limited (Variscan or the Company) and the entities it controlled at the end of, or during, the half year ended 31 December 2014.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Patrick Elliott	Non-Executive Chairman
Greg Jones	Managing Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Alan Breen	Non-Executive Director
Dr Jack Testard	Executive Director

Review and results of operations

The net result of operations after applicable income tax expense for the half year was a Group loss of \$2,685,380 (2013: loss of \$1,894,731), which includes the write-off of exploration and business development expenditure in the current half year of \$145,862 (2013: \$906,065).

Exploration

France

Variscan is one of the most active ASX listed junior resource companies in western Europe. The Company has targeted Europe for mineral deposits due to its favourable geology, strong mineral endowment, good infrastructure and relatively modest sovereign risk.

Variscan commenced activities in France in 2010 and was granted its first French exploration licence (PER) in June 2013. To date the Company has received approvals for three licences and has a number of others well advanced within the approvals process.

Merleac

The Merléac PER was granted in November 2014 and covers an area of 411 square kilometres over the eastern end of the Châteaulin Basin, a sequence of felsic volcanics and clastic sedimentary rocks containing a number of volcanogenic massive sulphide (VMS) deposits including the advanced Porte-aux-Moines zinc-lead-copper-silver deposit which lies near

the centre of the licence about 100 kilometres west of Rennes, Brittany.

Porte-aux-Moines was discovered by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) in 1975. Over the ensuing decade the group completed 9,673 metres of core drilling and just under two kilometres of underground development defining significant high grade zinc-lead-copper-silver mineralisation up to 20 metres thick over a strike length of about 250 metres from near surface to a depth of about 300 metres. The BRGM completed substantive metallurgical work and calculated a resource for the deposit. Aside from the underground development and sampling, Porte-aux-Moines is essentially unmined.

Variscan has commenced collecting all available data for Porte-aux-Moines (most held at the BRGM) to convert to digital formats and create a cohesive 3D model of the deposit. Resampling of some of the remaining old core from the BRGM exploration will be undertaken if possible and a small amount of additional confirmatory drilling completed to allow the generation of a resource estimate prepared under the guidelines of the JORC 2012 Code.

The Company has identified and contacted European drilling groups capable of completing core drilling at Porte-aux-Moines and will make application for drilling permits once it has completed compiling the old BRGM data and generated a drill plan. Drilling is expected to commence mid-2015.

Variscan considers that there is substantial potential to discover new lenses of mineralisation around Porte-aux-Moines. The BRGM is believed to have conducted relatively little drilling outside the main ore envelope and Variscan intends commencing extensional exploration once approvals from the authorities are granted.

Elsewhere within the licence, recent field work by Variscan has focussed on assessing the exploration potential within prospective rock sequences along strike from Porte-aux-Moines. This work has confirmed the presence of a number of outcropping gossans and gossanous horizons, interpreted at some prospects to represent the oxidised expressions of underlying massive sulphides and associated footwall stockwork feeder zones.

Several of these gossans were previously mined by shallow open pits for iron up until the 19th century and have often not been explored below the iron oxide cap aside from BRGM RAB and core drilling in some locations. As announced to the ASX on 10 November and 8 December 2014, rock chip and grab samples taken from the sparse residual material remaining from the mining activities at a number of locations were



analysed via XRF generating anomalous lead-zinc-copper values up to 1.6% lead, 1171ppm zinc and 719ppm copper in the gossans.

Samples were also sent to the ALS laboratory in Ireland for confirmatory base metal and gold analysis which generally confirmed the XRF base metal results and also recorded highly elevated gold assays, particularly at Porte-aux-Moines and at the Les Forges prospect located about seven kilometres to the east.

At Porte-aux-Moines, samples from the sub-cropping gossan and the scattered sulphide bearing material remaining on the old mine dump returned gold assays up to 1.35g/t gold. Samples containing higher zinc/lead/copper assays consistently returned elevated gold results, indicating that Porte-aux-Moines likely carries significant gold values within the high grade zinc/lead/copper/silver core of the deposit.

At Les Forges prospect, gold assays up to 3.67g/t gold were recorded within the same rock units that host the Porte-aux-Moines deposit. Gossanous float striking for over 400 metres has been detected in this area.

