



ASX Announcement | 29 September 2023
Variscan Mines Limited (ASX:VAR)

FINANCIAL REPORT – YEAR ENDED 30 JUNE 2023

Variscan Mines Limited (“Variscan” or the “Company”) encloses its full year financial report for the year ended 30 June 2023.

Yours faithfully

Mark Pitts

Company Secretary

This announcement has been approved for release by Mr Mark Pitts, Company Secretary, Variscan Mines Limited.

For further information, please contact:

Variscan Mines Limited (ASX:VAR)

Stewart Dickson

Managing Director & CEO

E: stewart.dickson@variscan.com.au

T: +44 (0) 7799 694195

Media & Investor Enquiries

The Capital Network

Julia Maguire

E: julia@thecapitalnetwork.com.au

P: +61 2 8999 3699

About Variscan Mines Limited (ASX:VAR)

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

For more information



Follow us on [LinkedIn](#)



Follow us on [Twitter](#)



Visit our investor website: www.variscan.com.au



VARISCAN MINEs

**Financial Report
For the year ended
30 June 2023**

| | Page |
|--|------|
| Corporate Directory | 2 |
| Directors' Report | 3 |
| Auditor's Independence Declaration | 17 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 18 |
| Consolidated Statement of Financial Position | 19 |
| Consolidated Statement of Cash Flows | 20 |
| Consolidated Statement of Changes in Equity | 21 |
| Notes to the Consolidated Financial Statements | 22 |
| Directors' Declaration | 47 |
| Independent Auditor's Report | 48 |



Corporate Directory

Directors

| | |
|---------------------------|-------------------------|
| Mr Anthony Wehby | Non-Executive Chairman |
| Mr Stewart Dickson | Managing Director & CEO |
| Mr Nicholas Farr-Jones AM | Non-Executive Director |
| Dr Frank Bierlein | Non-Executive Director |

Company secretary

Mr Mark Pitts

Registered office

Suite 8, 7 The Esplanade
Mount Pleasant WA 6153
Australia
P: +61 8 9316 9100
E: info@variscan.com.au
W: www.variscan.com.au

Share register

Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001
Australia
P: +61 2 9290 9600

Auditors

HLB Mann Judd (WA) Partnership
Level 4, 130 Stirling Street
Perth WA 6000
Australia
+61 8 9227 7500

Securities Exchange Listing

Variscan Mines Limited's shares are listed on the Australian Securities Exchange (ASX: VAR)



Your directors submit their report for the year ended 30 June 2023.

Directors

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

Anthony ('Tony') Wehby, MAICD

Non-Executive Chairman (appointed 20 October 2022)

Tony is a former Partner of PriceWaterhouseCoopers and Corporate Finance Specialist.

Tony is an experienced listed company director with over 50 years of executive and non-executive experience.

Having operated in the mining industry for a considerable time, he is currently a non-executive director on the Board of Kingston Resources Ltd a listed Asia Pacific gold producer. He is also a non-executive director on the board of Ensurance Ltd an ASX listed Insurance underwriting agency. He has previously been Chairman of Tellus Resources Limited, Non-executive Chairman of Aurelia Metals Limited and a Director of Harmony Gold (Aust) Pty Ltd.

Tony has a financial consulting practice focused on strategic advice and he is a member of the Australian Institute of Company Directors.

Stewart Dickson BA (Hons), MBA

Managing Director (appointed 1 May 2017)

Stewart is an experienced corporate financier with a decade of investment banking experience. Most recently, he was Managing Director and Head of Metals & Mining at Cantor Fitzgerald Europe, based in London. He had responsibility for client coverage of public and private mining companies across precious metals and base metals, bulks, fertilizers and specialty metals. He has a broad range of international financial advisory, equity capital markets and corporate broking transaction experience including initial public offerings, financings and M&A.

Prior to investment banking, Mr Dickson served in the British Army as a commissioned officer and saw operational service overseas. Stewart is a graduate of University College London and holds an MBA from Henley Business School.

Nicholas Farr-Jones AM LLB

Non-executive Director (appointed 1 July 2022)

Nick has over 25 years of experience in the global mining sector as a specialist in natural resources investment and corporate governance. Additionally, he is an experienced public company director.

Nick qualified as a lawyer before pursuing a career in investment banking. Notably he was responsible for the metal derivative business of Societe Generale in Europe and Africa before leading its commodity finance business in Australia. He is currently a Director of Taurus Funds Management, headquartered in Sydney, which specialises in bespoke financing solutions for global mid-tier and junior mining companies. Nick also holds a number of charitable appointments and is a highly regarded speaker on leadership. He was awarded the Order of Australia in 1992 for services to rugby union, having captained the Australian rugby team to World Cup success in 1991.



Directors' Report

Dr Frank Bierlein PhD, FAIG, MSED, MSGA

Non-Executive Director (appointed 20 October 2022)

Frank is a geologist with 30 years of experience as a consultant, researcher and lecturer and industry professional. Additionally, he is an experienced public company director.

Frank has held exploration and generative geology management positions with QMSD Mining Co Ltd, Qatar Mining, Afmeco Australia and Aveva NC, and consulted for among others, Newmont Gold, Resolute Mining, Goldfields International, Freeport McMoRan, and the International Atomic Energy Agency. He was a non-executive director of Gold Australia Pty Ltd from 2015 to 2019 and chaired the Advisory Board of a Luxembourg based private equity fund between 2014 and 2021. He is currently a Non-executive Director on the Boards of Blackstone Minerals Limited and Impact Minerals Limited.

Frank has worked on six continents spanning multiple commodities and over the course of his career has published and co-authored more than 130 articles in peer reviewed scientific journals.

Frank obtained a PhD (Geology) from the University of Melbourne, is a Fellow of the Australian Institute of Geoscientists (AIG) and a member of both the Society of Economic Geologists (SEG) and the Society of Geology Applied to Mineral Deposits.

Dr Foo Fatt Kah MB, BCh, BAO, MBA

Non-Executive Chairman (resigned 30 November 2022)

Michael Moore BEng (Hons), MAusIMM, MAICD

Non-Executive Director (resigned 31 March 2023)

Mark Pitts BBus, FCA, GAICD

Company Secretary (appointed 2 March 2018)

Mark is a Fellow of Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors. He has more than 30 years' experience in statutory reporting and business administration.

Mark has been directly involved with and consulted to a number of public companies holding senior financial management positions. He is a Principal in the Company Secretarial and CFO advisory divisions of the Automic Group providing secretarial support and corporate and compliance advice, pursuant to a contract with the Company. He has no fixed term with the option of termination by either party with two months' written notice. Mr Pitts is not entitled to any termination payments other than for services rendered at time of termination.

Directorships of other listed companies

Directorships of other ASX listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

| Director | Company |
|------------------------|---|
| Mr Tony Wehby | Ensurance Ltd (3 May 2018 – Current) Kingston Resources Ltd (4 July 2016 – Current) |
| Mr Stewart Dickson | None |
| Mr Nicholas Farr-Jones | None |
| Mr Frank Bierlein | Impact Minerals Ltd (13 October 2021 – Current) PNX Metals Ltd (18 June 2021 – April 2023) Blackstone Minerals Ltd (12 November 2021 – Current) Firetail Resources Ltd (10 November 2022 – September 2023) |



Directors' Report

Directors' interests in shares and options

As at the date of this report, the interests of the Directors in the shares, options and performance rights of Variscan Mines Limited were:

| Director | Number of securities held directly and indirectly | | |
|------------------------|---|-----------|--------------------|
| | Ordinary Shares | Options | Performance Rights |
| Mr Tony Wehby | 837,260 | 1,500,000 | - |
| Mr Stewart Dickson | 9,737,192 | 7,500,000 | 2,500,000 |
| Mr Nicholas Farr-Jones | 1,288,371 | 2,250,000 | - |
| Mr Frank Bierlein | 152,827 | 1,500,000 | - |

Principal activities

The principal continuing activity of the Group is the exploration for economic metal and mineral deposits.

