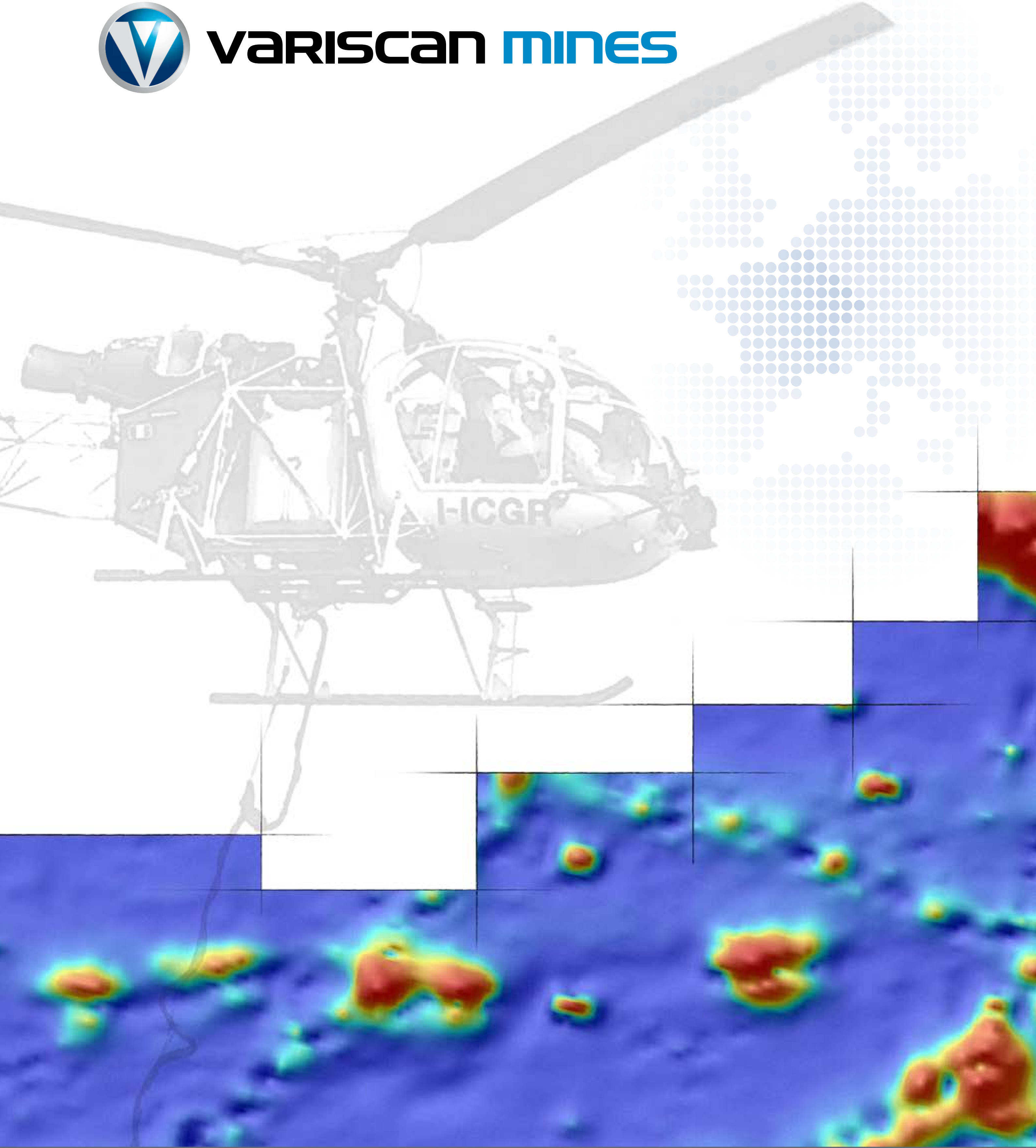
VARISCAN MINES



Annual Report 2015

Contents

Highlights

- Multi-project portfolio enhanced with the addition of two new exploration licences – Merléac and Beaulieu
- Four other exploration licence applications within the approvals process, each with good potential for short-term resource generation and major new discoveries

Merléac

- High-grade nature of Port-aux-Moines deposit confirmed following analysis of historical drill core holes.
- Exceptional zinc rich assay results, including:
  - 31 metres at 10.4% zinc, 2.1% lead, 1.2% copper, 105.5g/t silver, 1.0 g/t gold from 236 metres (zinc equivalence of 17.1% Zn Eq)
  - 8 metres at 25.0% zinc, 5.4% lead, 1.6% copper, 208.5 g/t silver, 1.39 g/t gold from 236 metres (zinc equivalence of 36.7% Zn Eq)
  - 3 metres at 17.2% zinc, 3.7% lead, 1.53% copper, 159.3 g/t silver, 1.9 g/t gold from 237 metres (zinc equivalence of 27.1% Zn Eq)
- Deposit may be part of a typical VMS (volcanogenic massive sulphide) cluster with potential to generate significant tonnages of high-grade mineralisation
- Modern exploration techniques applied with France's first ever VTEM survey completed to identify new deposits within the licence

St Pierre

- Highly encouraging assay results from rock chip programme with a number of samples grading above 10g/t gold, including a peak assay of 159g/t gold
- Five areas of interest defined, with detailed follow-up soil sampling commenced to identify targets for trenching and/or drilling
- Two strong gold-in-soil anomalies outlined with strongly anomalous values up to 809ppb gold (0.81g/t gold)

Tennie

- Two areas of lead and zinc anomalies defined through initial exploration with follow-up work planned

Chairman's Letter

Dear fellow Variscan shareholders,

It has been a year of robust progress as we intensified our focus on delivering Variscan's strategy of targeting 'brownfields' mineral projects in France - a country that has seen minimal modern exploration over the last two decades. This has helped to enhance the Company's unique position of holding a high quality and lower risk project portfolio in France with strong prospects for an economic discovery.

Our good progress has been achieved against a challenging economic backdrop that has seen the S&P/ASX 300 Metals and Mining Index falling by over 20% in the past year. Through the year, prices for most industrial commodities experienced downward pressure. This occurred as Global Real GDP growth remained modest and, in particular, China's real economic growth appeared to be slowing. At the margin, this has affected Chinese demand for many commodities at a time when supply currently remains ample.

To this end, most Central Banks around the world are assessing and executing revised monetary policies to accommodate for these and other headwinds that are impacting on real economic growth. How this will affect growth and commodity prices is currently uncertain.

Despite this it seems more likely that supply cutbacks will take place as many commodity prices sink below cash costs for high cost producers, while others delay production commencement until prices are at sufficient levels. Coupled with the closure of the Century zinc-lead-silver mine amongst others in CY2015, the outlook for zinc is robust and sets the scene for a very strong cyclical recovery.

This coincides with Variscan's exploration work in France, which has gained substantial momentum this year following a four-year period of laying a solid foundation. We have developed a strong working knowledge of both the regulatory and geologic environments in the country and this has been achieved through our small and enthusiastic team in France, headed by Jack Testard and Dr Michel Bonnemaison. Our team, together with our supportive shareholders, are the pioneers of modern mineral exploration and development in France.

It is very encouraging that the early exploration results we have received this year are validating our rationale that applying modern exploration techniques in an underexplored 'First World' jurisdiction has a much lower exploration risk and strong potential for high impact.

During the year, Variscan's portfolio expanded to four granted PER licences, with a further four proceeding through the regulatory processes. The Company's portfolio covers excellent targets in a number of commodities and although all prices have been depressed through the past year we are especially attracted to the longer-term demand-supply fundamentals of zinc, tin, tungsten and gold.

During the past 12 months, the Company has commenced and continued exploration programmes at several licences – the Merléac zinc project, the St Pierre gold project and the Beaulieu tin project – with promising early results.

At Merléac we have re-assayed past drill core from the Porte-aux-Moines volcanogenic massive sulphide deposit that has confirmed the very attractive grades and widths of the known orebody and provided strong encouragement that the system could be substantially larger than currently defined. Surface geochemistry and France's first heli-borne, Versatile Time Domain Electromagnetic (VTEM) survey have confirmed the presence of numerous additional targets that appear to be similar to Porte-aux-Moines.

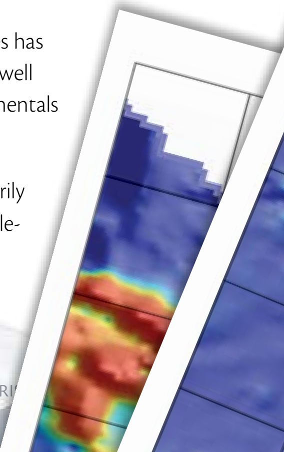
Our aim is to define enough high-grade tonnage to support the development of a low cost zinc-lead-copper-silver-gold mine.

On the St Pierre licence, detailed rock chip sampling recorded numerous assays in excess of 10g/t gold on shears that parallel the La Belliere gold mine, which formerly produced 334,000 ounces of gold. Follow-up soil sampling has generated two zones of strong gold-in-soil anomalism on parallel shear structures to La Belliere, highlighting the strong potential to discover significant gold deposits within the licence.

The Beaulieu PER over France's largest hard-rock tin region has only recently been granted and our team is working on compiling the large volume of data that has been generated since modern mining commenced in the 1950s and has commenced initial soil sampling over the main mineralised trend.

While short-term uncertainty on commodity prices has presented challenges for Variscan, the Company is well positioned to capitalise on the longer-term fundamentals of it targeted metals.

The Company is in reasonable financial shape, primarily due to shareholders who supported our recent entitlement issue. We have an active exploration program,



including drilling campaigns, planned in the coming year, and are reviewing our options on the timing and financing of that program.

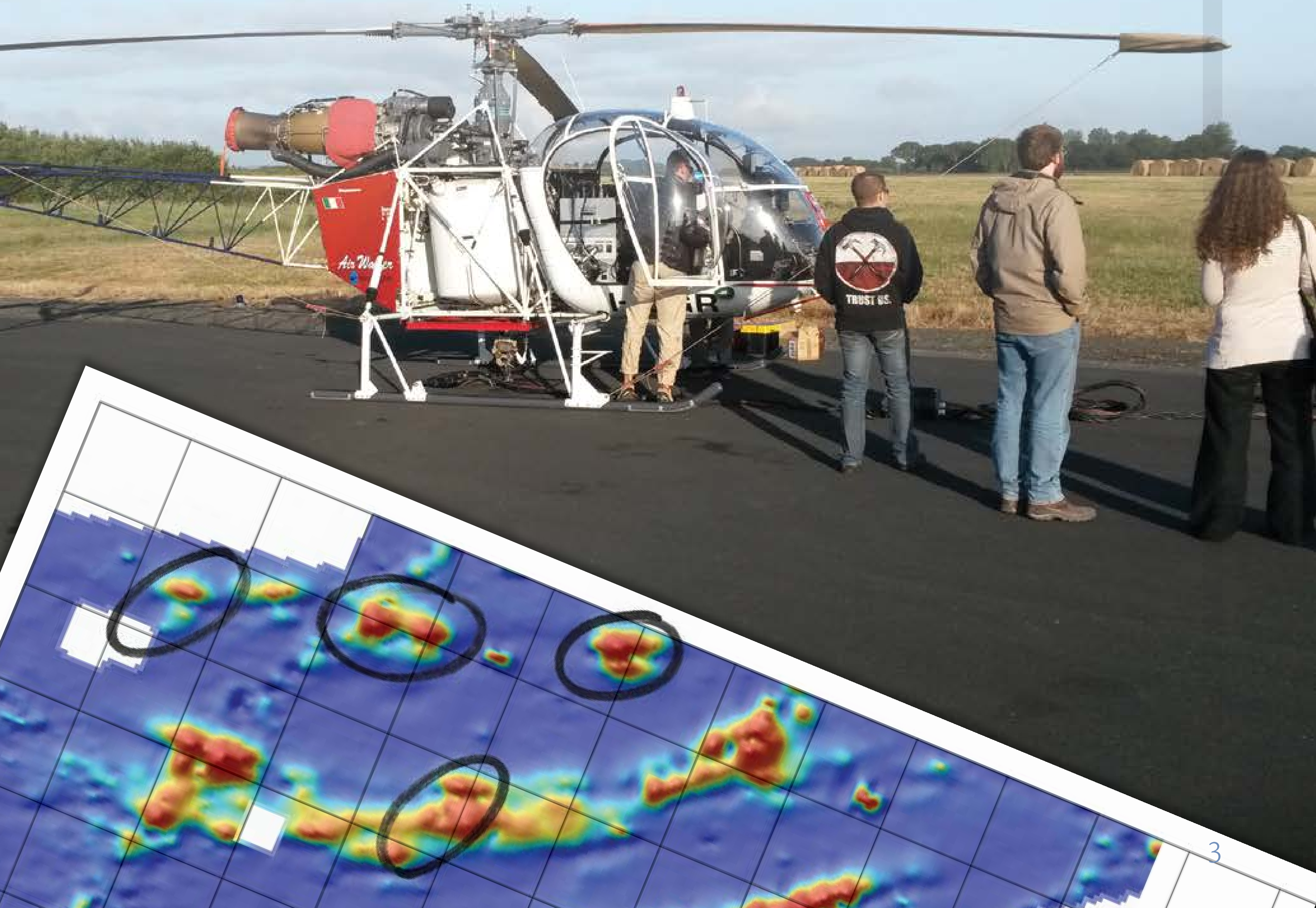
Variscan has also streamlined its focus almost solely on exploration activities in France given the constrained availability of capital during the past year. As a consequence, we have limited our efforts for any new ventures, although our team is alert to opportunities in geologic environments and jurisdictions where we believe we have some competitive advantage or insight.