The gold assays continue to confirm the excellent prospectivity of the region for economic deposits within the estimated 70 strike kilometres of fertile host lithologies contained within Merléac.

A contract to commence a large heli-borne VTEM survey over the more prospective parts of the belt has been signed with Geotech Airborne Limited. The survey will cover approximately 150 square kilometres over the southern section of the Merléac licence including around the Porte-aux-Moines deposit and Les Forges prospect. The VTEM will provide critical targeting information on the location and geometry of potential VMS deposits beneath the known gossans and below cover. The survey will commence once government approvals have been secured, expected to occur in the June quarter, 2015.

Saint Pierre

The St Pierre PER covers 386 square kilometres over an important gold district believed to have been the third largest gold producer in France. Within the PER, the La Bellière gold mine is recorded to have produced about 334,000 ounces of gold (plus silver) from 1906 to 1952, up to a maximum depth of 170 metres intermittently over a strike length of about 1.6 kilometres.

Recent field work by Variscan has included broad auger soil programme to help identify arsenic/antimony/lead/gold anomalism associated with auriferous shear zones and detailed traversing and rock chip sampling of the La Bellière mine structure and other sub parallel shears within the area. The work was designed to outline the key areas for additional

exploration including soil sampling, trenching and follow-up drilling.

Highly encouraging assay results were recently received from ALS Geochemistry with seven rock chip samples grading above 10g/t Au. Five main areas of interest were identified in the work. Four are associated with subsidiary shears to the main la Bellière mine structure and are outside the main area of settlement.

1. A number of high grade results up to 18.8g/t Au were generated from quartz vein sampling of remnant material preserved at the top of the la Bellière mine, confirming the gold tenor of veining within remnant blocks.
2. An assay of 159g/t Au was recorded in quartz veining, possibly within a parallel shear to the la Bellière structure at the Autriche prospect, to the north of the gold mine.
3. The Belleville prospect is located in an east-west oriented shear zone defined over a 1.8 kilometre strike length. Rock chip assays of 28.6g/t Au and 3.04g/t Au were recorded on the shear structure 1.1 kilometres apart.
4. A rock chip gold assay of 21.5g/t Au was recorded in the eastern extension of the Bégrolle shear zone located approximately two kilometres south of the main mine. Bégrolle operated in the 1910's as a small underground mine near the Evre River.
5. A rock chip assay of 37g/t Au was recorded in a sample taken from a strongly oxidised breccia containing limonite, goethite, pyrite and visible gold to the north of the La Rouillère shear zone (believed to be the western extension of the Bégrolle shear zone).

A programme of detailed follow up soil sampling has commenced at the Belleville prospect. This work will also be extended to the other prospects as required. A significant programme of trenching and drilling is expected to commence to test a number of target areas around the middle of 2015.

In addition to the regional exploration Variscan is compiling and electronically converting all available records from the old La Bellière mining area as well as former exploration conducted by the BRGM and other groups during the 1980/90's. The Company is constructing a 3D model of the mine which will be used to help elucidate the structural controls on mineralisation and generate targets. This work is now well advanced and it is anticipated that deeper core drilling below and along strike of the old mine areas will occur later in 2015.



Tennie

The Tennie PER covers 205 square kilometres of the eastern section of a Palaeozoic sedimentary package which hosts the Rouez copper-gold-lead-zinc-silver deposit owned by the French energy group, TOTAL. Rouez is considered to be possibly either VMS or a hybrid SEDEX type and shares a number of geological similarities to deposits such as Rio Tinto and Aljustrel within the Iberian Pyrite Belt of Spain and Portugal.

Variscan has completed 3,825 shallow auger geochemistry holes on a 200 x 200 metre grid within the PER. Two large areas of coincident, subtle zinc/lead anomalism have been defined towards the northeast and northwest boundaries of the PER. Both anomalies appear developed close to the boundary of the Brioverian sedimentary sequence and may be associated either with VMS/SEDEX type mineralisation, similar to that found at Rouez or vein style, hydrothermally emplaced sulphide mineralisation common in other parts of Brittany. Follow-up work to ascertain the style and significance of the base metal anomalism is planned.