Results

The net result of operations of the Group after applicable income tax was a loss of \$886,240 (2022: \$827,051). Included in this result is the amount for share-based payments for the year of \$108,744 (2022: \$191,175).

Dividends

No dividends were paid or proposed during the year.

Review of operations

Group Overview

During the financial year, the Group's operations have been focused on the exploration of its wholly owned Zinc projects in Spain.

Board & Management Changes

During the year, there have been the following board and management changes:

- On 20 October 2022, Anthony Wehby and Frank Bierlein were appointed as non-executive directors
- On 30 November 2022, Foo Fatt Kah resigned as non-executive chairman and Anthony Wehby was appointed as non-executive chairman.
- On 31 March 2023, Michael Moore resigned as non-executive director.

Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, including emerging risks, and also opportunities, are identified on a timely basis and the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. Given the size of the Company and its stage of development all Board members are involved and have responsibility for management of risk.

Material business risks

There are inherent risks associated with the exploration for minerals. The Group faces the usual risks encountered by companies engaged in the exploration, evaluation and development of minerals. The material business risks for the Group include:



Directors' Report

External Risks

Environmental risks

The Company's operations and projects are subject to the laws and regulations of the jurisdictions in which it has interests and carries on business (Spain and Chile) regarding environmental compliance and relevant hazards. There is also a risk that the environmental laws and regulations may become more onerous, making the Group's operations more expensive which may adversely affect the financial position and /or performance of the Group. The Directors are not aware of any Breaches of environmental law by the Company.

Government regulations and tenement risks

Changes in laws and regulations or government policies may adversely affect the Group's operations. There is no guarantee that current or future exploration claim applications or existing tenancy renewals will be granted, that they will be granted without undue delay, or that the Company can economically comply with any conditions imposed on any granted exploration tenements. Loss of tenements may adversely affect the financial position and /or performance of the Group.

Operating Risks

Exploration and development risk

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, not all exploration activity will lead to the discovery of economic deposits. Major expenditure may be required to locate and establish Ore Reserves, to establish rights to mine, to receive all necessary operating permits, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

In addition to the risks described above, the Group's ability to successfully develop projects is contingent on the Group's ability to fund those projects through debt or equity raisings.

Significant changes in the state of affairs

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial period, other than as disclosed in this report.

Significant events after the reporting date

On 21 August 2023, the Company issued 18,611,111 shares at 1.8 cents per share (raising \$335,000) as part of the second tranche of the capital raise conducted during the financial year. Additionally, 27,361,111 free-attaching unlisted options exercisable at 2.75 cents each on or before 15 March 2025 were issued to participants in the placement.

Other than noted above, there were, at the date of this report, no matters or circumstances which have arisen since 30 June 2023 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.

Indemnification and insurance of directors and officers

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings. The Company maintains adequate Directors and Officers insurance coverage.

Insurance premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.



Likely developments and expected results

As the Group's mineral projects are at an early stage of exploration, it is not appropriate to speculate on likely future developments or results.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option for Variscan Mines Limited as at the date of this report are:

| Exercise Price of Option | Expiry Date of Options | Class of Share received upon exercise | Number of Shares under option |
|--------------------------|------------------------|---------------------------------------|-------------------------------|
| \$0.055 | 30 November 2023 | ORD | 4,000,000 |
| \$0.065 | 30 November 2023 | ORD | 4,000,000 |
| \$0.080 | 30 November 2023 | ORD | 4,000,000 |
| \$0.12 | 30 September 2024 | ORD | 2,500,000 |
| \$0.095 | 30 November 2023 | ORD | 1,500,000 |
| \$0.10 | 30 November 2023 | ORD | 1,500,000 |
| \$0.11 | 30 November 2023 | ORD | 1,500,000 |
| \$0.045 | 30 November 2024 | ORD | 4,000,000 |
| \$0.055 | 30 November 2024 | ORD | 4,000,000 |
| \$0.065 | 30 November 2024 | ORD | 4,000,000 |
| \$0.0275 | 15 March 2025 | ORD | 15,277,779 |
| | | | 46,277,779 |

Details of performance rights issued to the Company's managing director as at the date of this report are:

| Performance Condition | Expiry Date of Rights | Class of Share received upon vesting | Number of Rights |
|---|-----------------------|--------------------------------------|------------------|
| Continuous service until 30 November 2021 | 30 November 2023 | ORD | 1,250,000 |
| Continuous service until 30 November 2022 | 30 November 2023 | ORD | 1,250,000 |
| | | | 2,500,000 |

Both tranches of performance rights have now vested and are exercisable at any point until the expiry date.

The holders of these options and performance rights do not have the right, by virtue of the option or performance rights, to participate in any share issue of the Company or of any other body corporate or registered scheme.

Refer to the Remuneration Report and Notes 11 & 12 to the financial statements for further details of the options and rights outstanding.



Directors' Report

Remuneration report (audited)

This remuneration report for the year ended 30 June 2023 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel

Details of KMP of the Group are set out below.

| Directors | |
|---------------------|--|
| Mr Anthony Wehby | Non-Executive Chairman (appointed 20 October 2022) |
| Stewart Dickson | Managing Director & CEO |
| Nicholas Farr-Jones | Non-Executive Director |
| Dr Frank Bierlein | Non-Executive Director (appointed 20 October 2022) |
| Dr Foo Fatt Kah | Non-Executive Chairman (resigned 30 November 2022) |
| Mike Moore | Non-Executive Director (resigned 31 March 2023) |
| Mark Pitts | Company Secretary |

Remuneration philosophy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short- and long-term incentives in line with the Company's limited financial resources.

Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Plan ("ESOP"), subject to Shareholder approval.



Directors' Report

Non-Executive Directors remuneration arrangements

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors (NED) may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the NEDs has been fixed at a maximum of \$250,000 per annum to be apportioned among the NEDs in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The Chairman's fee is set at \$50,000 p.a. and NED fees at \$36,000 p.a. which are consistent with industry average fees. At present, no Committee fees are paid to Directors.

Use of remuneration consultants

No remuneration consultants were engaged during the years ended 30 June 2022 or 30 June 2023.

Profit and Share Price Performance

In considering remuneration the Board has had regard to the following data in respect of the current and previous four financial years:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|------------------------|-----------|-----------|-----------|-------------|-----------|
| Loss per share (cents) | (0.31) | (0.31) | (0.32) | (0.76) | (1.76) |
| Net loss (\$) | (886,240) | (827,051) | (684,613) | (1,125,142) | (451,709) |
| Share Price at 30 June | \$0.012 | \$0.025 | \$0.075 | \$0.016 | \$0.030 |

Service agreements

Remuneration and other terms of engagement for key management personnel are formalised in contractor agreements. Details of these arrangements are set out below:

Managing Director – Stewart Dickson

- Contract term: No fixed term. Either party may terminate the letter of employment with six months' notice.
- Remuneration: £132,500 p.a. plus VAT as applicable (2022: £132,500 p.a. plus VAT as applicable) as at 30 June 2023.
- Termination payments: Nil.



Directors' Report

Directors and KMP remuneration for the year ended 30 June 2023

| | Short-term benefits | | | Long-term benefits | Post-employment | Share-based payments (a) | | Total | Performance based |
|--------------------|---------------------|-----------------|---------------------------|--------------------|-----------------|--------------------------|--------------------|----------------|-------------------|
| | Salary & fees | Consulting fees | Other short-term benefits | Long service leave | Superannuation | Options | Performance Rights | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Directors | | | | | | | | | |
| A Wehby (b) | 33,252 | - | - | - | - | 10,600 | - | 43,852 | - |
| S Dickson | - | 257,076 | - | - | - | 21,200 | 7,296 | 285,572 | 2.6% |
| N Farr-Jones | 36,000 | - | - | - | - | 10,600 | - | 46,600 | - |
| F Bierlein (b) | 25,085 | - | - | - | - | 10,600 | - | 35,685 | - |
| F K Foo (c) | 20,788 | - | - | - | - | - | - | 20,788 | - |
| M Moore (d) | 27,000 | - | - | - | - | 10,600 | - | 37,600 | - |
| Sub-total | 142,125 | 257,076 | - | - | - | 63,600 | 7,296 | 470,097 | 1.6% |
| Other KMP | | | | | | | | | |
| M Pitts | 60,000 | - | - | - | - | 10,600 | - | 70,600 | - |
| Sub-total | 60,000 | - | - | - | - | 10,600 | - | 70,600 | - |
| Total Remuneration | 202,125 | 257,076 | - | - | - | 74,200 | 7,296 | 540,697 | 1.3% |

(a) Includes a portion of options and rights issued during previous years, which continue to vest in accordance with their vesting conditions.