Recently, Alan Breen, resigned as a Non-Executive Director to take up an overseas role. We are indebted to Alan for his wise counsel and insightful questions. In August 2015 we appointed Mike Moore as a Non-Executive Director. Mike is a mining engineer with excellent and relevant experience for Variscan, especially as we potentially transit into mine definition, development and production. I recommend that you support Mike's re-election at our forthcoming General Meeting.

Finally, I would like to acknowledge the continued dedication and hard work of our executive and staff led by our Managing Director, Greg Jones. The team remains enthusiastic in spite of poor market conditions as they position Variscan to participate strongly in the inevitable upturn.

I thank you for your continued support of our Company and look forward to further progress in France as we continue to build our unique story.

Pat Elliott
Chairman



Operations Review

Exploration

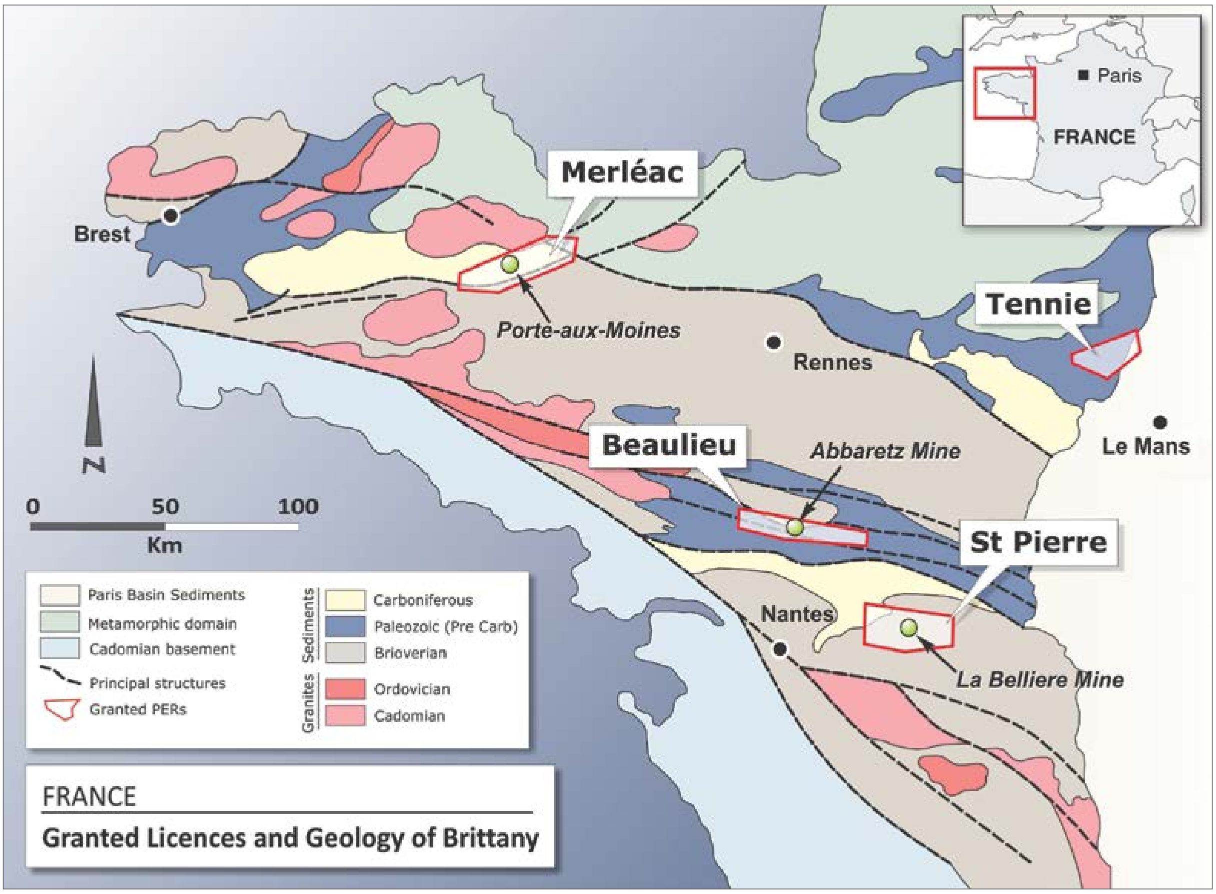
FRANCE

Overview

Variscan Mines has targeted France for mineral deposits due to the country's favourable geology, strong mineral endowment, good infrastructure, skilled workforce and strong, overt government support. Variscan is one of the most active explorers in the region and since 2011 has applied for eight exploration licences over areas which contain substantial old mine workings or have mineralised zones defined from former exploration. The Company received its first two French exploration licenses in 2013/14 (the Tennie and Saint Pierre PERs).

In the past year Variscan has been granted two additional exploration licences, the Merléac zinc-lead-copper-silver-gold and Beaulieu tin PERs in Brittany, western France and has commenced exploration on each. The Company believes that there is good potential at its projects for short term resource generation and/or major new discoveries.

Project locations in France



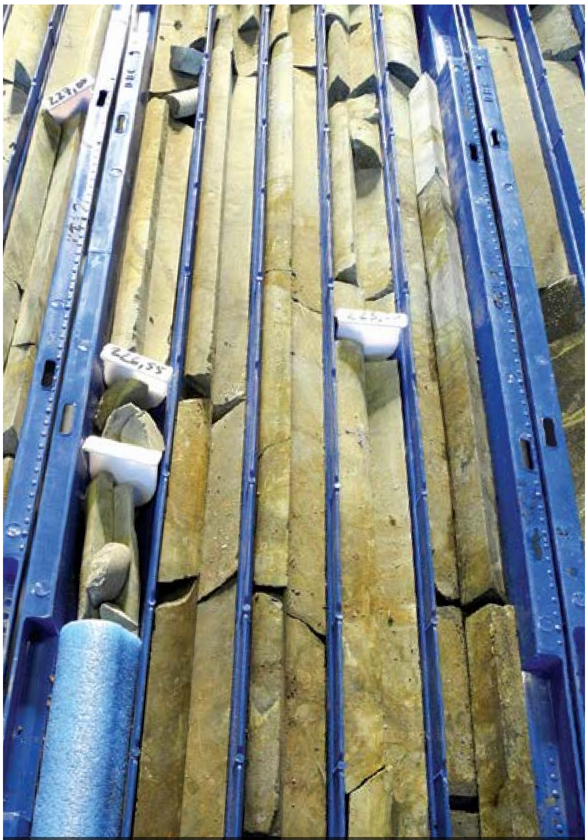
Merléac Project

The Merléac licence was granted in November 2014 and covers the eastern end of the Châteaulin Basin, a sequence of felsic volcanics and clastic sedimentary rocks containing a number of base and precious metal deposits. One of these is the high grade Porte-aux-Moines volcanogenic massive sulphide (VMS) zinc-lead-copper-silver-gold deposit which lies near the centre of the licence about 125 kilometres west of Rennes, Brittany.

Porte-aux-Moines was discovered in 1975 by the BRGM (Bureau de Recherches Géologiques et Minières – the French geological survey) and over the ensuing 10 years the BRGM completed considerable exploration including about 9.5 kilometres of drilling and two kilometres of underground decline development. The work outlined zones of high grade lead-zinc-copper-silver-gold mineralisation up to 20 metres thick from surface to a depth of about 300 metres over a strike length in excess of 250 metres.

Aside from the underground development and sampling the deposit is essentially unmined.

Recently the Company accessed the three remaining preserved surface core holes – PAM5, PAM8 and PAM16 – from the BRGM exploration stored at their Orleans core farm. Resampling of mineralised intervals was completed and samples sent to ALS Geochemistry, Ireland for confirmatory re-assay. Recent published results from this work have confirmed the high grade nature of the deposit with strong, zinc dominant, polymetallic intersections recorded in all holes as shown in Table A.

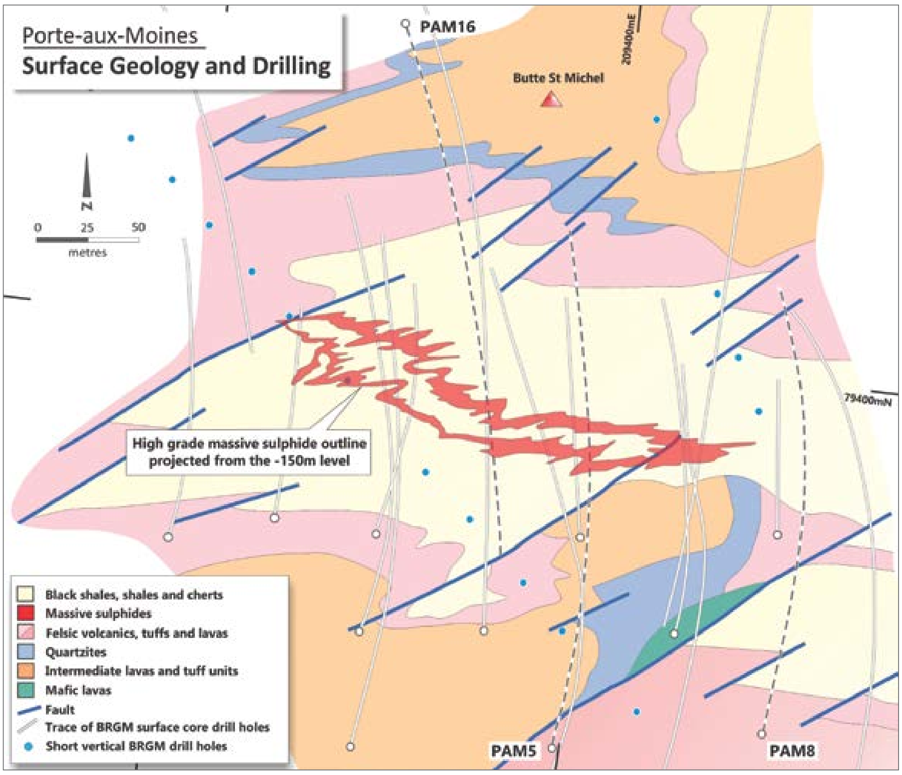


PAM5 drill core with massive sulphide zone

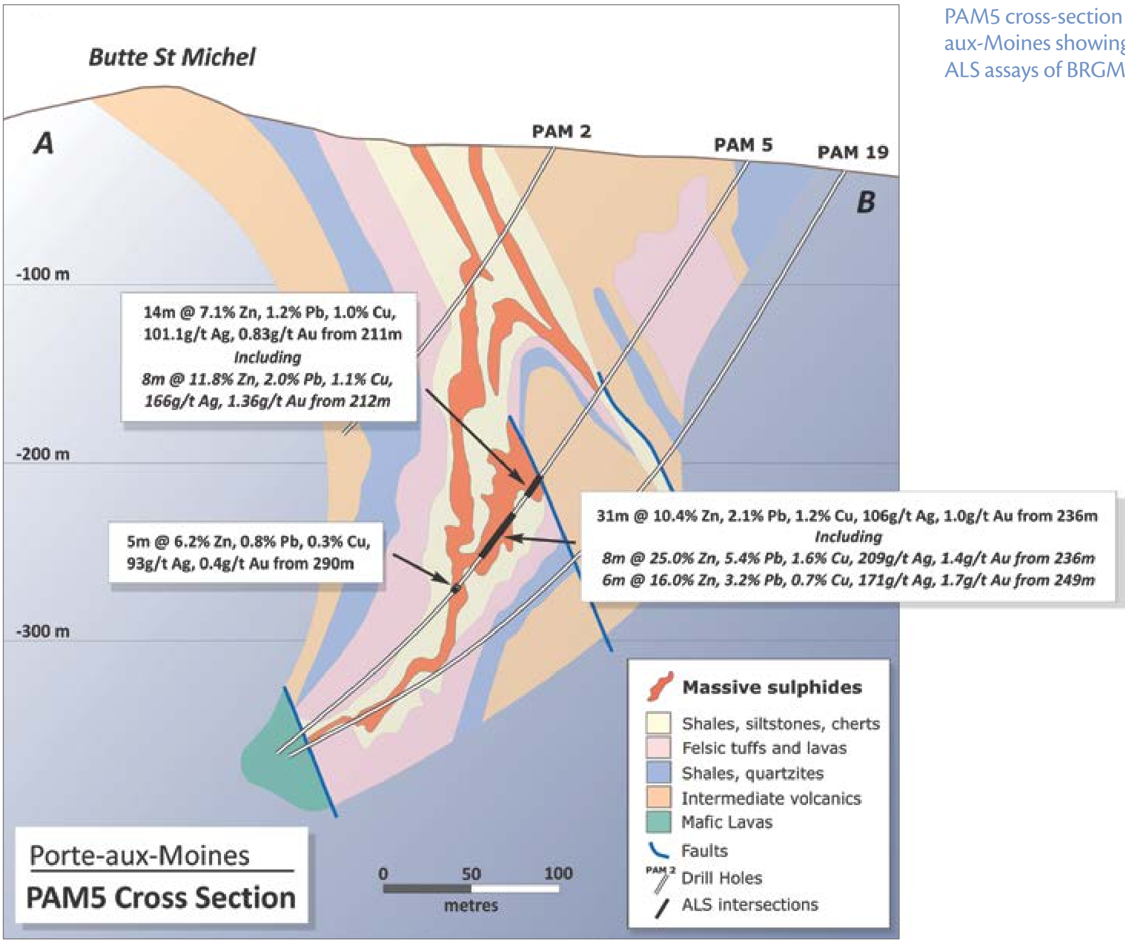
Table A – ALS assay results from BRGM core