Future French Projects

Variscan has six other applications for exploration licences in France within the approvals process, each of them over projects with good potential for short term resource generation and/or major new discoveries. Two of these applications have now reached the final stages of the application process.

Australia

Variscan has relinquished most of its Australian grass roots exploration properties to focus on France. Within Australia, the Company currently has six tenements under joint venture. Work on these has been subdued for the last few years.

Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The value of the Variscan shareholdings in its ASX listed resource companies at the end of 2014 stood at approximately \$2 million.

Eastern Iron

Eastern Iron Limited (ASX: EFE) continued with its Mine Feasibility Study on the Nowa Nowa iron project located near Bairnsdale in eastern Victoria, 270 kilometres east of Melbourne. The company recently announced results that confirmed scoping study outcomes for an 800,000tpa operation exporting coarse grained

magnetite product, indicating a low capital cost and robust margins over the projected life of the mine.

The company has recently released the results of a study which investigated the potential to load iron concentrate directly to bulk carrying vessels off the Victorian coast approximately 20km from the mine site. Estimated operating costs for mine gate to ship are of the order of A\$15.00 per tonne of product. The feasibility study estimated total mine site costs of A\$26.10 per tonne for a total FOB cost of A\$41.10 per tonne (US\$34.00 per tonne). No allowance has been made at this stage for additional process (crushing) costs that may be required depending on the sizing selected as optimal for slurry operations.

ISG estimates that capital costs are likely to be in the order of an additional A\$16M for a total project capital cost of A\$49.6M.

Nowa Nowa Copper

The company completed a detailed heli-borne electromagnetic VTEM survey over Nowa Nowa following the identification of extensive Silurian volcanics believed to be the same rocks that host important volcanogenic massive sulphide (VMS) deposits in Victoria and NSW such as Woodlawn and Benambra, approximately 100 kilometres to the north.

Drilling carried out by previous explorers within the Nowa Nowa area intersected significant copper, lead, zinc and gold mineralisation in altered volcanics and sediments, with a best intersection of 13.6 metres assaying 3.8% copper at the Three Mile prospect in the south eastern corner of the licence.

Analysis of the final VTEM data identified four high priority VTEM anomalies including a coincident VTEM conductor at the Three Mile prospect proximal to the copper intersection. Ground EM has been recommended for the highest priority targets in order to better define their location and orientation prior to drilling.

Silver City Minerals

Silver City Minerals Limited (ASX: SCI) continued its well-funded programme of exploration within its extensive portfolio of tenements around Broken Hill, NSW.

Silver City has recently completed a comprehensive assessment of all geological aspects of Broken Hill region. Three high priority targets were identified which will be followed up with field work during the first half of 2015:



- Razorback West Corridor likely to be the northern, fault off-set, extension of the Broken Hill "line-of-lode", the geological corridor which hosts the giant Broken Hill orebody. SCI has already identified a combined geophysical and geochemical anomaly which extends for 5 kilometres and is 1 kilometre wide.
- Stephens Trig Corridor is the geological equivalent of Razorback West and hosts a number of BHT prospects and numerous old mine workings. Work by SCI in 2012 returned an encouraging intersection of 1 metre of 7.4% zinc, 5.4% lead and 72 g/t silver.
- Balaclava is a fault-bounded block which encloses the southern extension to the Broken Hill "line-of-lode". Historic diamond drilling from 1989 returned 10.1 metres of 6.8% zinc and 0.7% lead. The company recently completed a rotary air blast drilling program in the area with one hole drilling gossan for 9 metres from 2 metres downhole returning 0.48% zinc, 0.61% lead and 0.27% copper.

New Zealand

Silver City has been granted two tenements in the North Island of New Zealand approximately 35 kilometres east of Rotorua. The tenure covers an area of 94 square kilometres and was applied for by Silver City on the basis of historic exploration data and records that indicated gold mining of epithermal deposits had taken place in the area in the 1920s. Access and approvals to explore have been granted. Reconnaissance geological mapping, rock chip sampling and mineralogical studies are scheduled to commence in early 2015.