(b) Appointed 20 October 2022

(c) Resigned 30 November 2022

(d) Resigned 31 March 2023



Directors' Report

Directors and KMP remuneration for the year ended 30 June 2022

| | Short-term benefits | | | Long-term benefits | Post-employment | Share-based payments (a) | | Total | Performance based |
|--------------------|---------------------|-----------------|---------------------------|--------------------|-----------------|--------------------------|--------------------|----------------|-------------------|
| | Salary & fees | Consulting fees | Other short-term benefits | Long service leave | Superannuation | Options | Performance Rights | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Directors | | | | | | | | | |
| F K Foo | 50,000 | - | - | - | - | 27,906 | - | 77,906 | - |
| S Dickson | - | 221,146 | - | - | - | 46,708 | 31,917 | 299,771 | 10.6% |
| M Moore | 36,000 | - | - | - | - | 27,906 | - | 63,906 | - |
| N Farr-Jones | 36,000 | - | - | - | - | 14,250 | - | 50,250 | - |
| Sub-total | 122,000 | 221,146 | - | - | - | 116,770 | 31,917 | 491,833 | 6.5% |
| Other KMP | | | | | | | | | |
| M Pitts | 54,000 | - | - | - | - | 27,906 | - | 81,906 | - |
| Sub-total | 54,000 | - | - | - | - | 27,906 | - | 81,906 | - |
| Total Remuneration | 176,000 | 221,146 | - | - | - | 144,676 | 31,917 | 573,739 | 5.6% |

(e) Includes a portion of options and rights issued during previous years, which continue to vest in accordance with their vesting conditions.



Directors' Report

Share holdings and transactions of Key Management Personnel

| | Balance at 1 July 2022 / upon appointment | Shares issued on exercise of options | Shares granted in lieu of fees | Net change other | Balance at 30 June 2023 / upon resignation |
|--------------|--|---|-----------------------------------|------------------|---|
| A Wehby | 625,000 | - | 212,260 | - | 837,260 |
| S Dickson | 7,330,772 | - | 2,406,420 | - | 9,737,192 |
| N Farr-Jones | 1,135,544 | - | 152,827 | - | 1,288,371 |
| F Bierlein | - | - | 152,827 | - | 152,827 |
| M Pitts | - | - | - | - | - |
| F K Foo | 5,018,107 | - | - | - | 5,018,107 |
| M Moore | 793,786 | - | - | - | 793,786 |

Option holdings and transactions of Key Management Personnel

| | Balance at 1 July 2022 / upon appointment | Granted as remuneration | Lapsed/Expired | Balance at 30 June 2023 / upon resignation | Vested and exercisable at 30 June 2023 |
|--------------|--|-------------------------|----------------|---|---|
| A Wehby | - | 1,500,000 | - | 1,500,000 | 1,500,000 |
| S Dickson | 5,000,000 | 3,000,000 | (500,000) | 7,500,000 | 7,500,000 |
| N Farr-Jones | 750,000 | 1,500,000 | - | 2,250,000 | 2,250,000 |
| F Bierlein | - | 1,500,000 | - | 1,500,000 | 1,500,000 |
| M Pitts | 3,000,000 | 1,500,000 | - | 4,500,000 | 4,500,000 |
| F K Foo | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| M Moore | 3,000,000 | 1,500,000 | - | 4,500,000 | 4,500,000 |



Performance Rights holdings of Key Management Personnel

| | Balance at 1 July 2022 / upon appointment | Granted as remuneration | Lapsed/Expired | Balance at 30 June 2023 / upon resignation | Vested and exercisable at 30 June 2023 |
|--------------|---|-------------------------|----------------|--|--|
| A Wehby | - | - | - | - | - |
| S Dickson | 2,500,000 | - | - | 2,500,000 | 2,500,000 |
| N Farr-Jones | - | - | - | - | - |
| F Bierlein | - | - | - | - | - |
| M Pitts | - | - | - | - | - |
| F K Foo | - | - | - | - | - |
| M Moore | - | - | - | - | - |

Compensation options and performance rights

Options and Rights granted during the year

A total of 12,000,000 unquoted options were granted (and approved by shareholders at the last AGM) as compensation during the period to directors and key management personnel, the details of which are as follows:

| | Options - Tranche 7 | Options – Tranche 8 | Options – Tranche 9 |
|------------------------------|---------------------|---------------------|---------------------|
| Number of securities granted | 4,000,000 | 4,000,000 | 4,000,000 |
| Grant date | 30 November 2022 | 30 November 2022 | 30 November 2022 |
| Expiration date | 30 November 2024 | 30 November 2024 | 30 November 2024 |
| Exercise price | \$0.045 | \$0.055 | \$0.065 |

The fair value of the options issued as compensation as set out above was determined by reference to the Black-Scholes option pricing model, the key inputs into which and resulting valuation are summarised as follows:

| | Options - Tranche 7 | Options - Tranche 8 | Options – Tranche 9 |
|---|---------------------|---------------------|---------------------|
| Underlying security spot price on date of grant | \$0.022 | \$0.022 | \$0.022 |
| Exercise price | \$0.045 | \$0.055 | \$0.065 |
| Grant date | 30 November 2022 | 30 November 2022 | 30 November 2022 |
| Expiration date | 30 November 2024 | 30 November 2024 | 30 November 2024 |
| Total life (years) | 2 | 2 | 2 |
| Expected volatility | 100% | 100% | 100% |
| Risk-free rate | 3.11% | 3.11% | 3.11% |
| Expected dividend yield | - | - | - |
| Value per security | \$0.008 | \$0.007 | \$0.0062 |
| Number of securities | 4,000,000 | 4,000,000 | 4,000,000 |
| Portion vested at balance date | 100% | 100% | 100% |
| Remaining life (years) | 1.42 | 1.42 | 1.42 |
| Total value | \$32,000 | \$28,000 | \$24,800 |



Directors' Report

Options and Rights granted during the previous year

A total of 4,500,000 unquoted options were granted as compensation during the previous period to directors and key management personnel, the details of which are as follows:

| | Options - Tranche 4 | Options - Tranche 5 | Options - Tranche 6 |
|------------------------------|---------------------|---------------------|---------------------|
| Number of securities granted | 1,500,000 | 1,500,000 | 1,500,000 |
| Grant date | 25 Nov 2021 | 25 Nov 2021 | 25 Nov 2021 |
| Vesting condition / date | None | None | None |
| Expiration date | 30 Nov 2023 | 30 Nov 2023 | 30 Nov 2023 |
| Exercise price | \$0.095 | \$0.10 | \$0.11 |

The fair value of the options issued as compensation as set out above was determined by reference to the Black-Scholes option pricing model, the key inputs into which and resulting valuation are summarised as follows:

| | Options - Tranche 4 | Options - Tranche 5 | Options - Tranche 6 |
|---|---------------------|---------------------|---------------------|
| Underlying security spot price on date of grant | \$0.042 | \$0.042 | \$0.042 |
| Exercise price | \$0.095 | \$0.10 | \$0.11 |
| Grant date | 25 Nov 2021 | 25 Nov 2021 | 25 Nov 2021 |
| Expiration date | 30 Nov 2023 | 30 Nov 2023 | 30 Nov 2023 |
| Total life (years) | 2 | 2 | 2 |
| Expected volatility | 125% | 125% | 125% |
| Risk-free rate | 0.55% | 0.55% | 0.55% |
| Expected dividend yield | - | - | - |
| Value per security | \$0.0196 | \$0.0191 | \$0.0183 |
| Number of securities | 1,500,000 | 1,500,000 | 1,500,000 |
| Portion vested at balance date | 100% | 100% | 100% |
| Remaining life (years) | 0.42 | 0.42 | 0.42 |
| Total value | \$29,400 | \$28,650 | \$27,450 |

Options and Rights lapsed during the year

A total of 500,000 unquoted options exercisable at \$1.00 each on or before 20 November 2022 expired unexercised and lapsed during the financial year. These options were held by Mr Stewart Dickson. These options, granted during the year ended 30 June 2018, had a fair value of \$19,000 which had been recognised in full at the date of expiry.