	From (m)	To (m)	Interval (m)	Zn %	Pb %	Cu %	Ag g/t	Au g/t	Zn Eq
PAM5									
	211.0	225.0	14.0	7.1	1.2	1.0	101.1	0.8	12.1%
including	212.0	220.0	8.0	11.8	2.0	1.1	165.9	1.4	18.7%
	236.0	267.0	31.0	10.4	2.1	1.2	105.5	1.0	17.1%
including	236.0	244.0	8.0	25.0	5.4	1.6	208.5	1.4	36.7%
including	249.0	255.0	6.0	16.0	3.2	0.7	170.7	1.7	23.2%
	290.0	295.0	5.0	6.2	0.8	0.3	93.0	0.4	8.8%
including	291.0	292.0	1.0	17.1	2.2	1.1	296.0	0.9	24.8%
PAM16									
	284.5	293.5	9.0	2.6	0.7	0.2	58.9	0.6	6.3%
	301.5	336.0	34.5	5.3	0.9	1.2	86.0	0.9	13.1%
including	301.5	321.0	19.5	6.5	1.0	1.3	94.5	1.0	15.3%
including	304.5	311.0	6.5	9.3	1.9	1.5	142.9	1.4	21.4%
including	329.0	336.0	7.0	6.0	1.2	1.6	133.7	1.4	17.5%
	346.8	348.8	2.0	5.8	1.7	1.0	143.0	1.9	17.0%
PAM8									
	237.0	240.0	3.0	17.2	3.7	1.5	159.3	1.9	27.1%
	247.5	251.5	4.0	9.0	2.6	0.1	105.0	0.6	12.8%
	259.5	263.0	3.5	10.8	3.5	0.2	195.6	1.2	16.5%

The Zinc Equivalent is based on zinc (US$2,000 per tonne), lead (US$1,800 per tonne), copper (US$5,600 per tonne), silver (US$15 per ounce) and gold (US$1,150 per ounce). The zinc equivalent calculation represents the total metal value for each metal, multiplied by a price based conversion factor, summed and expressed in equivalent zinc percent per tonne. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. Nevertheless, it is the Company's opinion that all the elements included in the metal equivalents calculation have good potential to be recovered as is commonly the case for similar VMS deposits worldwide. The zinc equivalent calculation is intended as an indicative value only.



Plan view of the surface geology at Porte-aux-Moines and BRGM core drilling showing the location of PAM5, PAM8 and PAM16 with the approximate projected position of the high grade massive sulphide zones 150 metres below the surface as interpreted by the BRGM.



PAM5 cross-section at Porte-aux-Moines showing latest ALS assays of BRGM core.

Plan view of the surface geology at Porte-aux-Moines and BRGM core drilling showing the location of PAM5, PAM8 and PAM16 with the approximate projected position of the high grade massive sulphide zones 150 metres below the surface as interpreted by the BRGM.

The calculated zinc equivalence of the intersections often exceeds 15% Zn Eq (Table A), with values up to 36.7% Zn Eq, clearly highlighting the high grade nature of the Port-aux-Moines mineralisation and confirming a critical ingredient for the definition of an economic deposit.

Importantly, the ALS assays are, on average, slightly higher grade than the original BRGM assays, confirming the general overall accuracy and the high quality of the BRGM work. This provides high confidence in the veracity of the BRGM assays for the remaining nine kilometres of drilling and underground development, which Variscan plans to use in the recalculation of the Porte-aux-Moines Resource to 2012 JORC standards.

The Company intends completing this work later this year once it has received the data from Porte-aux-Moines currently stored at the BRGM.

Exploration Potential

Logging of the BRGM core holes has confirmed that Porte-aux-Moines exhibits many of the classic geological features found in other VMS deposits, in particular the possibility of a cluster of sulphide lenses within the project area. Holes PAM5, PAM8 and PAM16 have each recorded multiple intersections of polymetallic mineralisation indicating perhaps three mineralising events over a 50 metre interval within the mine sequence. This suggests the scope for the discovery of a stacked massive sulphide system and provides encouragement that Porte-aux-Moines may be significantly larger than currently defined.

In addition, the regional potential within the Merléac licence for additional VMS deposits is considered excellent.

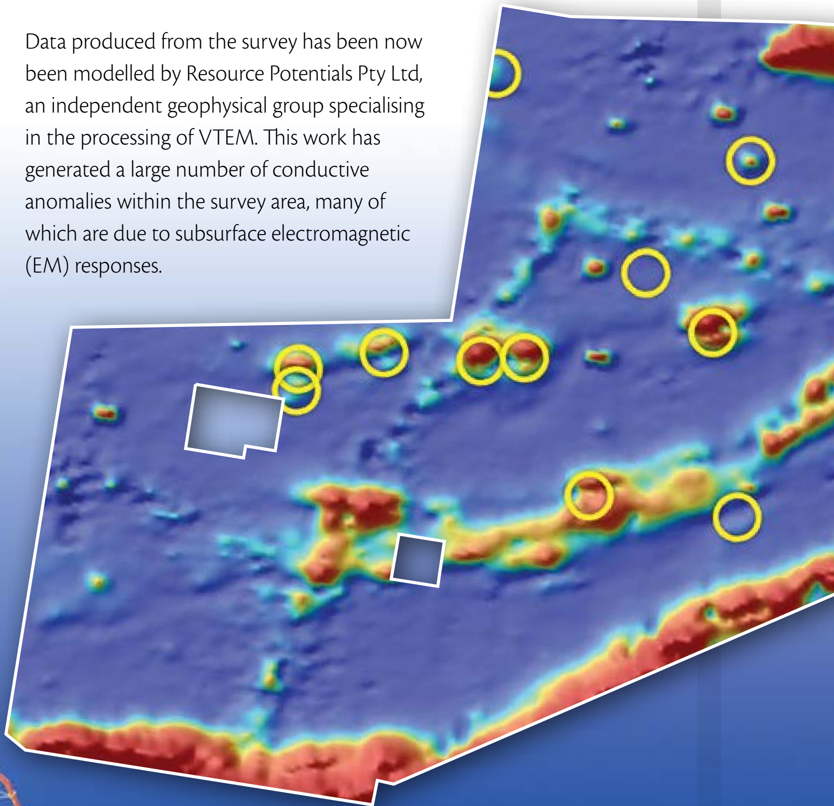
Porte-aux-Moines is hosted within a sequence of vitric tuffs and pyritic black shales (the mine sequence) located in a bimodal sequence of felsic and intermediate/mafic volcanics. This sequence of rocks can be traced for approximately 80 kilometres along strike and within structurally repeated blocks in the Merléac licence.

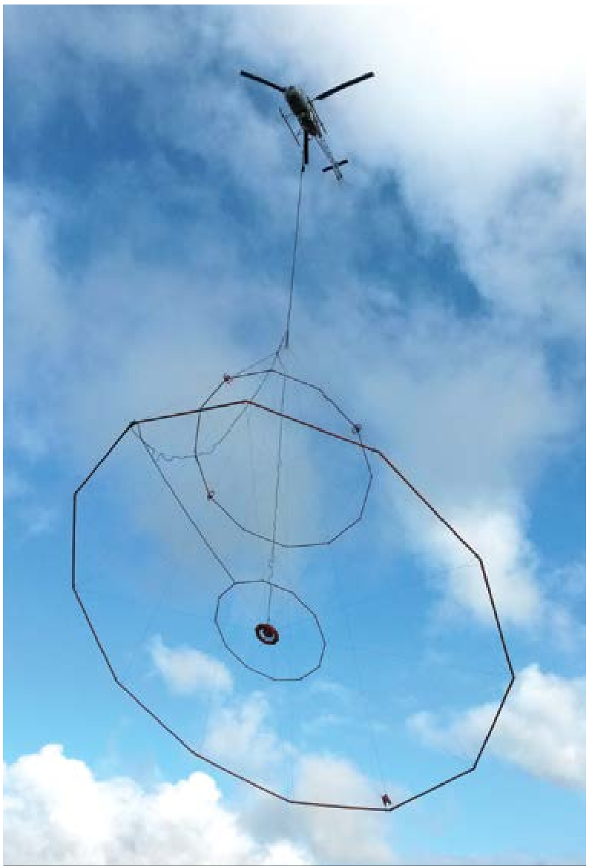
Within these rock units Variscan has defined outcropping gossanous zones containing highly anomalous base and precious metal values interpreted to represent the oxidised expressions of underlying sulphides. Some of these gossans were previously mined by shallow open pits for iron up until the 19th century and generally have not been explored below the iron oxide cap aside from shallow BRGM drilling in some locations.

VTEM programme

To help target VMS mineralisation around Porte-aux-Moines and within the region, Variscan recently completed a large heli-borne electromagnetic (VTEM) survey covering approximately 160 square kilometres of the southern section of the Merléac licence, testing about 60 strike kilometres of the Porte-aux-Moines host stratigraphy.

Data produced from the survey has been now been modelled by Resource Potentials Pty Ltd, an independent geophysical group specialising in the processing of VTEM. This work has generated a large number of conductive anomalies within the survey area, many of which are due to subsurface electromagnetic (EM) responses.




VTEM helicopter lifting off

The survey:

- Detected the Porte-aux-Moines deposit which clearly stands out as a bulls-eye anomaly with a modelled strike length of about 400 metres at the projected position of mineralisation as defined in the old BRGM drilling and development. Previous work by Variscan indicated that high grade mineralisation at the deposit extended for at least 250 metres at the ~150 metre level with excellent potential to expand. This potential has been confirmed by the results from the VTEM survey.
- Successfully identified 14 other 'Tier 1' targets with moderate to strong, early to late time EM responses, in many cases similar to those generated at the Porte-aux-Moines deposit and which are possibly caused by sulphide-rich bedrock sources.

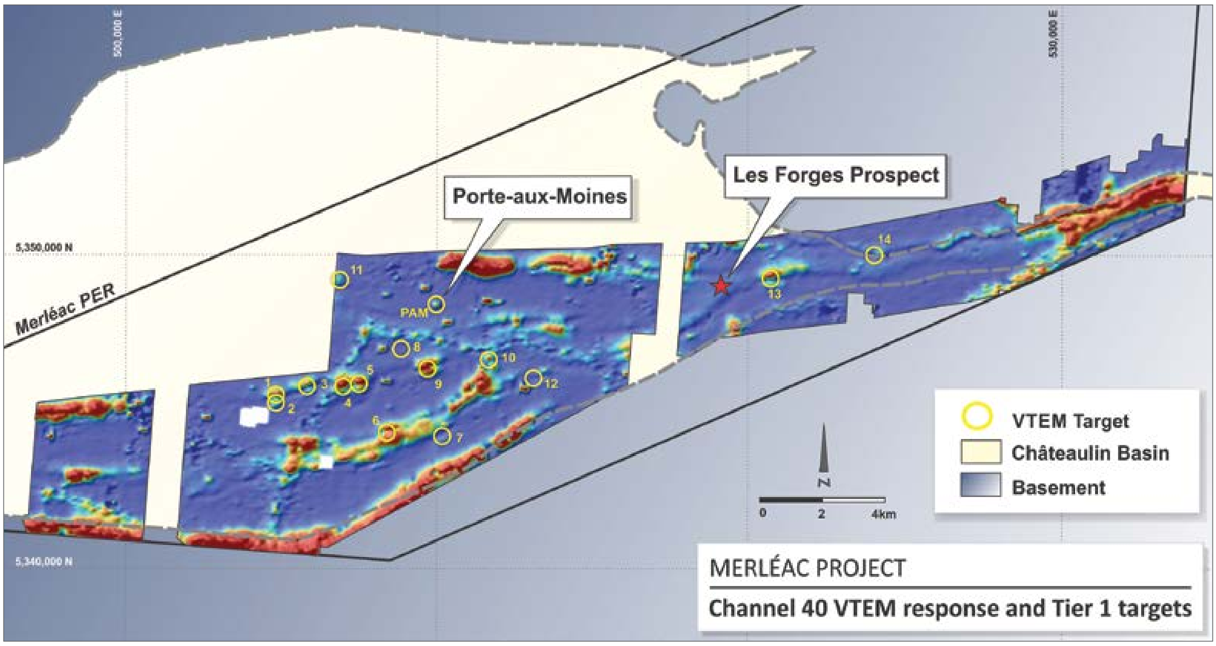
  These are laid out in Table B, 'VTEM survey results'.
- Identified approximately 50 other conductors that may be due to sulphide zones but are close to buildings, power lines or other 'conductive' infrastructure which requires field checks to confirm the source of the anomalism.

The Tier 1 conductors are located in three principal areas. These are:

1. Within the main Porte-aux-Moines block, to the west and east of the deposit (targets 11, 13, 14). At the Les Forges prospect, EM anomalism has been detected over a length of about 800 metres immediately along strike from an area where previous float sampling by Variscan over old iron workings had generated strongly anomalous zinc-lead-copper-gold assays (including up to 3.7g/t gold).