Thomson Resources

Thomson Resources Ltd. (ASX: TMZ) holds significant exploration licences for base and precious metal targets in the Cobar Basin and Thomson Fold Belt of north-western NSW.

A large VTEM survey completed by Thomson has detected several strong conductive anomalies including at the Wilga Downs prospect and the Achaye prospect.

The Wilga Downs prospect lies in the same geological setting as the Tritton VMS copper deposits located 90 kilometres to the southeast. Wilga Downs features several distinct magnetic anomalies, one of which has been drilled with two holes in the 1970's by AMAX and CRAE, both of which returned highly anomalous copper and zinc. Of the several EM conductive anomalies identified in the area by the VTEM survey, the most prominent is coincident with this magnetic feature. The

VTEM anomaly is strong and persists to late-response times suggesting a highly conductive zone possibly associated with sulphides lying below the zone tested by previous drilling. It is one of Thomson's priority drilling targets.

The Achaye prospect is located in the Havilah base and precious metal project 20 kilometres southeast of Mudgee, central NSW. It lies within Silurian volcanics and volcanoclastic sediments of the eastern Lachlan Fold Belt, known to host high grade copper-lead-zinc-silver-gold VMS deposits such as Woodlawn and Captains Flat. The VTEM survey area covered zones of previously identified base metal sulphide mineralisation where historic drilling had tested a SIROTEM anomaly and intersected strongly anomalous copper (up to 1% over 1m) and zinc (up to 2.2% over 1m) associated with sporadic massive sulphide (pyrrhotite) mineralisation.

The VTEM survey defined a stronger, deeper anomaly around 400 metres west of the Achaye drilling which has not been previously tested. It represents a priority VMS target and will be followed up with soil and rock chip geochemistry as well as a ground EM geophysics survey to confirm the geometry and dip of the conductor prior to drilling.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director and full-time employee of Variscan Mines Limited and 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 8 January 2015 the Group sold 100% of its shareholding in WPG Resources for \$0.0365 per share, receiving \$379,886 in cash.
- The ASX valuation of the consolidated entity's investment in Eastern Iron Limited has fallen by \$528,571 from 31 December 2014 until 20 February 2015.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the *Corporations Act 2001* is set out on page 19.

Signed at Sydney this 5th day of March 2015 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Greg Jones'.

Greg Jones
Managing Director



Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2014

	Note	31 Dec 2014 \$	31 Dec 2013 \$
Revenue and other income	4	169,604	1,498,509
ASX and ASIC fees		(19,424)	(45,812)
Contract administration services		(59,839)	(96,153)
Depreciation expense		(31,566)	(44,850)
Directors' fees		(77,512)	(178,229)
Exploration and business development expenditure		(145,862)	(906,065)
Finance cost		-	(610,246)
Impairment of investment		(955,070)	(31,224)
Loss on options		(955)	(38,200)
Operating lease rental expense		(59,537)	(69,960)
Employee costs net of on-costs recharged to exploration projects		(576,473)	(844,275)
Share of net losses of associate accounted for by the equity method		(103,123)	(217,078)
Share-based compensation		(142,415)	(10,580)
Share registry costs		(5,049)	(16,782)
Travel and accommodation		(96,122)	(88,495)
Other expenses from ordinary activities		(48,693)	(356,064)
(Loss) before income tax expense		(2,152,036)	(2,055,504)
Income tax (expense)/benefit		(533,344)	160,773
(Loss) after income tax expense		(2,685,380)	(1,894,731)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net fair value gain/(loss) on available-for-sale financial assets		(46,835)	286,504
Income tax on items of other comprehensive income		14,051	(85,951)
Other comprehensive (loss)/income for the period, net of tax		(32,784)	200,553
Total comprehensive (loss) for the period		(2,718,164)	(1,694,178)
Total comprehensive (loss) for the period is attributable to:			
Non-controlling interests		-	(74,418)
Owners of the parent		(2,718,164)	(1,619,760)
		(2,718,164)	(1,694,178)
Earnings per share			
Basic (loss) per share (cents per share)	14	(1.53)	(1.04)
Diluted (loss) per share (cents per share)	14	(1.53)	(1.04)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 Dec 2014 \$	30 Jun 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	791,271	2,408,993
Receivables	6	329,694	414,913
Tenement security deposits		10,000	30,000
Total current assets		1,130,965	2,853,906
Non-current assets			
Investments – available for sale	7	962,385	1,433,127
Investment in associates	8	1,215,714	1,850,000
Derivative financial instruments	9	-	955
Receivables	6	33,293	32,156
Tenement security deposits		20,000	20,000
Property, plant and equipment		290,999	203,165
Deferred exploration and evaluation expenditure	10	1,529,554	918,297
Deferred tax asset		309,575	828,869
Total non-current assets		4,361,520	5,286,569
Total assets		5,492,485	8,140,475
LIABILITIES			
Current liabilities			
Trade and other payables		240,919	364,555
Provisions		105,913	97,103
Total current liabilities		346,832	461,658
Non-current liabilities			
Provisions		45,779	54,497
Total non-current liabilities		45,779	54,497
Total liabilities		392,611	516,155
Net assets		5,099,874	7,624,320
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	12	14,526,115	14,526,115
Reserves	13	3,012,731	3,547,839
Accumulated losses		(12,438,972)	(10,449,634)
Total equity		5,099,874	7,624,320