Transactions with directors and key management personnel

During the current year, amounts totalling \$48,000 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2022: \$37,800). These amounts are separate from the fees paid to Mr Pitts through his role as Company Secretary and are not included in the Key Management Personnel remuneration table on page 10. At 30 June 2023, a total of \$8,000 (exclusive of GST) was payable to Endeavour Corporate Pty Ltd (2022: \$4,000).



Directors' Benefits, Emoluments and Share Options

During its annual budget review, the Board reviews the Directors' Emoluments. Remuneration levels, including participation in the Company's ESOP, are set to provide reasonable compensation in line with the Company's limited financial resources. During the year no Director of the Company has received or become entitled to receive any additional benefits to their ordinary directors' fees by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Due to the difficulty in the measurement of performance using quantitative indicators in the mineral exploration industry, there is no formal link between financial performance of the group and remuneration levels.

There is no retirement scheme for Non-Executive Directors.

End of Audited Remuneration report.



Directors' Report

Meetings of directors

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director for which they were entitled to attend. Due to the size and composition of the board, the roles of the Audit and Risk and Remuneration Committees are fulfilled by the board as a whole.

| Director | Number of Meetings Held whilst a director | Number Attended |
|--------------------------------------|---|-----------------|
| Mr Anthony Wehby | 3 | 3 |
| Mr Stewart Dickson | 7 | 7 |
| Mr Nicholas Farr-Jones | 7 | 6 |
| Dr Frank Bierlein | 3 | 3 |
| Dr Foo Fatt Kah | 4 | 4 |
| Mr Michael Moore | 6 | 6 |
| Total Number of Meetings Held | 7 | |

Non-audit services

The Company's auditor did not provide any non-audit services during the year ended 30 June 2023 (2022: Nil).

Signed this 29th day of September 2023 in accordance with a resolution of the Directors.



Stewart Dickson
Managing Director



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Variscan Mines Limited for the year ended 30 June 2023, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
29 September 2023

N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

| | Notes | Consolidated | |
|--|--------|------------------|------------------|
| | | 2023 | 2022 |
| | | \$ | \$ |
| Continuing operations | | | |
| Interest income | 3 | 9,530 | 578 |
| Total income | | 9,530 | 578 |
| Compliance expenses | | (62,630) | (100,877) |
| Professional services expenses | | (270,550) | (206,576) |
| Finance expenses | | (31) | (114) |
| Directors' expenses | | (271,323) | (232,573) |
| Travel and accommodation expenses | | - | (10,821) |
| Share based payments | 12, 13 | (108,744) | (191,175) |
| Exploration expenses | | (21,432) | - |
| Capitalised exploration expenditure written-off | 9 | (78,726) | - |
| Other expenses | | (89,638) | (80,665) |
| Total expenses | | (903,074) | (822,801) |
| Realised loss on foreign exchange | | 8,217 | (5,202) |
| Unrealised gain/(loss) on foreign exchange | | (913) | 374 |
| Total foreign exchange loss | | 7,304 | (4,828) |
| Loss before income tax expense | | (886,240) | (827,051) |
| Income tax expense | 4 | - | - |
| Loss for the period | | (886,240) | (827,051) |
| Other comprehensive income, net of income tax | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | 63,543 | 78,338 |
| Other comprehensive income for the period, net of tax | | 63,543 | 78,338 |
| Total comprehensive loss for the period | | (822,697) | (748,713) |
| Basic and diluted loss per share (cents per share) | 14 | (0.31) | (0.31) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes



Consolidated Statement of Financial Position

As at 30 June 2023

| | Notes | Consolidated | |
|---|-------|------------------|------------------|
| | | 2023 | 2022 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 1,017,571 | 1,945,935 |
| Trade and other receivables | 7 | 375,680 | 258,707 |
| Total current assets | | 1,393,251 | 2,204,642 |
| Non-current assets | | | |
| Plant and equipment | 8 | 71,158 | 67,351 |
| Deferred exploration and evaluation expenditure | 9 | 8,097,650 | 6,710,006 |
| Other non-current assets | | 67,798 | 62,757 |
| Total non-current assets | | 8,236,606 | 6,840,114 |
| Total assets | | 9,629,857 | 9,044,756 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 254,179 | 281,065 |
| Total current liabilities | | 254,179 | 281,065 |
| Total liabilities | | 254,179 | 281,065 |
| Net assets | | 9,375,678 | 8,763,691 |
| Equity | | | |
| Issued capital | 11 | 35,344,243 | 34,018,303 |
| Reserves | 13 | 875,774 | 722,487 |
| Accumulated losses | | (26,844,339) | (25,977,099) |
| Total equity | | 9,375,678 | 8,763,691 |

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



Consolidated Statement of Cash Flows

For the year ended 30 June 2023

| | Notes | Consolidated | |
|--|-------|--------------------|--------------------|
| | | 2023 | 2022 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (574,826) | (638,995) |
| Exploration and evaluation expenditure | | (21,432) | - |
| Interest received | | 9,530 | 578 |
| Finance costs | | (31) | (114) |
| Net cash outflow from operating activities | 20 | (586,759) | (638,531) |
| Cash flows from investing activities | | | |
| Exploration and evaluation expenditure | | (1,598,957) | (1,804,964) |
| Payments for property, plant and equipment | | (11,353) | (38,034) |
| Net cash outflow from investing activities | | (1,610,310) | (1,842,998) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 1,255,000 | 50,000 |
| Payments for share issue costs | | - | (55,550) |
| Net cash inflow / (outflow) from financing activities | | 1,255,000 | (5,550) |
| Net decrease in cash and cash equivalents | | (942,069) | (2,487,079) |
| Cash and cash equivalents at the beginning of the year | | 1,945,935 | 4,436,385 |
| Effect of exchange rate fluctuations on cash held | | 13,705 | (3,371) |
| Cash and cash equivalents at the end of the year | 6 | 1,017,571 | 1,945,935 |

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



Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

| | Consolidated | | | | Total |
|---|-------------------|-----------------------------|--------------------------------------|---------------------|------------------|
| | Issued capital | Share-based payment reserve | Foreign currency translation reserve | Accumulated losses | |
| 1 July 2021 | 33,968,303 | 465,663 | 7,311 | (25,170,048) | 9,271,229 |
| Loss for the year | - | - | - | (827,051) | (827,051) |
| Other comprehensive income, for the year, net of income tax | - | - | 78,338 | - | 78,338 |
| Total comprehensive loss for the year | - | - | 78,338 | (827,051) | (748,713) |
| Issue of share capital for cash | 50,000 | - | - | - | 50,000 |
| Share based payments | - | 191,175 | - | - | 191,175 |
| Lapse of options | - | (20,000) | - | 20,000 | - |
| 30 June 2022 | 34,018,303 | 636,838 | 85,649 | (25,977,099) | 8,763,691 |
| 1 July 2022 | 34,018,303 | 636,838 | 85,649 | (25,977,099) | 8,763,691 |
| Loss for the year | - | - | - | (886,240) | (886,240) |
| Other comprehensive income, for the year, net of income tax | - | - | 63,543 | - | 63,543 |
| Total comprehensive loss for the year | - | - | 63,543 | (886,240) | (822,697) |
| Issue of share capital for cash | 1,255,000 | - | - | - | 1,255,000 |
| Issue of share capital in lieu of fees | 70,940 | - | - | - | 70,940 |
| Share based payments | - | 108,744 | - | - | 108,744 |
| Lapse of options | - | (19,000) | - | 19,000 | - |
| 30 June 2023 | 35,344,243 | 726,582 | 149,192 | (26,844,339) | 9,375,678 |

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



Notes to the Financial Statements

For the year ended 30 June 2023

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 29 September 2023. Variscan is a for-profit entity for the purposes of preparing the financial statements.