Table B – VTEM survey results

Target	East (NUTM30)	North (NUTM30)	VTEM Decay Channels (msec)	Amplitude (pV/Am4)	Strike length (m)	Estimated Depth (m)
PAM	504,979	5,348,733	Mid-late time	Moderate	400	80
VTEM-1	500,128	5,345,487	Mid-late time	Moderate	520	120
VTEM-2	500,139	5,345,233	Late time	Low	200	80
VTEM-3	501,088	5,345,830	Mid-late time	Moderate	270	80
VTEM-4	502,227	5,345,914	Early-late time	High	220	80
VTEM-5	502,724	5,346,031	Mid-late time	Moderate	300	100
VTEM-6	503,734	5,344,557	Mid-late time	Low	380	150
VTEM-7	505,487	5,344,579	Mid-late time	Low	800	100
VTEM-8	503,973	5,347,240	Early-mid time	Low	170	80
VTEM-9	504,862	5,346,673	Mid-late time	High	750	220
VTEM-10	506,783	5,347,114	Mid time	Moderate	250	80
VTEM-11	501,869	5,349,275	Mid time	Low	340	100
VTEM-12	508,245	5,346,639	Mid time	Moderate	700	150
VTEM-13	515,515	5,350,366	Early-late time	Moderate	800	120
VTEM-14	518,630	5,351,321	Mid time	Moderate	300	100

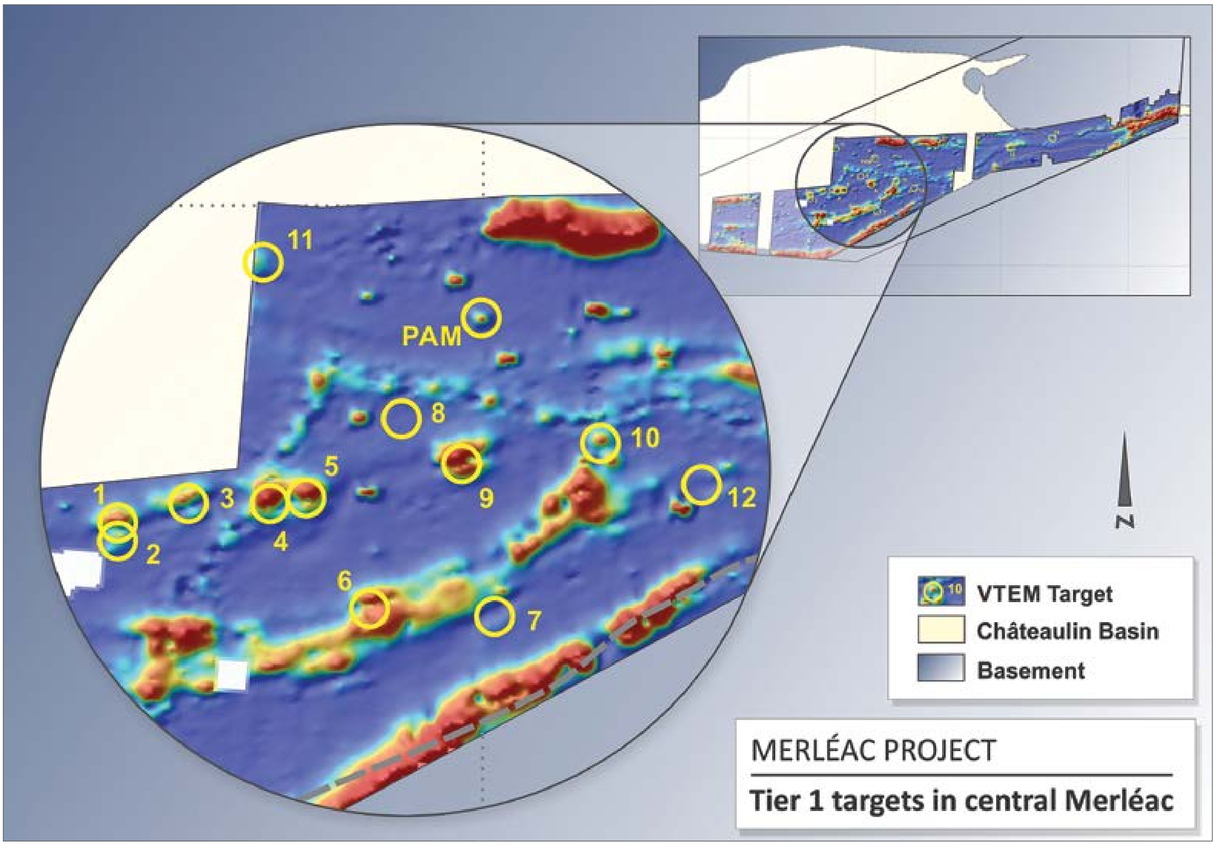


'Tier 1' VMS targets over Channel 40 response plot at Merléac

2. A west-north-west oriented belt located approximately two kilometres south of Port-aux-Moines. Eight moderate to intense anomalies (1 to 5 and 8 to10) have been detected over a strike length of about seven kilometres. No significant previous exploration is believed to have been conducted in much of this area.
3. A third volcano-sedimentary belt located approximately four kilometres south of the Port-aux-Moines where previous work by Variscan had identified geochemically anomalous gossanous and stockwork material in the west of the Merléac licence. The VTEM survey defined an intense region of conductive bedrock to the east of these prospects containing three targets (6, 7 and 12) with strike lengths up to 800 metres.

Variscan geologist Guillaume Raoult at St Pierre

Silica/pyrite outcrop at VMS prospect



'Tier 1' VMS targets over Channel 40 response plot in the centre of Merléac licence around the Porte-aux-Moines VMS deposit (PAM). Targets defined principally by anomalous early to mid-time responses (e.g. target 8) will appear subdued on this late-time image

Gossanous rock sample from Merléac

Each of the three target regions is located within or adjacent to strongly magnetic bedrock sources interpreted to represent either basaltic/andesitic/dacitic volcanic rocks closely related to mineralisation at Porte-aux-Moines or intrusives that may have been the heat engines that assisted VMS deposit formation.

The Company is highly encouraged by the results of the survey and will commence immediate follow up work including:

- detailed modelling of the key targets by Resource Potentials to define the depth, geometry and significance of the conductive zones;
- where required, follow up ground EM surveys to more accurately pinpoint potential sulphide zones;
- soil or possible shallow RAB drill traverses over selected conductors; and
- drilling (possibly to be done in conjunction with drilling to extend mineralisation at Porte-aux-Moines).

St Pierre Project

The St Pierre PER covers an area of 386 square kilometres around the La Bellière gold mine located approximately 60 kilometres east of the regional centre Nantes. This important hard-rock gold district is believed to have been the third largest gold producer in France.

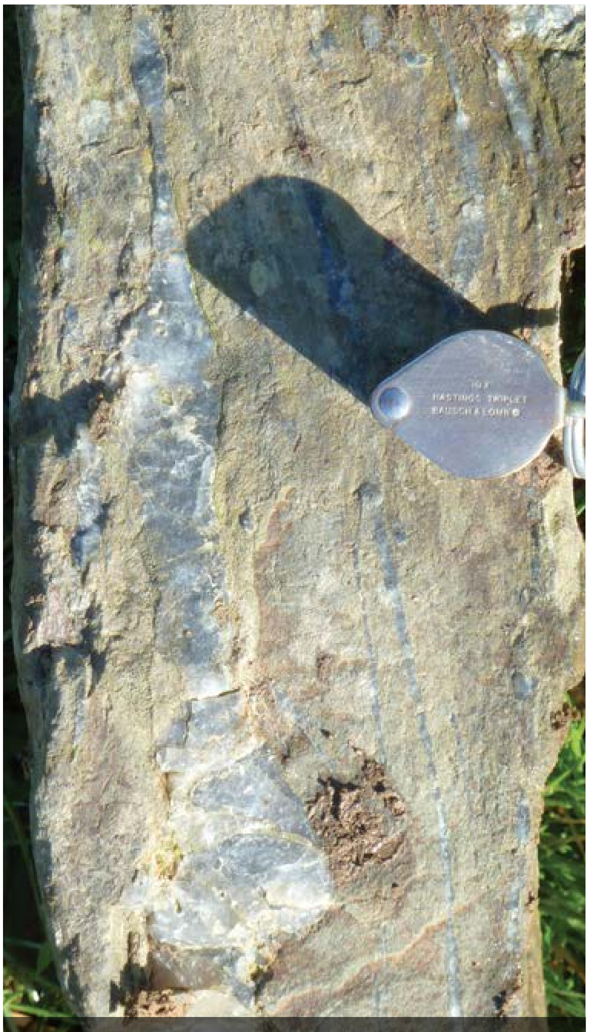
From 1906 to 1952 the La Bellière mine produced about 338,000 ounces of gold (plus silver) up to a maximum depth of 170 metres below surface and intermittently over a strike length of about 1.6 kilometres. The average production grade was 12g/t Au, mined from a series of stacked, high-grade veins hosted within an east-west oriented shear zone. The high grade quartz-sulphide veins individually vary in true thickness from 1 to 16 metres, with the mineralised shear known to approach 30 to 50 metres, offering bulk mineable potential.

Outside the La Bellière shear, a number of other gold-bearing east-west to east-north-east striking shear zones have been identified, cutting across gently dipping Brioverian aged siliclastics (largely greywackes and phyllites). Recent field work by Variscan has included rock chip sampling and detailed follow-up grid soil sampling over some of these shears.

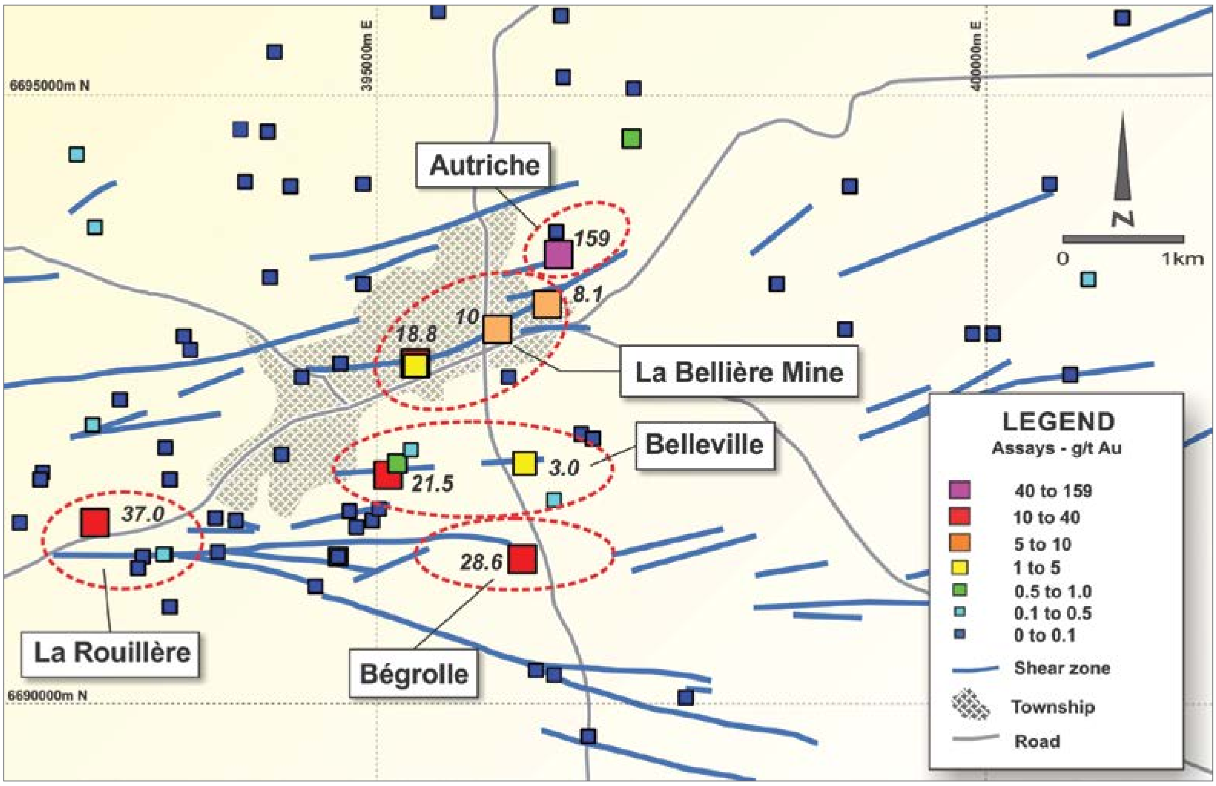
Highly encouraging ALS assay results were received from the chip sampling programme, with seven samples grading above 10g/t gold including a peak assay of 159g/t gold recorded.