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Contributed equity \$	Accumulated losses \$	Reserves \$	Non-controlling interest \$	Total equity \$
At 1 July 2013	14,515,132	(9,004,793)	4,514,098	6,122,511	16,146,948
Profit/(Loss) for the period	-	(1,820,313)	-	(74,418)	(1,894,731)
Other comprehensive income	-	-	200,553	-	200,553
Total comprehensive income for the period	-	(1,820,313)	200,553	(74,418)	(1,694,178)
Transactions with owners in their capacity as owners:					
Issue of share capital	16,875	-	-	118,681	135,556
Transfer expired options to Retained Earnings	-	-	-	(234,669)	(234,669)
Foreign currency	-	-	241,414	-	241,414
Share-based payments	-	-	-	10,580	10,580
At 31 December 2013	14,532,007	(10,825,106)	4,956,065	5,942,685	14,605,651

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2014	14,526,115	(10,449,634)	3,547,839	7,624,320
Profit/(Loss) for the period	-	(2,685,380)	-	(2,685,380)
Other comprehensive loss	-	-	(32,784)	(32,784)
Total comprehensive loss for the period	-	(2,685,380)	(32,784)	(2,718,164)
Transactions with owners in their capacity as owners:				
Transfer expired options to Retained Earnings	-	696,042	(696,042)	-
Foreign currency	-	-	51,303	51,303
Share-based payments	-	-	142,415	142,415
At 31 December 2014	14,526,115	(12,438,972)	3,012,731	5,099,874

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flows

For the half year ended 31 December 2014

	Note	31 Dec 2014 \$	31 Dec 2013 \$
Cash flows from operating activities			
Payment to suppliers and employees		(1,221,578)	(1,695,156)
Consultancy fees received		117,037	114,915
Interest received		41,767	116,495
Rental income		36,000	20,730
R&D tax offset		-	766,341
Net cash flows (used in) operating activities		(1,026,774)	(676,675)
Cash flows from investing activities			
Purchase of plant and equipment		(52,725)	(43,536)
Exploration and business development expenditure		(576,894)	(1,891,004)
Tenement security deposit refunds/(payments) and other		19,668	160,000
Sale of mining tenements		-	200,000
Net cash flows (used in) investing activities		(609,951)	(1,574,540)
Cash flows from financing activities			
Proceeds from issue of shares to non-controlling interests		-	16,875
Convertible note costs		-	(100,000)
Net cash flows from/(used in) financing activities		-	(83,125)
Net (decrease) in cash and cash equivalents		(1,636,725)	(2,334,340)
Cash and cash equivalents at beginning of period		2,408,993	9,333,933
Net foreign exchange differences		19,003	73,158
Cash and cash equivalents at end of period	5	791,271	7,072,751

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2014

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the half year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 5th March 2015. Variscan Mines Limited (the parent) is a company incorporated in Australia as a Public company. Variscan shares are publicly traded on the Australia Securities Exchange under ASX Code VAR.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Basis of preparation of the half year financial report

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Variscan as at 30 June 2014.