Variscan Mines Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under ASX Code VAR.

The consolidated financial statements comprise the financial statements of Variscan Mines Limited and its subsidiaries (the Group or Consolidated Entity).

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

2. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared on a historical cost basis except for investments in listed shares, which are measured at fair value.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have been assessed as having no material impact on the Group's financial statements and have not been adopted by the Group for the year ended 30 June 2023.

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2023

In the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period beginning on or after 1 July 2022. As a result of this review, the Group has determined there is no material impact of the new and revised standards on the results for the financial year, and no changes required to Group Accounting Policies.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Variscan Mines Limited (Variscan or the Company) and its subsidiaries as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully 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. At this date, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors believe that the Group will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report.

For the year ended 30 June 2023, the Group has incurred a loss before tax of \$886,240 and net cash outflows from operating and investing activities of \$2,197,069. As at 30 June 2023 the Group had \$1,017,571 in cash and cash equivalents and net current assets of \$1,139,072.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

Subsequent to the end of the financial year, on 21 August 2023, the Company issued 18,611,111 shares at \$0.18 per share, raising \$335,000.

Whilst not immediately required, the Group may need to raise additional funds to meet its planned and budgeted exploration expenditure as well as regular corporate overheads.

The Group's capacity to raise additional funds will be impacted by the success of the ongoing exploration activities and market conditions. Additional sources of funding available to the Group include a capital raising via preferential issues to existing shareholders or placements to new and existing investors. If necessary, the Group can delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs.

However, should the above planned activities to raise or conserve capital not be successful, there exists a material uncertainty which may cast significant doubt surrounding the Group's ability to continue as a going concern and, therefore, realise its assets and dispose of its liabilities in the ordinary course of business and at the amounts stated in the financial report.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits, with a maturity date not exceeding six months, readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

Exploration and evaluation

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest. Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- Such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; and
- Exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

Exploration and evaluation – impairment

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the profit or loss when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Investments and other financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category, during the comparative financial period, contained an equity investment. The Group accounted for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

c) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

d) Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Plant and equipment

Plant and equipment assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, namely motor vehicles and plant and equipment – depreciated over 2 to 5 years (2022: 2 to 5 years).

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

Leases Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Trade and other payables and provisions

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Wages, salaries, annual leave, and long service leave

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date.

Superannuation

The Group contributes to defined contribution superannuation funds for its employees. The cost of these contributions is expensed as incurred. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

Share-based payment transactions

In addition to salaries, the Group provides benefits to certain employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There is currently an Employee Share Option Plan in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black-Scholes or binomial option pricing model, or in the case of listed options, the listed option price at the date the options were issued.

In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and the new award are treated as if there was a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be entitled in exchange for those goods or services. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

Revenue is recognised as interest accrues using the effective interest method.

Royalties

Royalties are recognised in accordance with substance of the relevant agreement.

Contract exploration

Contract exploration revenue (consulting fees) earned from third parties is recognised when rights to receive the revenue are assured.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Currency

Functional currency translation

The functional and presentation currency for the parent company is Australian dollars (\$). The functional currency of overseas subsidiaries is the local currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the translation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

During the current period, the results of the Spanish subsidiaries were translated into Australian Dollars (presentation currency). Income and expenses for each profit or loss item were translated at the average exchange rate, unless this was not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses were translated at the dates of the transactions. Assets and liabilities were translated at exchange rates prevailing at reporting date. All resulting exchange differences were recognised in other comprehensive income, until the date of disposal of the net investment in the foreign operation, at which point the cumulative amount of the foreign currency translation reserve will be recognised in the net loss for the year.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

[Share-based payment transactions](#)

The Company measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted and estimates of volatility.

[Capitalisation and write-off of capitalised exploration costs](#)

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on assessments of results, various assumptions, and other factors such as historical experience, current and expected economic conditions. Refer to Note 9 for further details.

Earnings/Loss per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the Group, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the Group, adjusted for:

- Costs of servicing equity.
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.



Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

3. Income

| | Consolidated | |
|-----------------|--------------|------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Income | | |
| Interest income | 9,530 | 578 |
| | 9,530 | 578 |

4. Income tax

| | Consolidated | |
|--|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Prima facie income tax (credit) on operating (loss) at 30% (2022: 30%) | (265,872) | (248,115) |
| Non-deductible expenses / (Non-assessable income) | 2,191 | 57,240 |
| Deferred tax assets not recognised | 263,681 | 190,875 |
| Income tax expense | - | - |
| Deferred tax assets have not been recognised in respect to the following items | | |
| <i>Unrecognised deferred tax assets</i> | | |
| Accrued expenses and provisions | 63,151 | 39,104 |
| Capital raising costs | 8,250 | 78,669 |
| Income tax losses | 5,098,539 | 4,674,851 |
| | 5,169,940 | 4,792,624 |
| Unrecognised deferred tax liabilities | | |
| <i>Temporary timing differences related to:</i> | | |
| Exploration and evaluation expenditure | (2,429,295) | (2,013,002) |
| Net deferred tax asset not recognised | 2,740,645 | 2,779,622 |

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2023.

No recognition has been given to any deferred income tax asset which may arise from available tax losses. The Company has estimated its losses at 30 June 2023 of \$16,995,129 (2022: \$16,149,341).



Notes to the Financial Statements

For the year ended 30 June 2023

4. Income tax (continued)

No recognition has been given to any deferred income tax liabilities which may arise from the recognition of capitalised exploration and evaluation expenditures, as the Company has sufficient expected carried-forward tax losses to negate such a liability.

A benefit of 30% (2022: 30%) of approximately \$5,073,573 (2022: \$4,674,851) associated with the tax losses carried forward will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Company continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Tax consolidation

Variscan Mines Limited and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 November 2007. Variscan Mines Limited is the head entity of the tax consolidated group. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Franking credits

Franking credits of \$2,810,116 (2022: \$2,810,116) are available for subsequent years.

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the payment of the amount of the provision for income tax,
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

5. Auditors' remuneration

| | Consolidated | |
|--|---------------|---------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Amounts received or due and receivable by: | | |
| HLB Mann Judd (WA) Partnership, for: | | |
| Audit and review of the financial report of Variscan Mines Limited (a) | 36,750 | 30,780 |
| | 36,750 | 30,780 |

a) Includes accruals at balance date.

6. Cash and cash equivalents

| | Consolidated | |
|--------------------------|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Cash at bank and in hand | 1,017,571 | 1,945,935 |
| | 1,017,571 | 1,945,935 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.



Notes to the Financial Statements

For the year ended 30 June 2023

7. Receivables

| | Consolidated | |
|--------------------|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Current | | |
| Other Debtors | - | 3,300 |
| GST/VAT receivable | 356,170 | 235,601 |
| Prepayments | 19,510 | 19,806 |
| | 375,680 | 258,707 |

Receivables are non-interest bearing and generally 30-day terms and trading terms are being followed by debtors and there are no overdue amounts. An allowance for expected credit losses is recognised when there is objective evidence that it is impaired. No allowance for expected credit losses is required.

8. Plant & equipment

| | Consolidated | |
|---|---------------|---------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Plant and equipment – at cost | 82,991 | 71,638 |
| Accumulated depreciation | (11,833) | (4,287) |
| Net book value | 71,158 | 67,351 |
| Reconciliation of plant and equipment is as follows: | | |
| Opening carrying value | 67,351 | 31,564 |
| Additions | 11,353 | 38,034 |
| Depreciation | (7,546) | (2,247) |
| | 71,158 | 67,351 |

Depreciation expenses related to the plant and equipment utilised solely in the exploration and evaluation activities of the Group is capitalised to deferred exploration and evaluation expenditure. Refer Note 9.