Five areas of interest were identified in the work. Four are associated with subsidiary shears to the La Bellière mine structure and are outside the main area of settlement:

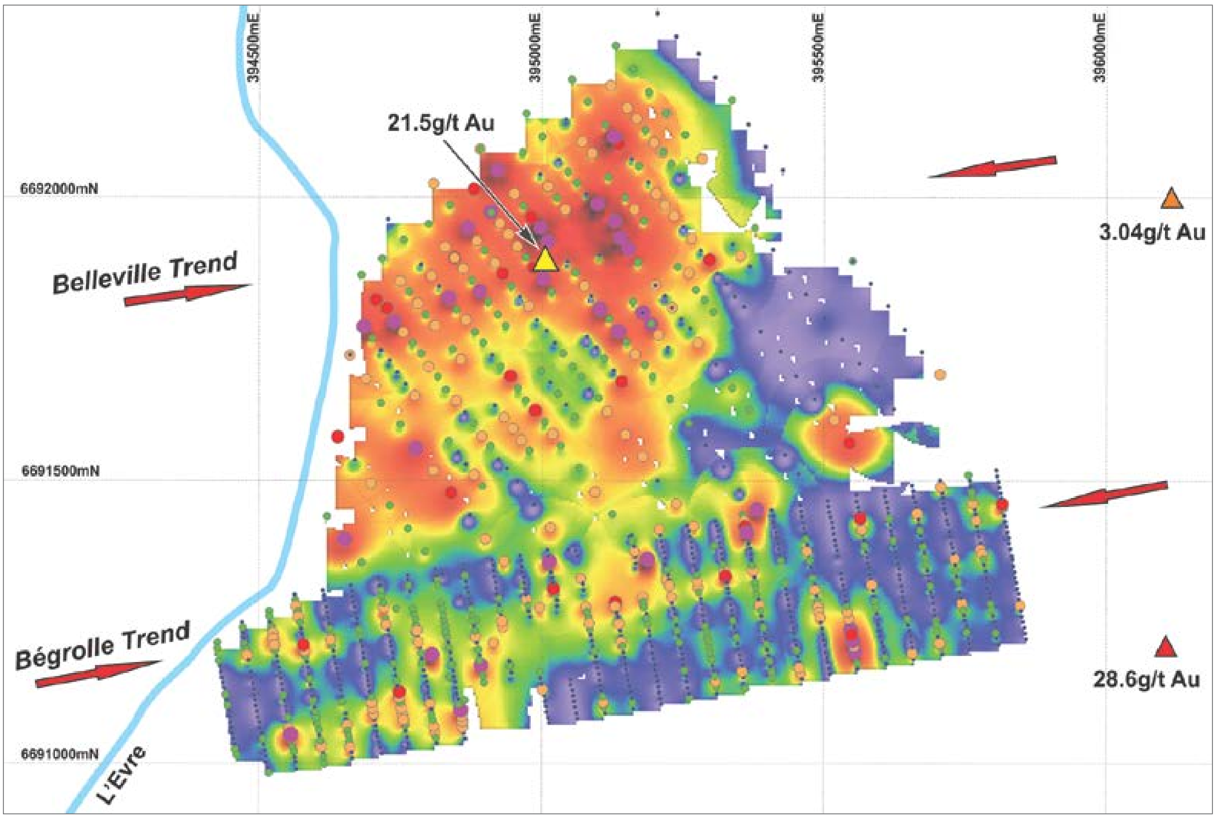
- La Bellière – a number of high grade results up to 18.8g/t gold were generated from sampling of remnant quartz vein material preserved at the at the top of the La Bellière mine, confirming the gold tenor of veining within remnant mineralised blocks.



Quartz veining within silicified sediments, St Pierre project



Key prospects and gold assays from rock chip sampling in St Pierre PER. Numerals represent peak gold grades – g/t gold.



Gold-in-soil results from Belleville / Bégrolle prospects. Triangular points are rock chips – g/t gold.

- **Autriche** – An assay of 159g/t gold was recorded in quartz veining, possibly within a parallel shear to the La Bellière structure at the Autriche prospect, to the north of the gold mine.
- **Belleville** – The Belleville prospect is located in an east-west oriented shear zone defined over a 1.8 kilometre strike length. Former BRGM work included soil sampling, trenching and shallow RAB drilling defining a gold anomalous zone. Rock chip assays of 28.6g/t gold and 3.04g/t gold were recorded on the shear structure 1.1 kilometres apart.
- **Bégrolle** – A rock chip gold assay of 21.5g/t gold was recorded in the eastern extension of the Bégrolle shear zone approximately two kilometres south of La Bellière. Bégrolle operated in the 1910's as a small underground mine near the Evre River.
- **La Rouillère** – A rock chip assay of 37g/t gold was recorded in a sample taken from strongly oxidised breccia containing visible gold to the north of the La Rouillère shear zone (believed to be the western extension of the Bégrolle shear zone). The BRGM conducted significant work in this area including shallow RAB and core drilling. The results of this work are currently being complied and interpreted.

Detailed follow-up soil sampling commenced at a number of the prospects to identify targets for trenching and/or drilling. Two strongly gold anomalous trends were defined in the soil sampling corresponding to auriferous shear zones detected in previous BRGM exploration work.

Belleville

Recent soil sampling covered the western end of the shear zone over the area where a rock chip sample grading 21.5g/t gold was obtained by Variscan. A large 800 x 500 metre zone of strongly anomalous values with numerous assays in excess of 100ppb gold has been defined which included a top value of 809ppb gold (0.81g/t gold) in soils near the centre of the anomaly, 50 metres north of the high grade rock chip sample.

Within the gold anomaly the soil sampling has defined a linear trend of highly anomalous samples with a similar orientation to gold bearing shear structure at the La Bellière Mine. Former BRGM exploration in this area included shallow percussion drilling (generally around 40-50 metres deep) which, from available data, appears to have tested part of the anomaly and intersected gold bearing zones.

The controls on the mineralisation and the gold-in-soil anomalism are currently incompletely understood. Data from the old work is in the process of being obtained from the BRGM to be used in the design of Variscan follow up work including possible shallow RAB drilling.

Bégrolle

At Bégrolle, to the south of the Belleville prospect, the soil work has defined a linear, one kilometre long, east-west oriented zone of gold anomalism. As at Belleville, the soil sampling recorded a number of plus 100ppb gold assays, notably in the western half of the zone, with a top value of 228ppb gold (or 0.23g/t gold).

This zone relates to a series of old shallow gold workings (pits and adits) which followed sulphide-bearing quartz veining within silicified sediments. The BRGM conducted some shallow drilling towards the east and west extremities of the shear although available records recovered to date are incomplete.

The new gold assays are highly encouraging and continue to support Variscan's belief that significant high grade, shear hosted gold deposits will be discovered within the licence.

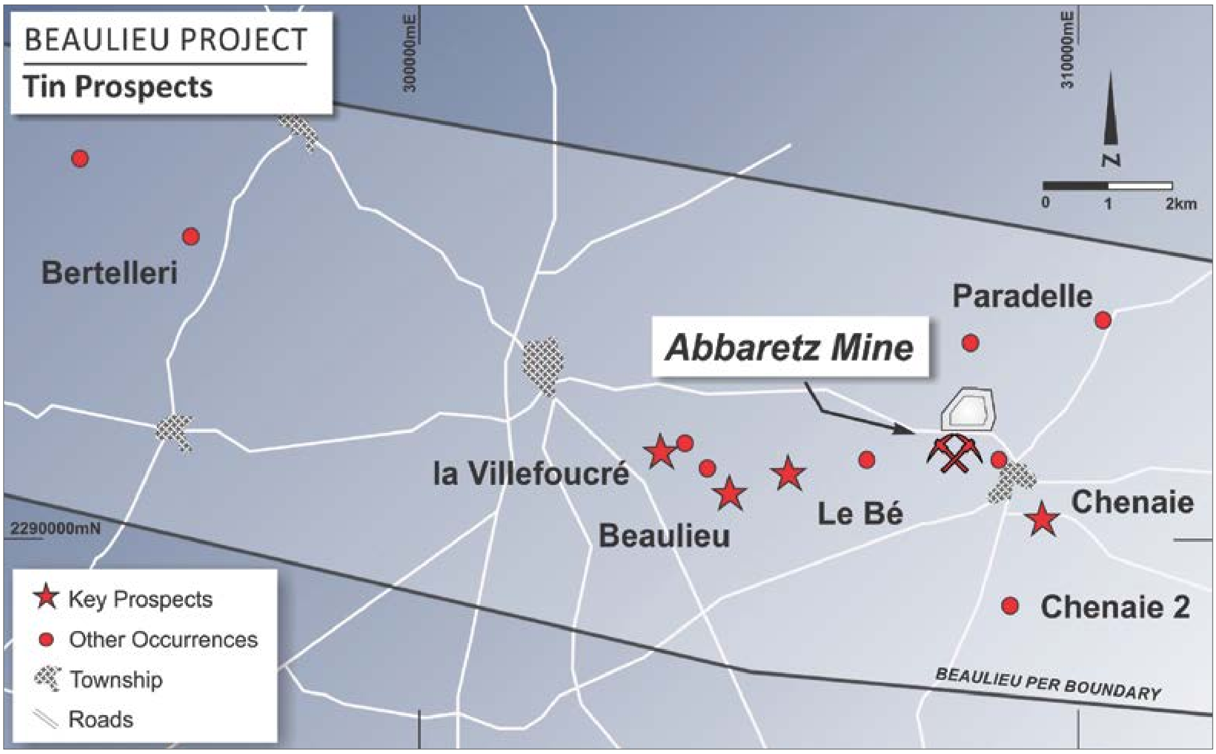
Beaulieu Project

The Beaulieu exploration licence covers an area of 278 square kilometres over a tin rich region 40 kilometres north of the port city of Nantes. Tin is believed to have been mined from the region since 1200BC and it was one of the major production sources for the Roman Empire. Most tin mining was conducted over a 100 kilometre strike length with the most prolific part a 20 kilometre section around the Abbaretz deposit covered by the Beaulieu licence.

During the modern era the Société Nantaise des Minerais de l'Ouest (SNMO) mined the main deposit at Abbaretz in two periods: 1920–26 (underground mining) and from 1951–57. During the latter period approximately 2,700 tonnes of tin is recorded to have been mined from an open pit 650 metres long and up to 70 metres deep.

The old Abbaretz tin mine (lake in background) and remaining tailings heaps from the 1950s.

SNMO also conducted substantial exploration in the region defining several prospects along the Abbaretz belt. During the 1960s and 1970s, following the closure of the mine, the BRGM (Bureau de Recherches Géologiques et Minières – the French geological survey) conducted significant exploration at the SNMO projects and also defined other new tin prospects.



Prospect locations within the western half of the Beaulieu PER.

The tin deposits in the area are genetically related to a suite of leucogranites that intruded older sediments and deposited tin mineralisation approximately 325 million years ago. Within the licence, numerous prospects of vein-style tin mineralisation hosted both within leucogranites and within altered Paleozoic sediments that overlie deeper, unexposed granites have been defined (Figure 2). These include:

- **Abbaretz** – tin mineralisation is controlled by an east-west oriented, anastomosing shear vein-array dipping 30–45° to the south (Plate 2). Tin bearing veins up to 4 metres in width were mined, often containing coarse grained cassiterite. The system is open at depth.
- **Beaulieu** – a large zone of tin mineralisation (700 x 150 x 50 metres) has been outlined by previous SNMO and BRGM work 4.5 kilometres west of Abbaretz. Substantial drilling as well as shallow underground development was completed defining a tin-bearing vein-array within an altered leucogranite. This project will be one of the first drill targets for Variscan.
- **Chenaie** – 700 metres southeast of Abbaretz work by the BRGM during 1969–70 defined a zone of tin-bearing quartz veins directly above a strong resistivity anomaly suggesting close proximity of the mineralising granite.
- **Others** – a number of other tin occurrences not yet systematically explored are known in the area including Le Bé (quartz-tourmaline veins) and la Villefoucré (granitic cupola).

The Company considers the exploration potential for economic tin deposits within the licence to be very good. Immediate priority targets include the Beaulieu and Chenaie prospects where former work by the BRGM generated pre-JORC compliant resources.

Relict oxidised stockwork zone, Merléac

Tennie Project

The Tennie licence covers an area of 205 square kilometres over the eastern section of a Brioverian deep-water sedimentary package which hosts the large Rouez copper-gold and lead-zinc-silver deposit (not within the PER).

Variscan has completed a first pass programme of shallow auger soil geochemical survey on a 200x200 metre grid over accessible areas of the fertile Brioverian rocks. Two areas of subtle lead/zinc anomalism have been defined towards the northeast and south-west boundaries of the PER. Both anomalies appear developed close to the boundary of the Brioverian sedimentary sequence and may either be associated with VMS/SEDEX deposits or vein style, hydrothermally emplaced sulphide mineralisation common in other parts of Brittany. Follow-up work to ascertain the mineralisation style and significance of the base metal anomalism is planned.

Future Projects

Variscan has four other exploration licence applications within the approvals process, each of them over projects with good potential for short term resource generation and/or major new discoveries. The Company has deliberately targeted more advanced project areas containing previously defined mineralised zones or evidence of substantial old mine workings to help fast track the discovery of economic deposits.

AUSTRALIA

Over the last year Variscan continued to relinquish a number of its Australian grass roots exploration properties. Joint venture interest for new exploration properties has been very weak for the last few years and despite the good quality of some of the tenements, efforts to attract additional joint venture funding was not successful to maintain many of the tenements.

During the year exploration of Variscan's current joint venture properties was subdued in line with bearish markets where availability of risk capital was restricted. A total of A$0.17 million was spent by Variscan's joint venture partners in comparison to A$0.26 million from the previous year.