It is also recommended that the half year financial report be considered together with any public announcements made by Variscan during the half year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of Preparation

The half year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The half year financial report has been prepared on a historical cost basis except for Available for Sale Investments and Derivatives, which have been measured at fair value.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete report period.

Significant Accounting Policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014.

Basis of Consolidation

The half year consolidated financial statements comprise the financial statements of Variscan Mines Limited and its subsidiaries (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Group includes Variscan Mines Limited and its wholly owned subsidiaries.

3. Segment information

The operating segments identified by management are as follows:

- (a) Exploration projects funded directly by Variscan ("Exploration") operating in France and Australia and;
- (b) Investments in other companies ("Investing").

Regarding the Exploration segment, the Chief Operating Decision Maker (the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in Note 10 of the half year financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2014

3. Segment information (continued)

Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 10.

Regarding the Investing segment, the Chief Operating Decision Maker reviews the value of investments and derivatives held in other exploration companies. The changes in the value of investments and derivatives are disclosed in Notes 7, 8 and 9 of the half year financial report. Segment revenues are disclosed in the statement of comprehensive income as 'Gain/(loss) on options'.

Financial information about each of these tenements is reported to the Managing Director on an ongoing basis. Corporate office activities are not allocated to operating segments as they are not considered part of the core operations of any segment and comprise of the following:

- ▶ Interest revenue
- ▶ Corporate costs
- ▶ Depreciation and amortisation of non-project specific property, plant and equipment

The Group's accounting policies for reporting segments are consistent with those disclosed in Note 2.

4. Revenue and other income

	31 Dec 2014 \$	31 Dec 2013 \$
Revenue		
Interest received – other persons/corporations	21,735	145,402
Rental income	36,420	20,730
Consulting fees	111,449	107,396
Other Income		
Gain on sale of tenements	-	200,000
Gain on derivatives	-	2,139
R&D tax concession offset	-	690,574
Unrealised gain on foreign currency	-	43,190
Impairment recovery	-	289,078
	169,604	1,498,509

5. Cash and cash equivalents

	31 Dec 2014 \$	30 Jun 2014 \$
Cash at bank and in hand	317,814	789,168
Short-term deposits and foreign currency equivalents	473,457	1,619,825
	791,271	2,408,993

Notes to the Consolidated Financial Statements



For the half year ended 31 December 2014

6. Receivables

	31 Dec 2014 \$	30 Jun 2014 \$
Current		
R&D government refunds	280,109	271,988
GST receivable	16,129	30,718
Interest receivable	1,579	21,611
Prepayments	12,366	47,516
Other debtors	19,511	43,080
Total current receivables	329,694	414,913
Non-current		
Rental bonds	33,293	32,156

7. Investments – available for sale

	31 Dec 2014 \$	30 Jun 2014 \$
Investments – WPG (a)	379,886	426,721
Investments – AGR (b)	44,650	47,000
Investments – SCI (c)	537,849	959,406
	962,385	1,433,127

- (a) The market value on ASX of Variscan's 10,407,837 shares in WPG Resources (WPG) at 31 December 2014 was \$395,498 (\$0.038 per share). The 10,407,837 shares in WPG were sold on 8 January 2015 for \$0.0365, receiving \$379,886 in cash. The shares were valued at 31 December 2014 at the sale price of \$379,886.
- (b) The market value on ASX of the Group's 1,175,000 shares in Aguia Resources Limited (AGR) at 31 December 2014 was \$44,650 (\$0.038 per share) and on 20 February 2015 it was \$42,300 (\$0.036 per share).
- (c) The market value on ASX of the Group's 14,536,449 shares in Silver City Minerals Limited (SCI) at 31 December 2014 was \$537,849 (\$0.037 per share) and on 20 February 2015 was \$319,802 (\$0.022 per share).