Notes to the Financial Statements

For the year ended 30 June 2023

9. Deferred exploration and evaluation expenditure

| | Consolidated | |
|--|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Exploration and evaluation phase: | | |
| Costs brought forward | 6,710,006 | 4,755,448 |
| Costs incurred during the year | 1,231,286 | 1,978,666 |
| Depreciation capitalised (refer Note 8) | 7,546 | 2,247 |
| Written-off during the year (a) | (78,726) | - |
| Impact of foreign currency exchange differences | 227,538 | (26,355) |
| Costs carried forward | 8,097,650 | 6,710,006 |
| Exploration expenditure costs carried forward are made up of: | | |
| Novales/Udias Zinc Project - Spain | 7,396,914 | 5,934,870 |
| Guajaraz Zinc Project – Spain | 700,736 | 696,410 |
| Rosario Copper project – Chile | - | 78,726 |
| Costs carried forward | 8,097,650 | 6,710,006 |

- a) During the financial year, as a result of the Group's continued focus on its Spanish assets, the amount capitalised to the Rosario Copper Project in Chile was written off.

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 2. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

10. Current liabilities – payables

| | Consolidated | |
|---------------------|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Trade creditors (a) | 164,845 | 154,569 |
| Accrued expenses | 89,334 | 126,496 |
| | 254,179 | 281,065 |

- a) Trade creditors are non-interest bearing and are generally settled on 30-day terms.



Notes to the Financial Statements

For the year ended 30 June 2023

11. Contributed equity

| | Consolidated | |
|--|-------------------|-------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Share capital | | |
| 388,003,630 (2022: 266,732,024) ordinary shares fully paid | 37,170,040 | 35,816,600 |
| Share issue costs | (1,825,797) | (1,798,297) |
| | 35,344,243 | 34,018,303 |

| | Number | Value |
|--|--------------------|-------------------|
| | | \$ |
| Movements in ordinary shares on issue | | |
| At 1 July 2021 | 266,107,024 | 33,968,303 |
| Shares issued for cash | 625,000 | 50,000 |
| At 30 June 2022 | 266,732,024 | 34,018,303 |
| Shares issued for cash | 66,666,667 | 1,200,000 |
| Shares issued in lieu of share issue costs | 1,527,778 | 27,500 |
| Shares issued in lieu of directors fees | 3,077,161 | 70,940 |
| Subscription funds for unissued shares (a) | - | 55,000 |
| Share issue costs | - | (27,500) |
| At 30 June 2023 | 338,003,630 | 35,344,243 |

- a) In June 2023, the Company received \$55,000 relating to the second tranche of the share placement conducted during the year. The shares relating to these funds were issued on 21 August 2023.

The Company has 46,277,779 unquoted options on issue at balance date. Refer Note 12 for details.

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

Options do not carry voting rights or rights to dividends until options are exercised.



Notes to the Financial Statements

For the year ended 30 June 2023

12. Share-based payments and unquoted options

Option pricing model and terms of options

The Company has 31,000,000 unquoted options currently on issue as a result of share-based payment arrangements, as well as 15,277,779 unquoted options issued as free-attaching options to placements.

12,000,000 options were issued during the current financial year as share-based payments to directors and other key management personnel (2022: 7,000,000 options issued to directors and other key management personnel). These share-based payments were valued by reference to the Black-Scholes option pricing model.

The following table lists the inputs into this model and the terms of options granted in the Company:

| | Options - Tranche 7 | Options - Tranche 8 | Options – Tranche 9 |
|---|---------------------|---------------------|---------------------|
| Underlying security spot price on date of grant | \$0.022 | \$0.022 | \$0.022 |
| Exercise price | \$0.045 | \$0.055 | \$0.065 |
| Grant date | 30 November 2022 | 30 November 2022 | 30 November 2022 |
| Expiration date | 30 November 2024 | 30 November 2024 | 30 November 2024 |
| Total life (years) | 2 | 2 | 2 |
| Expected volatility | 100% | 100% | 100% |
| Risk-free rate | 3.11% | 3.11% | 3.11% |
| Expected dividend yield | - | - | - |
| Value per security | \$0.008 | \$0.007 | \$0.0062 |
| Number of securities | 4,000,000 | 4,000,000 | 4,000,000 |
| Portion vested at balance date | 100% | 100% | 100% |
| Remaining life (years) | 1.42 | 1.42 | 1.42 |
| Total value | \$32,000 | \$28,000 | \$24,800 |



Notes to the Financial Statements

For the year ended 30 June 2023

12. Share-based payments and unquoted options (continued)

The following table lists the valuation model inputs for options granted during the previous year.

| | Options - Tranche 4 | Options - Tranche 5 | Options - Tranche 6 | Lead manager options |
|---|------------------------|------------------------|------------------------|-------------------------|
| Number of securities | 1,500,000 | 1,500,000 | 1,500,000 | 2,500,000 |
| Underlying security spot price on date of grant | \$0.042 | \$0.042 | \$0.042 | \$0.075 |
| Exercise price | \$0.095 | \$0.10 | \$0.11 | \$0.12 |
| Grant date | 25 Nov 2021 | 25 Nov 2021 | 25 Nov 2021 | 28 June 2021 (a) |
| Expiration date | 30 Nov 2023 | 30 Nov 2023 | 30 Nov 2023 | 30 Sept 2024 |
| Total life (years) | 2 | 2 | 2 | 3 |
| Expected volatility | 125% | 125% | 125% | 125% |
| Risk-free rate | 0.55% | 0.55% | 0.55% | 0.20% |
| Expected dividend yield | - | - | - | - |
| Value per security | \$0.0196 | \$0.0191 | \$0.0183 | \$0.049 |
| Remaining life (years) | 1.42 | 1.42 | 1.42 | 2.25 |

(a) – These options were issued during the previous financial year on 27 September 2021, a grant date of 28 June 2021 has been used as the date at which the Company incurred the obligation to issue these options.

Types of share-based payment plans

Share-based payments

An Employee Share Option Plan (ESOP) has been established where selected officers, employees and consultants of the Company can be issued with options over ordinary shares in Variscan Mines Limited. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. Options expire if not exercised 90 days after a participant resigns from the Company.

There have been no cancellations or modifications to any of the plans during 2023 and 2022. No securities have been issued under the ESOP during the financial year ended 30 June 2023 (2022: Nil).



Notes to the Financial Statements

For the year ended 30 June 2023

12. Share-based payments and unquoted options (continued)

Summary of movement of unquoted options on issue in the parent entity

| | Number | Value \$ |
|--|-------------------|----------------|
| Movements in unquoted options on issue | | |
| At 1 July 2021 | 13,000,000 | 434,876 |
| Issue of options to Directors and Key Management Personnel | 4,500,000 | 85,500 |
| Issue of options to lead manager of placement, recognised during the previous financial year | 2,500,000 | - |
| Lapse of options | (500,000) | (20,000) |
| Expense recognised for further vesting during the year | - | 73,759 |
| At 30 June 2022 | 19,500,000 | 574,135 |
| Issue of options to Directors and Key Management Personnel | 12,000,000 | 84,800 |
| Lapse of options | (500,000) | (19,000) |
| Expense recognised for further vesting during the year | - | 16,647 |
| Issue of options as free-attaching to placement | 15,277,779 | - |
| At 30 June 2023 | 46,277,779 | 656,582 |