INVESTMENTS

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The companies within the portfolio are:

- **Eastern Iron** – Advanced iron project and potential for VMS copper-gold mineralisation in Victoria
- **Silver City Minerals** – Exploration interests at Broken Hill, NSW and near Taupo, NZ
- **Thomson Resources** – Large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW
- **Aguia** – Phosphate and potash projects in Brazil

The value of the Variscan shareholdings in these companies at the end of the year stood at approximately A$1.58 million.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director and full-time employee of Variscan Mines Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Tenement Schedule

As at 30 September 2015

Tenement	Tenement No.	Interest	Joint Venture Details
New South Wales			
Yalcowinna	EL 8078	0%	Note 1
Mundi Plains	EL 6404	16.7%	Teck 83.3%
Wilyama	EL 8075	0%	Note 1
Hillston	EL 6363	39.2%	Perilya 51%, can earn 80%, Eaglehawk 9.8%
Woodlawn South	ELs 7257 and 7469	0%	Royalty interest only
Trundle	EL 4512	0%	Royalty interest only
Achilles and Chiron	ELs 7746 and 7931	25%	Kidman 51%, can earn 80%, Thomson 24%
South Australia			
Junction Dam	EL 4509	13.4%	Teck 83.9%, Eaglehawk 2.7%. Marmota 100% in uranium rights only, Note 2
Callabonna	EL 5360	100%	Red Metal can earn 70%
France			
Tennie	PER	100%	
St Pierre	PER	100%	
Merleac	PER	100%	
Beulieu	PER	100%	

EL: Exploration Licence

PER: Permis Exclusif de Recherche (France)

Note 1: These tenements are subject to agreements with Silver City Minerals Limited whereby Silver City Minerals Limited must meet expenditure commitments within various time frames. Under an agreement with Silver City Minerals Limited, Broken Hill Operations and Eaglehawk Geological Consulting Pty Ltd, Variscan has converted its interest in parts of these tenements to a NSR (Net Smelter Return).

Note 2: Marmota has earned 100% of the uranium rights only in EL 4509. Variscan has retained a 3.75% net profits royalty on production from a uranium mine. These interests are calculated at 30 June 2015.

Summary of Joint Ventures

As at 30 September 2015

Achilles and Chiron

ELs 7764 and 7931, NSW

Variscan 25%. Kidman Resources Limited can earn an 80% interest in these tenements by completing expenditure of $210,000 over a three year period. To date Kidman has earned a 51% interest with Variscan holding 25% and Thomson 24%. When Kidman has earned 80% Variscan and Thomson hold 10% each. At this stage any party may contribute according to their interest or dilute. Variscan and Thomson may then elect to revert to a free carried 5% interest.

Callabonna

EL 5360, SA

Variscan 100%. Red Metal can earn a 51% interest by spending $1 million and a 70% interest by spending $3 million. Variscan then can contribute with 30% or reduce to a 15% interest, carried to completion of a BFS and repayable from Variscan's share of net proceeds of mine production.

Hillston

EL 6363, NSW

Variscan 39.2% and Eaglehawk 9.8%, Perilya 51%. Perilya can earn an 80% interest in this tenement by completing expenditure of $1.5 million. Variscan and Eaglehawk can then each participate with their respective interests of 16% and 4% or convert to a 10% and 2.5% free-carried interest to completion of a BFS. On completion of a BFS, Variscan and Eaglehawk can participate or convert their interests to a NSR royalty.

Junction Dam

EL 4509, SA

Variscan 13.4%, Teck 83.9% and Eaglehawk 2.7% in base and precious metal rights. Variscan (and Eaglehawk) can participate with a 16% interest (4% for Eaglehawk) or dilute to a NSR royalty.

Marmota Energy Limited has earned a 100% interest in the uranium rights only. Marmota is sole funding exploration and Variscan, Teck and Eaglehawk are entitled to receive a combined royalty of 5% Net Profits on production from a uranium mine on the tenement.

Mundi Plains

ELs 6404, NSW

Variscan 16.7%, Teck Australia 83.3%. Both parties to contribute to approved programs or dilute their interest. If Variscan's interest falls below 8% it may elect to revert to a 2% NSR interest.

Trundle

EL 4512, NSW

Variscan holds a NSR royalty interest.

Woodlawn South

ELs 7257 and 7469, NSW

Variscan holds a NSR royalty interest.

Willyama, Yalcowinna and Native Dog

ELs 8075, EL 8078 and 8236 NSW

Under various agreements with Silver City Minerals Limited, Variscan holds a NSR royalty interest.

Directors' Report

Your directors submit their report for the year ended 30 June 2015.

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.

Patrick Elliott, BCom, MBA, CPA
Chairman

Patrick was appointed a Director of the Company on 22 December 2008 and is a company director specialising in the resources sector with over 40 years' experience in investment and corporate management. His early career was at Consolidated Gold Fields Australia Limited and covered investment analysis and management, minerals marketing (copper, tin, rutile and zircon). In 1979 he went into investment banking and became Head of Corporate Finance for Morgan Grenfell Australia Limited in 1982. Patrick subsequently became Managing Director of Natcorp Investments Ltd in 1986 which owned a number of manufacturing businesses. After its takeover he became an active early stage venture capital investor with an emphasis on resources.

Patrick is Chairman of Argonaut Resources NL and Chairman of Cap-XX Limited (Australian company listed on AIM) and Tamboran Resources Limited (unlisted public company). He is also a director of a number of privately owned companies.

During the past three years Patrick has also served as a director of the following other listed companies:

- Argonaut Resources NL – appointed June 2003
- Global Geoscience Limited – appointed April 2003
- Cuesta Coal Limited – appointed October 2011, resigned November 2014

Gregory Jones, BSc (Hons 1) (UTS), MAusIMM, MAIG
Managing director

Greg was appointed Chief Executive Officer of the Company on 1 January 2009 and Managing Director from 20 April 2009. Greg is a geologist with over 30 years of exploration and operational experience gained in a broad range of metalliferous commodities within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Mining Limited. His experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

Greg was awarded the Institute Medal for academic excellence whilst at university and is credited with several economic discoveries including the Blair nickel and the Orion gold deposits in Western Australia. He is a director of Eastern Iron Limited, Silver City Minerals Limited, Thomson Resources Ltd and Moly Mines Limited.

During the past three years Gregory has also served as a director of the following other listed companies:

- Eastern Iron Limited – appointed April 2009
- Silver City Minerals Limited – appointed April 2009
- Thomson Resources Ltd – appointed July 2009
- Moly Mines Limited – appointed August 2014

Kwan Chee Seng
Non-executive director

Chee Seng was appointed a Director of the Company on 17 February 2009. Chee Seng has investments in the renewable sustainable energy, base metal resources and the biotechnology businesses. He has extensive experience in senior management and in business.

In March 2009, Chee Seng launched his fund management business with the incorporation of Luminor Capital Pte Ltd and Luminor Pacific Fund 1 Ltd (Fund 1). Recently he has launched Luminor Pacific Fund 2 Ltd (Fund 2). The Fund 1 and Fund 2 have been approved by the Economic Development Board of Singapore under the Global Investor Program.

In December 2012, Chee Seng acquired a major shareholder stake in Singapore listed GRP Limited, and in March 2013 he was appointed Executive Director of GRP. He has previously served as Non-Executive Director of Singapore listed companies Van der Horst Energy Limited (from March 2008 to November 2011) and Viking Offshore and Marine Ltd (from mid-2009 to end 2010).

During the past three years Mr Kwan has not served as a director of any other ASX listed company.

Dr Foo Fatt Kah, MB, BCh, BAO, MBA
Non-executive director

Dr Foo was appointed a Director of the Company on 7 October 2009. Dr Foo is the Managing Director and co-founder of Luminor Capital, a private equity fund management company based in Singapore. He has over 20 years' experience in the investment banking, fund management and advisory businesses spanning Europe and Asia. He was previously Head of Asian Equities for SG Securities Asia (the Asian Investment Banking business for Societe Generale) covering 10 Asian countries ex-Japan. Since 2004 Dr Foo has been active as an investor, overseeing investments in Resources, Energy and Healthcare.

Dr Foo is qualified in Medicine (MB, B Ch, BAO) and Business Administration (M.B.A.) from the Queen's University, United Kingdom, with further continuing education qualifications from Insead on Economic Value Added (EVA) and International Project Management. He has experience with listed companies in Singapore, being previously Executive Director of CyberVillage Holdings Ltd and currently Lead Independent Director of PEC Ltd.

During the past three years Dr Foo has not served as a director of any other ASX listed company.

Alan Breen, HNDip Extraction Metallurgy, MBA
Non-executive director (resigned 30 June 2015)

Alan was appointed as a non-executive director on 6 October 2011. Alan is a metallurgist and with over 35 years operational and executive management experience across a diverse range of commodities in Australasia, Europe and Africa. Alan held senior and executive management roles with Xstrata, Rio Tinto Aluminium and at Ok Tedi Mining where he held the position of Managing Director for 4 years.

Alan has previously held Director positions with Britannia Refined Metals Limited, Brittannia Recycling Limited, MIM Holdings (UK) Ltd and Ok Tedi Mining Limited.

During the past three years Alan has not served as a director of any other ASX listed company.

Mike Moore BEng (Hons), MAusIMM, MAICD
Non-executive director (appointed 4 August 2015)

Mike is a mining engineer from the Camborne School of Mines with over 15 years operational and executive management experience across a diverse range of commodities in Australia, West Africa and France. He has previously held senior and executive management roles with a number of companies including Rock Australia Mining & Civil Pty Ltd, Carnegie Minerals PLC and, more recently, with ASX listed Montezuma Mining Company Ltd where he was CEO. Mike's experience includes mine feasibility studies and mine operations, important in supporting Variscan's strategy to successfully advance its French projects towards production.

Mike has previously been a director of Carnegie Minerals Gambia Ltd and Cordier Mines SAS (France).

Mike was appointed a Non-Executive Director on 4 August 2015.

During the past three years Mike has not served as a director of any other ASX listed company.

Jack Testard
Executive director

Jack was appointed a Director of the Company on 14 May 2014. Jack is a French geologist with over 40 years of experience in Europe, Africa, CIS countries, Turkey, Saudi Arabia and Guyana. Jack was formerly Head of the Minerals Resources Division of the BRGM (Bureau de Recherches Géologiques et Minières – the French Geological Survey), President of GIP GEODERIS and Manager of the Ovacik gold mine in Turkey under Normandy La Source. Testard is President of Variscan Mines SAS, the wholly owned French subsidiary of Variscan Mines Limited, based out of Orleans, France.

Jack is currently President of the French Chamber of Mines, Treasurer of the Federation of Minerals and Non Ferrous Metals (FEDEM) and a Director of the Société de l'Industrie Minérale (SIM).

During the past three years Jack has not served as a director of any other ASX listed company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Directors	Shares directly and indirectly held	Options directly and indirectly held
P Elliott	5,488,805	4,736,460
G Jones	7,145,000	9,639,999
C S Kwan	122,561,894	72,035,368
F K Foo	12,606,999	8,803,999
M Moore	–	–
J Testard	200,000	3,500,000

COMPANY SECRETARY

Ivo Polovineo, FIPA

Ivo Polovineo was appointed Company Secretary of the Company on 31 December 2010. Ivo has over 30 years' experience in corporate accounting, finance and company secretarial work for a diverse range of companies. He has spent the past 20 years in senior management roles in the resources sector including seven years as Company Secretary (and five years as CFO) of Sino Gold Mining Limited (a former ASX 100 company) until December 2009.

Ivo is currently also Company Secretary of Thomson Resources Ltd, Silver City Minerals Limited, Lynas Corporation Ltd and KBL Mining Limited.

PRINCIPAL ACTIVITIES

The principal continuing activity of the consolidated entity is the exploration for economic base and precious metals, tin and tungsten deposits.

RESULTS

The net result of operations of the consolidated entity after applicable income tax was a loss of $1,929,515 (2014: loss $5,717,244) which includes the write-off of exploration expenditure during the year of $198,419 (2014: $1,531,881).

DIVIDENDS

No dividends were paid or proposed during the year.

REVIEW OF OPERATIONS

The most significant developments in the Company's operations and financing activities were:

EXPLORATION

France

Overview

Variscan Mines has targeted France for mineral deposits because of the country's favourable geology, strong mineral endowment, good infrastructure, skilled workforce and strong, overt government support. Variscan is one of the most active explorers in the region and since 2011 has applied for eight exploration licences over areas which contain substantial old mine workings or have mineralised zones defined from former exploration. The Company received its first two French exploration licenses in 2013/14 (the Tennie and Saint Pierre PERs).

In the past year Variscan has been granted two additional exploration licences, the Merléac zinc-lead-copper-silver-gold and Beaulieu tin PERs in Brittany, western France.

Merléac Project

The Merléac licence was granted in November 2014 and covers the eastern end of the Châteaulin Basin, a sequence of felsic volcanics and clastic sedimentary rocks containing a number of base and precious metal deposits. One of these is the high grade Porte-aux-Moines volcanogenic massive sulphide (VMS) zinc-lead-copper-silver-gold deposit which lies near the centre of the licence about 125 kilometres west of Rennes, Brittany.

Porte-aux-Moines was discovered in 1975 by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) and over the ensuing 10 years the BRGM completed considerable exploration including about 9.5 kilometres of drilling and two kilometres of underground decline development. The work outlined zones of high grade lead-zinc-copper-silver-gold mineralisation up to 20 metres thick from surface to a depth of about 300 metres over a strike length in excess of 250 metres.

Aside from the underground development and sampling the deposit is essentially unmined.