8. Investment in associates

	31 Dec 2014 \$	30 Jun 2014 \$
Investment in TMZ - accounted for using the equity method	-	-
Investment in EFE - accounted for using the equity method	1,215,714	1,850,000
	1,215,714	1,850,000

The Group's interest in the above investments in associates has been brought to account as an investment in an equity accounted associate in accordance with Australian Accounting Standard AASB 128 Investments in Associates as the Directors consider that significant influence exists.

Thomson Resources Ltd (TMZ)

An impairment adjustment of \$17,982 was made to reflect the equity value of the investment at 30 June 2014 of Nil. During the period, associate net losses were not accounted for as the investment value is nil (30 June 2014: associate net losses accounted for \$450,018). As at 31 December 2014 the Group holds a total of 18,000,000 shares in Thomson Resources representing a shareholding of 24.65%.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2014

8. Investment in associates (continued)

Eastern Iron Limited (EFE)

An impairment adjustment of \$531,163 (30 June 2014: \$690,945) was made to reflect the fair value of the investment on ASX at 31 December 2014 of \$1,215,714. During the period, share of associates net losses totalled \$103,123 (30 June 2014: \$939,055). As at 31 December 2014 the Group holds a total of 52,857,142 shares in Eastern Iron representing a shareholding of 34.96%.

9. Derivative financial instruments

	31 Dec 2014 \$	30 Jun 2014 \$
Share options – AGR (a)	-	-
Share options – SCI (b)	-	955
Share options – TMZ (c)	-	-
	-	955

- (a) The Groups 200,000 unlisted options in Aguia Resources Limited (AGR) expired on 31 December 2014.
(b) The Groups 4,775,061 listed options in Silver City Minerals Ltd (SCI) expired on 19 December 2014.
(c) The Groups 5,000,000 unlisted options in Thomson Resources Limited (TMZ) expired on 11 December 2014.

10. Deferred exploration and evaluation expenditure

	31 Dec 2014 \$	30 Jun 2014 \$
Costs brought forward	918,297	5,793,879
Expenditure incurred during the period	735,245	3,885,862
Disposal of subsidiary	-	(7,235,467)
Foreign currency translation differences	21,874	5,904
Expenditure written off during the period	(145,862)	(1,531,881)
Costs carried forward	1,529,554	918,297

In accordance with Note 2, the Directors write off exploration expenditure where they assess that the asset is impaired. Exploration expenditure is written off either by a reassessment by the Group that has reduced the interpreted potential of the licence for mineral deposits and/or a joint venture partner has withdrawn from a project.

11. Contingent liabilities

The Group has provided guarantees totalling \$30,000 (30 June 2014: \$50,000) in respect of exploration tenements and the guarantees are secured against short term deposits of these amounts. The Group does not expect to incur any material liability in respect of the guarantees.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2014

12. Contributed equity

	31 Dec 2014 \$	30 Jun 2014 \$
Share capital		
175,737,592 ordinary shares fully paid (30 June 2014 : 175,737,592)	14,756,951	14,756,951
Share issue costs	(230,836)	(230,836)
	14,526,115	14,526,115

13. Reserves

	31 Dec 2014 \$	30 Jun 2014 \$
Share-based compensation reserve (a)	669,250	1,222,877
Investment revaluation reserve (b)	2,005,680	2,038,465
Foreign currency translation reserve (c)	337,801	286,497
	3,012,731	3,547,839

- (a) The share-based compensation reserve is used to recognise the fair value of options issued but not exercised. The movement during the period is as follows:

	31 Dec 2014 \$	30 Jun 2014 \$
Balance at beginning of period	1,222,877	1,270,757
Share-based payment	142,415	-
Transfer expired options to Retained Earnings	(696,042)	(47,880)
Balance at end of period	669,250	1,222,877

- (b) The investment revaluation reserve arises in connection with the accounting for investments.
(c) The foreign currency translation reserve arises from the translation of foreign currency subsidiaries.

14. Earnings/(loss) per share

	31 Dec 2014 \$	31 Dec 2013 \$
Net (loss) used in calculating basic and diluted gain per share	(2,685,380)	(1,820,313)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	175,737,592	175,460,195
	Cents per share	Cents per share
Basic (loss) per share	(1.53)	(1.04)
Diluted (loss) per share	(1.53)	(1.04)

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2013: nil) relating to share options issued. There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for all of the periods presented.