The outstanding balance as at 30 June 2023 is represented by:

| Exercise Price of Option | Expiry Date of Options | Class of Share received upon exercise | Number of Shares under option |
|--------------------------|------------------------|---------------------------------------|-------------------------------|
| \$0.055 | 30 November 2023 | ORD | 4,000,000 |
| \$0.065 | 30 November 2023 | ORD | 4,000,000 |
| \$0.080 | 30 November 2023 | ORD | 4,000,000 |
| \$0.12 | 30 September 2024 | ORD | 2,500,000 |
| \$0.095 | 30 November 2023 | ORD | 1,500,000 |
| \$0.10 | 30 November 2023 | ORD | 1,500,000 |
| \$0.11 | 30 November 2023 | ORD | 1,500,000 |
| \$0.045 | 30 November 2024 | ORD | 4,000,000 |
| \$0.055 | 30 November 2024 | ORD | 4,000,000 |
| \$0.065 | 30 November 2024 | ORD | 4,000,000 |
| \$0.0275 | 15 March 2025 | ORD | 15,277,779 |
| | | | 46,277,779 |



Notes to the Financial Statements

For the year ended 30 June 2023

12. Share-based payments and unquoted options (continued)

Weighted Average disclosures for unquoted options granted by the parent entity

| | 2023 | 2022 |
|---|-------------------|------------------|
| | \$ | \$ |
| <i>Weighted average exercise price of options at 1 July</i> | \$0.106 | \$0.123 |
| Weighted average exercise price of options granted during period | \$0.04 | \$0.108 |
| Weighted average exercise price of options expired during period | \$1.00 | \$0.60 |
| Weighted average exercise price of options outstanding at 30 June | \$0.057 | \$0.106 |
| Weighted average exercise price of options exercisable at 30 June | \$0.057 | \$0.066 |
| Weighted average contractual life remaining | 1.15 | 1.50 |
| Range of exercise price | \$0.0275 - \$0.12 | \$0.055 - \$1.00 |

Performance rights issued as share-based payments

During a previous financial year, the shareholders of the Company approved the issue of 2,500,000 performance rights to the Company's Managing Director and CEO, Stewart Dickson. The fair value of these performance rights was determined by reference to the underlying share price on the date of grant, being \$0.028 per security. Details of performance rights on issue at the end of the financial year are as follows:

| Performance Condition | Expiry Date of Rights | Fair value per security | Number of Rights |
|---|-----------------------|-------------------------|------------------|
| Continuous service until 30 November 2021 | 30 November 2023 | \$0.028 | 1,250,000 |
| Continuous service until 30 November 2022 | 30 November 2023 | \$0.028 | 1,250,000 |
| | | | 2,500,000 |

Summary of movement of performance rights on issue in the parent entity

| | Number | Value |
|--|------------------|---------------|
| | | \$ |
| Movements in performance rights on issue | | |
| At 1 July 2021 | 2,500,000 | 30,787 |
| Expense recognised for further vesting during the year | - | 31,917 |
| At 30 June 2022 | 2,500,000 | 62,704 |
| Expense recognised for further vesting during the year | - | 7,296 |
| At 30 June 2023 | 2,500,000 | 70,000 |



Notes to the Financial Statements

For the year ended 30 June 2023

13. Reserves

| | Consolidated | |
|---|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Share-based compensation reserve | 726,582 | 636,838 |
| Foreign currency translation reserve | 149,192 | 85,649 |
| | 875,774 | 722,487 |
| <i>Share-based compensation reserve</i> | | |
| Balance at the beginning of financial year | 636,838 | 465,663 |
| Share-based payments | 108,744 | 191,175 |
| Lapse of options | (19,000) | (20,000) |
| Balance at end of financial year | 726,582 | 636,838 |
| <i>Foreign currency translation reserve</i> | | |
| Balance at the beginning of financial year | 85,649 | 7,311 |
| Effect of exchange rate fluctuation | 63,543 | 78,338 |
| Balance at end of financial year | 149,192 | 85,649 |

a) Share-based compensation reserve

The share-based compensation reserve is used to recognise the fair value of unlisted options and performance rights issued but not exercised as described in Note 2 and referred to in Note 12.

b) Foreign currency translation reserve

The foreign currency translation reserve recognised the net exchange differences on foreign operations.

14. Earnings/(Loss) per share

| | Consolidated | |
|---|--------------|-----------|
| | 2023 | 2022 |
| | \$ | \$ |
| Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share | (886,240) | (827,051) |

| | Consolidated | |
|---|--------------|-------------|
| | 2023 | 2022 |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS | 286,866,914 | 265,850,566 |



Notes to the Financial Statements

For the year ended 30 June 2023

14. Earnings/(Loss) per share (continued)

| | Consolidated | |
|---|-----------------|-----------------|
| | 2023 | 2022 |
| | Cents per share | Cents per share |
| Basic and diluted earnings/(loss) per share | (0.31) | (0.31) |

All potential ordinary shares for the calculation of diluted loss per share are considered anti-dilutive.

15. Key management personnel

Key management personnel (KMP) remuneration

| | Consolidated | |
|--|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Compensation for key management personnel | | |
| Short-term employee benefits | 459,201 | 397,146 |
| Long-term employee benefits | - | - |
| Post-employment benefits | - | - |
| Share-based payments | 81,496 | 176,593 |
| Total compensation | 540,697 | 573,739 |

16. 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 | |
|--------------------------------------|--------------------------|-------------------|------|---------------|-----------|
| | | 2023 | 2022 | 2023 | 2022 |
| Bluestone 23 Pty Ltd | Australia | 100 | 100 | 5,000 | 5,000 |
| Variscan Mines Europe Limited | UK | 100 | 100 | 1 | 1 |
| Slipstream Resources Spain Pty Ltd | Australia | 100 | 100 | 2,403,748 | 2,403,748 |
| Slipstream Resources Spain 2 Pty Ltd | Australia | 100 | 100 | 686,531 | 686,531 |
| Variscan Mines Cantabria, SL | Spain | 100 | 100 | 4,439 | 4,439 |
| Variscan Mines La Mancha, SL | Spain | 100 | 100 | 4,500 | 4,500 |

Transactions with key management personnel

During the current year, amounts totalling \$48,000 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2022: \$37,800). These amounts are separate from the fees paid to Mr Pitts through his role as Company Secretary and are not included in the Key Management Personnel remuneration table on page 10 of the remuneration report. At 30 June 2023, a total of \$8,000 (exclusive of GST) was payable to Endeavour Corporate Pty Ltd (2022: \$4,000).



Notes to the Financial Statements

For the year ended 30 June 2023

17. Farm-in / Farm-out arrangements

The Company is a party to a number of exploration farm-in / farm-out agreements to explore for copper, gold, zinc, lead and uranium. Under the terms of the agreements the Company may be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. These arrangements are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to Variscan at reporting date resulting from these arrangements. Percentage equity interests in these arrangements at 30 June 2023 were as follows:

| | Consolidated | |
|------------------------------|--------------|------------|
| | 2023 | 2022 |
| | % Interest | % Interest |
| Hillston – diluting to 16% | 39.2% | 39.2% |
| Callabonna – diluting to 30% | 49% | 49% |

18. Segment information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Managing Director has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there are currently two geographical segments, being Australia and Spain, which are considered for management purposes to form part of the single reportable segment of mineral exploration.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2023 and 2022.

| | Australia | | Spain | | Total | |
|--|-----------|-----------|-----------|-----------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment income | 9,530 | 578 | - | - | 9,530 | 578 |
| Segment loss before income tax expense | (865,314) | (827,051) | (20,926) | - | (886,240) | (827,051) |
| Segment assets | 974,554 | 1,802,302 | 8,655,303 | 7,242,454 | 9,629,857 | 9,044,756 |
| Segment liabilities | (206,655) | (226,122) | (47,524) | (54,943) | (254,179) | (281,065) |



Notes to the Financial Statements

For the year ended 30 June 2023

19. Commitments

Exploration licence expenditure requirements

In order to maintain the Group's tenements in good standing with the various mines departments, the Group may be required to incur exploration expenditure under the terms of each licence.