Recently the Company accessed the three remaining preserved surface core holes – PAM5, PAM8 and PAM16 – from the BRGM exploration stored at their Orleans core farm. Resampling of mineralised intervals was completed and samples sent to ALS Geochemistry, Ireland for confirmatory re-assay. Recent published results from this work have confirmed the high grade nature of the deposit with strong, zinc dominant, polymetallic intersections recorded in all holes including:

- 31 metres at 10.4% zinc, 2.1% lead, 1.2% copper, 105.5g/t silver, 1.0 g/t gold from 236 metres (zinc equivalence of 17.1% Zn Eq) in PAM5,
- 19.5 metres at 6.5% zinc, 1.0% lead, 1.3% copper, 94.5g/t silver, 1.0g/t gold from 301.5 metres (zinc equivalence of 15.3% Zn Eq) in PAM16, and
- 3.0 metres at 17.2% zinc, 3.7% lead, 1.53% copper, 159.3 g/t silver, 1.9 g/t gold from 237 metres (zinc equivalence of 27.1% Zn Eq) in PAM8.

The calculated zinc equivalence of the intersections often exceeds 15% Zn Eq with values up to 36.7% Zn Eq, clearly highlighting the high grade nature of the Port-aux-Moines mineralisation and confirming a critical ingredient for the definition of an economic deposit.

Importantly, the ALS assays are, on average, slightly higher grade than the original BRGM assays, confirming the general overall accuracy and the high quality of the BRGM work. This provides high confidence in the veracity of the BRGM assays for the remaining nine kilometres of drilling and underground development, which Variscan plans to use in the recalculation of the Porte-aux-Moines Resource to 2012 JORC standards.

The Company intends completing this work later this year once it has received the data from Porte-aux-Moines currently stored at the BRGM.

Exploration Potential

Logging of the BRGM core holes has confirmed that Porte-aux-Moines exhibits many of the classic geological features found in other VMS deposits, in particular the possibility of a cluster of sulphide lenses within the project area. Holes PAM5, PAM8 and PAM16 have each recorded multiple intersections of polymetallic mineralisation indicating perhaps three mineralising events over a 50 metre interval within the mine sequence. This suggests the scope for the discovery of a stacked massive sulphide system and provides encouragement that Porte-aux-Moines may be significantly larger than currently defined.

In addition, the regional potential within the Merléac licence for additional VMS deposits is considered excellent. Porte-aux-Moines is hosted within a sequence of vitric tuffs and pyritic black shales (the mine sequence) located in a bimodal sequence of felsic

The Zinc Equivalent is based on zinc (US$2,000 per tonne), lead (US$1,800 per tonne), copper (US$5,600 per tonne), silver (US$15 per ounce) and gold (US$1,150 per ounce). The zinc equivalent calculation represents the total metal value for each metal, multiplied by a price based conversion factor, summed and expressed in equivalent zinc percent per tonne. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. Nevertheless, it is the Company's opinion that all the elements included in the metal equivalents calculation have good potential to be recovered as is commonly the case for similar VMS deposits worldwide. The zinc equivalent calculation is intended as an indicative value only.

and intermediate/mafic volcanics. This sequence of rocks can be traced for approximately 70 kilometres in the Merléac licence.

Within the mine sequence Variscan has defined outcropping gossanous material containing anomalous base and precious metal values (up to 3.67g/t Au) interpreted to represent the oxidised expressions of underlying massive sulphides/stockwork zones. Some of these gossans were previously mined by shallow open pits for iron up until the 19th century and generally have not been explored below the iron oxide cap aside from shallow BRGM drilling in some locations. They represent immediate exploration targets.

To help target potential VMS deposits in and around Porte-aux-Moines and beneath the gossans a large heli-borne electromagnetic (VTEM) survey has been completed over the more prospective parts of the belt. The geophysical survey covers approximately 170 square kilometres of the southern section of the Merléac licence. Final modelling is expected to be completed shortly.

St Pierre Project

The St Pierre PER covers an area of 386 square kilometres around the La Bellière gold mine located approximately 60 kilometres east of the regional centre Nantes. This important hard-rock gold district is believed to have been the third largest gold producer in France.

From 1906 to 1952 the La Bellière mine produced about 338,000 ounces of gold (plus silver) up to a maximum depth of 170 metres below surface and intermittently over a strike length of about 1.6 kilometres. The average production grade was 12gpt Au, mined from a series of stacked, high-grade veins hosted within an east-west oriented shear zone. The high grade quartz – sulphide veins individually vary in true thickness from 1 to 16 metres, with the mineralised shear known to approach 30-50 metres, offering bulk mineable potential.

Outside the La Bellière shear, a number of other gold-bearing east-west to east-north-east striking shear zones have been identified, cutting across gently dipping Brioverian aged siliclastics (largely greywackes and phyllites). Recent field work by Variscan has included rock chip sampling and detailed follow-up grid soil sampling over some of these shears.

Highly encouraging ALS assay results were received from the chip sampling programme, with seven samples grading above 10g/t gold including a peak assay of 159g/t gold recorded.

Five areas of interest were identified in the work. Four are associated with subsidiary shears to the La Bellière mine structure and are outside the main area of settlement:

- **La Bellière** – a number of high grade results up to 18.8g/t gold were generated from sampling of remnant quartz vein material preserved at the top of the La Bellière mine, confirming the gold tenor of veining within remnant mineralised blocks.
- **Autriche** – an assay of 159g/t gold was recorded in quartz veining, possibly within a parallel shear to the La Bellière structure at the Autriche prospect, to the north of the gold mine.
- **Belleville** – the Belleville prospect is located in an east-west oriented shear zone defined over a 1.8 kilometre strike length. Former BRGM work included soil sampling, trenching and shallow RAB drilling defining a gold anomalous zone. Rock chip assays of 28.6g/t gold and 3.04g/t gold were recorded on the shear structure 1.1 kilometres apart.
- **Bégrolle** – a rock chip gold assay of 21.5g/t gold was recorded in the eastern extension of the Bégrolle shear zone approximately two kilometres south of La Bellière. Bégrolle operated in the 1910's as a small underground mine near the Evre River.
- **La Rouillère** – a rock chip assay of 37g/t gold was recorded in a sample taken from strongly oxidised breccia containing visible gold to the north of the La Rouillère shear zone (believed to be the western extension of the Bégrolle shear zone). The BRGM conducted significant work in this area including shallow RAB and core drilling. The results of this work are currently being complied and interpreted.

Detailed follow-up soil sampling commenced at a number of the prospects to identify targets for trenching and/or drilling. Two strongly gold anomalous trends were defined in the soil sampling corresponding to auriferous shear zones detected in previous BRGM exploration work.

Belleville

Recent soil sampling covered the western end of the shear zone over the area where a rock chip sample grading 21.5g/t gold was obtained by Variscan. A large 800 x 500 metre zone of strongly anomalous values with numerous assays in excess of 100ppb gold has been defined which included a top value of 809ppb gold (0.81g/t gold) in soils near the centre of the anomaly, 50 metres north of the high grade rock chip sample.

Within the gold anomaly the soil sampling has defined a linear trend of highly anomalous samples with a similar orientation to gold bearing shear structure at the La Bellière Mine. Former BRGM exploration in this area included shallow percussion drilling (generally around 40-50 metres deep) which, from available data, appears to have tested part of the anomaly and intersected gold bearing zones.

The controls on the mineralisation and the gold-in-soil anomalism are currently incompletely understood. Data from the old work is in the process of being obtained from the BRGM to be used in the design of Variscan follow up work including possible shallow RAB drilling.

Bégrolle

At Bégrolle, to the south of the Belleville prospect, the soil work has defined a linear, one kilometre long, east-west oriented zone of gold anomalism. As at Belleville, the soil sampling recorded a number of plus 100ppb gold assays, notably in the western half of the zone, with a top value of 228ppb gold (or 0.23g/t gold).

This zone relates to a series of old shallow gold workings (pits and adits) which followed sulphide-bearing quartz veining within silicified sediments. The BRGM conducted some shallow drilling towards the east and west extremities of the shear although available records recovered to date are incomplete.

The new gold assays are highly encouraging and continue to support Variscan's belief that significant high grade, shear hosted gold deposits will be discovered within the licence.

Beaulieu Project

The Beaulieu exploration licence was granted in June 2015 and covers an area of 278 square kilometres over a tin rich region 40 kilometres north of the port city of Nantes. Tin is believed to have been mined from the region since 1200BC and it was one of the major production sources for the Roman Empire. Most tin mining was conducted over a 100 kilometre strike length with the most prolific part a 20 kilometre section around the Abbaretz deposit covered by the Beaulieu licence.

During the modern era the Société Nantaise des Minerais de l'Ouest (SNMO) mined the main deposit at Abbaretz in two periods: 1920-1926 (underground mining) and from 1951–57. During the latter period approximately 2,700 tonnes of tin is recorded to have been mined from an open pit 650 metres long and up to 70 metres deep.

SNMO also conducted substantial exploration in the region defining several prospects along the Abbaretz belt. During the 1960s and 1970s, following the closure of the mine, the BRGM (Bureau de Recherches Géologiques et Minières – the French geological survey) conducted significant exploration at the SNMO projects and also defined other new tin prospects.

The tin deposits in the area are genetically related to a suite of leucogranites that intruded older sediments and deposited tin mineralisation approximately 325 million years ago. Within the licence, numerous prospects of vein-style tin mineralisation hosted both within leucogranites and within altered Paleozoic sediments that overlie deeper, unexposed granites have been defined. These include:

- **Abbaretz** – tin mineralisation is controlled by an east-west oriented, anastomosing shear vein-array dipping 30-45° to the south. Tin bearing veins up to 4 metres in width were mined, often containing coarse grained cassiterite. The system is open at depth.
- **Beaulieu** – a large zone of tin mineralisation (700 x 150 x 50 metres) has been outlined by previous SNMO and BRGM work 4.5 kilometres west of Abbaretz. Substantial drilling as well as shallow underground development was completed defining a tin-bearing vein-array within an altered leucogranite. This project will be one of the first drill targets for Variscan.
- **Chenaie** – 700 metres southeast of Abbaretz work by the BRGM during 1969-70 defined a zone of tin-bearing quartz veins directly above a strong resistivity anomaly suggesting close proximity of the mineralising granite.
- **Others** – a number of other tin occurrences not yet systematically explored are known in the area including Le Bé (quartz-tourmaline veins) and la Villefoucré (granitic cupola).

The Company considers the exploration potential for economic tin deposits within the licence to be very good. Immediate priority targets include the Beaulieu and Chenaie prospects where former work by the BRGM generated pre-JORC compliant resources.

Tennie Project

The Tennie licence covers an area of 205 square kilometres over the eastern section of a Brioverian deep-water sedimentary package which hosts the large Rouez copper-gold and lead-zinc-silver deposit (not within the PER).

Variscan has completed a first pass programme of shallow auger soil geochemical survey on a 200x200 metre grid over accessible areas of the fertile Brioverian rocks. Two areas of subtle lead/zinc anomalism have been defined towards the northeast and south-west boundaries of the PER. Both anomalies appear developed close to the boundary of the Brioverian sedimentary sequence and may either be associated with VMS/SEDEX deposits or vein style, hydrothermally emplaced sulphide mineralisation common in other parts of Brittany. Follow-up work to ascertain the mineralisation style and significance of the base metal anomalism is planned.

Future Projects

Variscan has four other exploration licence applications within the approvals process, each of them over projects with good potential for short term resource generation and/or major new discoveries. The Company has deliberately targeted more advanced project areas containing previously defined mineralised zones or evidence of substantial old mine workings to help fast track the discovery of economic deposits.

Australia

Over the last year Variscan continued to relinquish a number of its Australian grass roots exploration properties. Joint venture interest for new exploration properties has been very weak for the last few years and despite the good quality of some of the tenements, efforts to attract additional joint venture funding was not successful to maintain many of the tenements.

During the year exploration of Variscan's current joint venture properties was subdued in line with bearish markets where availability of risk capital was restricted. A total of A$0.17 million was spent by Variscan's joint venture partners in comparison to A$0.26 million from the previous year.

Investments

Variscan maintains a diversified portfolio of investments within a number of ASX-listed resource companies. The companies within the portfolio are:

- **Eastern Iron** – advanced iron project and potential for VMS copper-gold mineralisation in Victoria
- **Silver City Minerals** – exploration interests at Broken Hill, NSW and near Taupo, NZ
- **Thomson Resources** – large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW
- **Aguia Resources** – phosphate and potash projects in Brazil

The value of the Variscan shareholdings in these companies at the end of the year stood at approximately A$1.58 million.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy.

Mr Jones is a Director and full-time employee of Variscan Mines Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SIGNIFICANT 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

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2015 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.

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.

ENVIRONMENTAL PERFORMANCE

Variscan holds exploration licences issued by New South Wales Department of Industry - Resources and Energy and the South Australian Department of State Development which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As the Company's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is hoping to identify other precious, base metal and tin / tungsten exploration and evaluation targets within France and western Europe.

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:

No. shares under option	Class of share	Exercise price of option	Expiry date of options
10,900,000	Ord	$0.30	25 Nov 2015
2,300,000	Ord	$0.14	31 Oct 2015
15,650,000	Ord	$0.07	4 Dec 2017
130,655,138	Ord	$0.015	4 May 2017
159,505,138			

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

There were no shares issued during or since the end of the financial year as a result of exercise of the above options.