Conversion, call, subscription or issue after 31 December 2014: Since the end of the financial half year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2014

15. Related party disclosures

Subsidiaries

The consolidated financial statements include the financial statements of Variscan Mines Limited (the Parent Entity) and the following subsidiaries:

Name	Country of incorporation	% Equity interest		\$ Investment	
		31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mine SAS	France	100	100	2,461,379	1,007,679
Platsearch Australia Pty Ltd	Australia	100	100	5	5

Transactions with Directors

The Company has an agreement with Luminor Capital Pte Ltd which is entitled to a cash fee of 6% of equity funds raised by Luminor Capital and other parties. Mr Kwan and Dr Foo, Directors of Variscan, have an interest in and are directors of Luminor Capital. No fees have been paid to date.

Variscan Mines SAS signed an agreement in January 2013 with E-Mines of which Michel Bonnemaïson is a Director. The agreement is for E-Mines to provide geological services, sample preparation and analytical services to Variscan Mines SAS. A total of \$219,039 was paid to E-Mines during the period ended 31 December 2014 (31 December 2013: \$220,875).

Services provided by Directors and Key Management Personnel related entities were under normal commercial terms and conditions. There are no long term service agreements and hence no liabilities will arise from termination of such agreements. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

Transactions with Associated Companies

During the half year the Company provided technical and administrative support services to its associated company Thomson Resources Limited (TMZ) and Eastern Iron Limited (EFE). Services provided to TMZ \$43,849 (2013: \$57,315) and EFE \$49,761 (2013: \$54,914) consisting of payments received for consulting, use of office space and office services.

16. Significant events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 8 January 2015 the Group sold 100% of its shareholding in WPG Resources for \$0.0365 per share, receiving \$379,886 in cash.
- The ASX valuation of the consolidated entity's investment in Eastern Iron Limited has fallen by \$528,571 from 31 December 2014 until 20 February 2015.

Directors' Declaration



In accordance with a resolution of the Directors of Variscan Mines Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Greg Jones
Managing Director

Sydney, 5th March 2015



Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Variscan Mines Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Variscan Mines Limited ("the Company") which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration for the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

HLB Mann Judd (NSW Partnership) ABN 34 482 621 289

Level 19, 207 Kent Street, Sydney NSW 2000, Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

Email: hlb@hlb.com.au | Website: www.hlb.com.au

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VARISCAN MINES LIMITED
INDEPENDENT AUDITOR'S REVIEW REPORT
(continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Variscan Mines Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in black ink that reads 'M. Muller'.

M D Muller
Partner

Sydney, NSW
5 March 2015



Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Variscan Mines Limited for the half-year ended 31 December 2014 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Variscan Mines Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M. Muller'.

M D Muller
Partner

Sydney, NSW
5 March 2015

HLB Mann Judd [NSW Partnership] ABN 34 482 821 289

Level 19, 200 Kent Street, Sydney NSW 2000, Australia | Telephone: 461 002 9020 4000 | Fax: 461 002 9020 4100
Email: mail@hblb.com.au | Website: www.hblb.com.au

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Variscan Mines Limited

(formerly PlatSearch NL)

ABN 16 003 254 395

Directors

Patrick Elliott	Non-Executive Chairman
Greg Jones	Managing Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Alan Breen	Non-Executive Director
Dr Jack Testard	Executive Director

Company Secretary

Ivo Polovineo

Registered and Administration Office

Level 1, 80 Chandos Street

St Leonards, NSW 2065

PO Box 956, Crows Nest

NSW 1585 Australia

Telephone: +61 2 9906 5220

Facsimile: +61 2 9906 5233

E-mail: info@variscan.com.au

Website: www.variscan.com.au

Share Register

Boardroom Pty Limited

GPO Box 3993

Sydney, NSW 2001

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Website: www.boardroomlimited.com.au

Auditors

HLB Mann Judd

Level 19, 207 Kent St, Sydney, NSW 2000

Stock Exchange

Listed on the Australian Securities Exchange

ASX Code: VAR

Share Capital

At 31 December 2014, there were 175,737,592 fully paid ordinary shares and 28,850,000 options on issue.