There are nil exploration licence commitments at year end (2022: nil)

Milestone consideration – Spanish Zinc Project Acquisition

In accordance with the acquisition of the Spanish Zinc Projects, the Company must issue additional shares upon the satisfaction of certain exploration milestones. These milestones are for the definition, in accordance with JORC 2012, of an Inferred Mineral Resource (or greater) of:

- Milestone 1: 4 million tonnes at 7% Zn
- Milestone 2: 8 million tonnes at 7% Zn

Upon satisfaction of each of these milestones, the Company must issue 27,500,000 ordinary shares to the vendors of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, and 2,426,471 shares to Hispanibal S.L. as the vendor of the "Hispanibal Option", for a total of 59,852,941 Ordinary Shares if both milestones are met.

As at the date of this report, the Directors are of the view that the work conducted on the projects to date is not of a sufficiently advanced stage to determine the probability of meeting these milestones and therefore no current obligation has been recorded in this financial report.

20. Statement of Cash Flows

| | Consolidated | |
|--|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Reconciliation of net cash outflow from operating activities to operating loss after income tax | | |
| Operating loss after income tax | (886,240) | (827,051) |
| Share-based payment expense | 108,744 | 191,175 |
| Capitalised exploration expenditure written off | 78,726 | - |
| Shares issued in lieu of fees | 70,940 | - |
| Foreign exchange variances | (8,217) | 3,371 |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | 2,738 | (27,309) |
| (Decrease)/increase in trade and other creditors | 46,550 | 21,283 |
| Net cash outflow from operating activities | (586,759) | (638,531) |



Notes to the Financial Statements

For the year ended 30 June 2023

20. Statement of Cash Flows (continued)

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Group does not have any unused credit facilities.

| | Consolidated | |
|--|------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| The balance at 30 June comprised: | | |
| Cash and cash equivalents | 1,017,571 | 1,945,935 |
| | 1,017,571 | 1,945,935 |

21. Financial risk management objectives and policies

The Company's Board considers the Company's overall risk management framework and policies, including quarterly review by the Board of the Company's financial position and financial forecasts and maintaining adequate insurances.

AASB 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Capital management

The Group considers its capital to comprise its ordinary share capital and its retained earnings, net of accumulated losses. In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt at the year-end hence has a nil gearing ratio.

In making decisions to adjust its capital structure to achieve these aims, either through altering its new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Financial instrument risk exposure and management

As is common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. These main risks, arising from the group's financial instruments are interest rate risk, liquidity risk, share market risk and credit risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.



Notes to the Financial Statements

For the year ended 30 June 2023

21. Financial risk management objectives and policies (continued)

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At balance date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The expected settlement of the Group's financial liabilities is as follows:

| | Carrying amount | Contracted cash flows | < 6 months | 6-12 months | 1-2 years | 2-5 years |
|--------------------------|-----------------|-----------------------|------------|-------------|-----------|-----------|
| 30 June 2023 | | | | | | |
| Trade and other payables | 254,179 | 254,179 | 254,179 | - | - | - |
| | 254,179 | 254,179 | 254,179 | - | - | - |
| 30 June 2022 | | | | | | |
| Trade and other payables | 281,065 | 281,065 | 281,065 | - | - | - |
| | 281,065 | 281,065 | 281,065 | - | - | - |

Interest rate risk

At reporting date, the Group is exposed to floating weighted average interest rates at 30 June 2023 for financial assets as follows:

| | Consolidated | |
|--|--------------|-------------|
| | 2023 | 2022 |
| Weighted average rate of cash balances | 1.55% | 0.09% |
| Cash balances | \$1,017,571 | \$1,945,935 |

All other financial assets and liabilities are non-interest bearing.

The Group's exposure to interest rate risk is set out in the following tables:

| | Consolidated Pre-tax Loss lower / (higher) | | Consolidated Equity lower / (higher) | |
|------------------------|--|----------|--------------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| +1% (100 basis points) | 10,175 | 19,459 | 10,175 | 19,459 |
| -1% (100 basis points) | (10,175) | (19,459) | (10,175) | (19,459) |

The above table reflects the impact on the Group's loss before income tax and equity from a movement in interest rates of 1%, or 100 basis points, for the current and comparative financial periods.



Notes to the Financial Statements

For the year ended 30 June 2023

21. Financial risk management objectives and policies (continued)

Share market risk

The Company relies greatly on equity markets to raise capital for its exploration activities and is thus exposed to equity market volatility. When market conditions require, for prudent capital management, in consultation with its professional advisers the Group looks to alternative sources of funding, including the sale of assets and royalties.

Credit risk

Credit risk arises principally from the Group's cash, cash equivalents, receivables and tenement security deposits.

The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The Group does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency. The Group is primarily exposed to change in Euro/\$ exchange rates for the year ended 30 June 2023, although this exposure and all other foreign currency exposure during the current financial year has been assessed as immaterial.

Other receivables

Other receivables comprise GST. Credit worthiness of debtors is undertaken when appropriate.

Equity price risk

During the previous year, the Group disposed of its investments in equity interests in listed securities, and therefore, no equity price risk exposure exists at 30 June 2023 (2022: Nil exposure).

Accounting policies

Accounting policies in relation to financial assets and liabilities and share capital are contained in Note 2.

Fair value of financial assets and liabilities

The fair value of all monetary financial assets and financial liabilities of the Group approximate their carrying value.

There are no off-balance sheet financial asset and liabilities at year-end.

All financial assets and liabilities were denominated in Australian dollars during the years ended 30 June 2023 and 2022.

Fair value risk

The group uses three different methods in estimating the fair value of a financial investment. The methods comprise -

- Level 1 – the fair value is calculated using quoted prices in active markets; and
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – the fair value is estimated using inputs other than quoted prices.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The fair value of derivatives that do not have an active market are based on valuation techniques. Level 2 derivatives include market observable inputs whilst level 3 derivatives do not include market observable inputs.

Transfer between categories

There were no transfers between levels during the year.



Notes to the Financial Statements

For the year ended 30 June 2023

22. Parent entity information

| | Consolidated | |
|--|------------------|------------------|
| | 2023 | 2022 |
| Information relating to the parent entity Variscan Mines Limited: | | |
| Current assets | 974,547 | 1,802,295 |
| Total assets | 9,582,334 | 8,723,342 |
| Current liabilities | 206,654 | (226,121) |
| Total liabilities | 206,654 | (226,121) |
| Net Assets | 9,375,680 | 8,497,221 |
| Issued capital | 35,344,243 | 34,018,303 |
| Accumulated losses | (26,695,145) | (26,157,920) |
| Reserves | 726,582 | 636,838 |
| Total shareholders' equity | 9,375,680 | 8,497,221 |
| (Loss) of the parent entity | (556,225) | (891,663) |
| Other comprehensive income | - | - |
| Total comprehensive (loss) of the parent entity | (556,225) | (891,663) |

The accounting policies of the Parent Entity are consistent with those of the Group as disclosed in Note 2, except for Investments in Subsidiaries, which are accounted for at cost less accumulated impairment losses.

23. Events after the reporting date

On 21 August 2023, the Company issued 18,611,111 shares at 1.8 cents per share as part of the second tranche of the capital raise conducted during the financial year. Additionally, 27,361,111 free-attaching unlisted options exercisable at 2.75 cents each on or before 15 March 2025 were issued to participants in the placement.

Other than noted above, there were, at the date of this report, no matters or circumstances which have arisen since 30 June 2023 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.



Directors' Declaration

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 18 to 46 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2023 required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Stewart Dickson
Managing Director

29 September 2023



INDEPENDENT AUDITOR'S REPORT

To the Members of Variscan Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Variscan Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

| Key Audit Matter | How our audit addressed the key audit matter |
|--|--|
| <p>Exploration and evaluation assets Refer to note 9</p> | |
| <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure, including acquisition costs and subsequently applies the cost model after recognition.</p> <p>Our audit focused on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group.</p> <p>We planned our work to address the audit risk that the capitalised expenditure may no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed which suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • We considered management's assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 30 June 2024 and discussed with management the nature of planned ongoing activities; • We verified a sample of exploration expenditure capitalised; and • We examined the disclosures made in the financial report. |

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2023 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 September 2023



N G Neill
Partner