Refer to the remuneration report and Note 18 for further details of the options outstanding.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2015 outlines the remuneration arrangements of the Company and 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 including the top five remunerated executives of the Parent and Group are set out below.

Directors	
Patrick Elliott	Chairman (Non-Executive)
Gregory Jones	Managing Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Alan Breen	Non-Executive Director
Jack Testard	Executive Director, President of Subsidiary – Variscan Mines SAS

Executives	
Ivo Polovineo	Company Secretary
Wendy Corbett	Managing Geologist
Michelle Lilley	Financial Controller
Michel Bonnemaison	CEO of Subsidiary – Variscan Mines SAS

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
- 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").

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 NED's has been fixed at a maximum of $250,000 per annum to be apportioned among the NED's 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.

SERVICE AGREEMENTS

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

Managing Director – Greg Jones

- Contract term: No fixed term. Either party may terminate the letter of employment with one months' notice.
- Remuneration: $281,284 p.a. (2014: $280,642) as at 30 June 2015 to be reviewed annually.
- Termination payments: A 3 month severance pay with an additional 3 months after more than five years.

Executive Director – Jack Testard

- Contract term: No fixed term.
- Remuneration: Annual salary equivalent to Euro 65,532 (2014: 65,532) as at 30 June 2015, to be reviewed annually.
- Termination payments: Nil.

Company Secretary – Ivo Polovineo

- Contract term: 12 month rolling contract. Either party may terminate the contract with one months' notice.
- Remuneration: $1,125 (2014: $1,300) per day plus GST as at 30 June 2015.
- Termination payments: Nil.

Managing Geologist – Wendy Corbett

- Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- Remuneration: $108.16 per hour (2014: $108.16) plus GST for consultancy services as at 30 June 2015.
- Termination payments: Nil.

Financial Controller – Michelle Lilley

- Contract term: No fixed term. Either party may terminate the agreement with one months' notice.
- Remuneration: $92.98 per hour (2014: $92.77) as at 30 June 2015.
- Termination payments: A 1 month severance pay with an additional 2 months after more than five years.

CEO (Variscan Mines) – Michel Bonnemaison

- Contract term: No fixed term.
- Remuneration: Annual salary equivalent to Euro 162,462 (2014: 162,462) as at 30 June 2015, to be reviewed annually.
- Termination payments: In the case of redundancy one month payment for each year of service.

Directors and KMP remuneration (consolidated) for the year ended 30 June 2015

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting fees $	Super-annuation $	Options $	Total $	Consisting of options %
Directors						
P Elliott	50,000	–	–	9,100	59,100	15%
G Jones	256,881	–	24,404	36,400	317,685	11%
C S Kwan	36,000	–	–	9,100	45,100	20%
F K Foo	36,000	–	–	9,100	45,100	20%
A Breen	33,024	–	3,137	9,100	45,261	20%
J Testard	90,671	–	–	18,200	108,871	17%
Total Directors	502,576	–	27,541	91,000	621,117	
Other key management personnel						
I Polovineo	58,200	–	–	15,925	74,125	21%
W Corbett	–	8,977	–	3,185	12,162	26%
M Lilley	111,032	–	10,548	2,275	123,855	2%
M Bonnemaison	230,238	–	–	18,200	248,438	7%
Other KMP	399,470	8,977	10,548	39,585	458,580	
Totals	902,046	8,977	38,089	130,585	1,079,697	

Directors and KMP remuneration (consolidated) for the year ended 30 June 2014

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting fees $	Super-annuation $	Options $	Total $	Consisting of options %
Directors						
P Elliott	50,000	–	–	–	50,000	0%
G Jones	256,881	25,294*	26,101	–	308,276	0%
C S Kwan	36,000	–	–	–	36,000	0%
F K Foo	36,000	–	–	–	36,000	0%
A Breen	33,024	–	3,055	–	36,079	0%
J Testard	92,711	–	–	–	92,711	0%
Total Directors	504,616	25,294	29,156	–	559,066	
Other key management personnel						
I Polovineo	62,400	27,571*	–	–	89,971	0%
W Corbett	–	91,427*	2,250	–	93,677	0%
M Lilley	106,081	–	9,813	–	115,894	0%
M Bonnemaison	235,769	–	–	–	235,769	0%
G De Ross	181,354	–	16,775	10,580	208,709*	5%
Other KMP	585,604	118,998	28,838	10,580	744,020	
Totals	1,090,220	144,292	57,994	10,580	1,303,086	

* Eastern Iron Limited remuneration from 1 July 2013 to 11 March 2014 (date of deconsolidation).

Compensation options: granted and vested during the year (parent entity)

The following options were granted during the financial year.

Share-based payments awarded during the year to directors and key management personnel

2015	Grant date	Granted no.	Vested no.	Vested %	Value of options granted at the grant date (Note 18) $	Options exercised no.	Value of options exercised at the exercise date $	Value of options lapsed during the year $
P Elliott	27 Nov 2014	1,000,000	1,000,000	100	9,100	–	–	63,600
G Jones	27 Nov 2014	4,000,000	4,000,000	100	36,400	–	–	206,700
C S Kwan	27 Nov 2014	1,000,000	1,000,000	100	9,100	–	–	127,200
F K Foo	27 Nov 2014	1,000,000	1,000,000	100	9,100	–	–	63,600
A Breen	27 Nov 2014	1,000,000	1,000,000	100	9,100	–	–	45,200
J Testard	27 Nov 2014	2,000,000	2,000,000	100	18,200	–	–	–
I Polovineo	27 Nov 2014	1,750,000	1,750,000	100	15,925	–	–	–
W Corbett	27 Nov 2014	350,000	350,000	100	3,185	–	–	18,760
M Lilley	27 Nov 2014	250,000	250,000	100	2,275	–	–	13,400
M Bonnemaison	27 Nov 2014	2,000,000	2,000,000	100	18,200	–	–	–

The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

For details on the valuation of the options, including models and assumptions used, please refer to Note 18.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

The Company has established an ESOP for the benefit of Directors, officers, senior executives and consultants.

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 a benefit (other than a benefit included in Note 21 of the financial statements) 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.

MEETINGS OF DIRECTORS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director.

	Board of directors		Remuneration committee		Audit committee	
Directors	Held	Attended	Held	Attended	Held	Attended
P Elliott	4	4	1	1	2	1
G Jones	4	4	1	1	2	2
C S Kwan	4	3	1	1	–	–
F K Foo	4	4	–	–	2	2
A Breen	4	4	–	–	–	–
J Testard	4	3	–	–	–	–

Auditor's Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

As lead auditor for the audit of the consolidated financial report of Variscan Mines Limited for the year ended 30 June 2015, 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.

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

Sydney, NSW	**M D Muller**
30 September 2015	**Partner**

HLB Mann Judd (NSW Partnership) **ABN 34 482 821 289**
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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

NON-AUDIT SERVICES

The Company's primary auditor, HLB Mann Judd provided non-audit services totalling $Nil (2014: Tax advisory services $5,000) during the year ended 30 June 2015. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor's imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed at Sydney this 30th day of September 2015 in accordance with a resolution of the Directors.

Greg Jones
Managing Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue and other income	3	3,318,020	1,995,045
ASX and ASIC fees		(22,109)	(50,398)
Auditors' remuneration	5	(59,535)	(108,323)
Contract admin/geological services		(96,277)	(149,238)
Depreciation expense	13	(80,864)	(77,558)
Directors' fees		(155,024)	(289,314)
Exploration expenditure written-off	14	(198,419)	(1,531,881)
Finance costs		–	(279,900)
Impairment of investment		(1,702,562)	(1,174,199)
Interest on convertible note		–	(563,634)
Loss on options – mark to market		(955)	(117,221)
Operating lease rental expense		(97,124)	(117,589)
Loss on disposal of subsidiary		–	(471,845)
Employee costs net of on-costs recharged to exploration projects		(1,185,099)	(1,046,133)
Share of net losses of associate accounted for by the equity method	9	(128,971)	(999,783)
Share based payments		(142,415)	(10,580)
Other expenses		(417,730)	(767,324)
(Loss) before income tax expense		(969,064)	(5,759,875)
Income tax benefit/(expense)	4	(960,451)	42,631
(Loss) after tax		**(1,929,515)**	**(5,717,244)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net fair value gains/(losses) on available-for-sale financial assets		141,000	93,671
Income tax on items of other comprehensive income/(loss)		(42,300)	(28,102)
Amounts transferred from reserves to income on sale		(2,912,092)	–
Income tax on items of other comprehensive income/(loss)		873,627	–
Other comprehensive income/(loss) for the period, net of tax		(1,939,765)	65,569
Total comprehensive (loss) for the period		**(3,869,280)**	**(5,651,675)**
(Loss) for the period is attributable to:			
Non-controlling interests		–	24,816
Owners of the parent		**(1,929,515)**	**(5,742,060)**
		(1,929,515)	**(5,717,244)**
Total comprehensive (loss) for the period is attributable to:			
Non-controlling interests		–	24,816
Owners of the parent		**(3,869,280)**	**(5,676,491)**
		(3,869,280)	**(5,651,675)**
(Loss) per share			
Basic (loss) per share (cents per share)	20	(0.98)	(3.27)
Diluted (loss) per share (cents per share)	20	(0.98)	(3.27)

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	6	1,714,414	2,408,993
Receivables	7	321,619	414,913
Tenement security deposits	12	–	30,000
Total current assets		**2,036,033**	**2,853,906**
Non-current assets			
Investments – available for sale	8	478,729	1,433,127
Investment in associates	9	687,143	1,850,000
Derivative financial instruments	11	–	955
Receivables	7	23,740	32,156
Tenement security deposits	12	–	20,000
Property, plant and equipment	13	232,272	203,165
Deferred exploration and evaluation expenditure	14	2,272,301	918,297
Deferred tax asset	4	732,050	828,869
Total non-current assets		**4,426,235**	**5,286,569**
Total assets		**6,462,268**	**8,140,475**
Liabilities			
Current liabilities			
Trade and other payables	15	499,340	364,555
Provisions	16	125,392	97,103
Total current liabilities		**624,732**	**461,658**
Non-current liabilities			
Provisions	16	50,091	54,497
Total non-current liabilities		**50,091**	**54,497**
Total liabilities		**674,823**	**516,155**
Net assets		**5,787,445**	**7,624,320**
Equity			
Equity attributable to equity holders of the parent			
Contributed equity	17	16,413,561	14,526,115
Reserves	19	1,056,991	3,547,839
Accumulated losses		(11,683,107)	(10,449,634)
Parent interests		**5,787,445**	**7,624,320**
Non-controlling interests	**10**	**–**	**–**
Total equity		**5,787,445**	**7,624,320**

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 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Payment to suppliers and employees		(2,108,610)	(2,463,696)
Consultancy fees and rental income received		250,908	280,568
R&D tax offset		270,189	956,555
Interest received		45,954	225,159
Net cash flows used in operating activities	28	(1,541,559)	(1,001,414)
Cash flows from investing activities			
Purchase of plant and equipment		(60,301)	(63,916)
Sale of mining tenements		–	200,000
Expenditure on mining interests (exploration)		(1,381,256)	(3,535,397)
Purchase of equity investments		–	(30,000)
Sale of equity investments		379,866	–
Tenement security deposits & bank guarantees (paid)/recovered		49,709	222,500
Cash forgone on disposal of subsidiary		–	(86,556)
Net cash flows from investing activities		(1,011,982)	(3,293,369)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,960,655	16,875
Payment of share issue costs		(105,515)	–
Repayment of convertible note		–	(2,350,000)
Convertible note costs		–	(308,288)
Net cash flows (used in)/from financing activities		1,855,140	(2,641,413)
Net decrease in cash and cash equivalents		**(698,401)**	**(6,936,196)**
Net foreign exchange differences		3,822	11,256
Cash and cash equivalents at beginning of period		2,408,993	9,333,933
Cash and cash equivalents at end of period	28	**1,714,414**	**2,408,993**

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 2015

		CONSOLIDATED				
	Note	Contributed equity $	Accumulated losses $	Reserves $	Non-controlling interest $	Total equity $
At 1 July 2013		**14,515,132**	**(9,004,793)**	**4,514,098**	**6,122,511**	**16,146,948**
(Loss) for the period		–	(5,742,060)	–	24,816	(5,717,244)
Other comprehensive income		–	–	65,569	–	65,569
Total comprehensive (loss) for the period		**–**	**(5,742,060)**	**65,569**	**24,816**	**(5,651,675)**
Transactions with owners in their capacity as owners:						
Issue of share capital (net of share issue costs)		16,875	–	–	255,155	272,030
Transfer expired options to Retained Earnings		–	282,550	(47,880)	(234,670)	–
Expiry of Convertible Note Option		–	1,095,168	(1,095,168)	–	–
Non-Controlling interest disposal of Eastern Iron Limited		(5,892)	2,919,501	229,108	(6,178,392)	(3,035,675)
Share-based payments		–	–	–	10,580	10,580
Foreign currency translation	19	–	–	(117,888)	–	(117,888)
At 30 June 2014	**19**	**14,526,115**	**(10,449,634)**	**3,547,839**	**–**	**7,624,320**
At 1 July 2014		**14,526,115**	**(10,449,634)**	**3,547,839**	**–**	**7,624,320**
(Loss) for the period		–	(1,929,515)	–	–	(1,929,515)
Other comprehensive income/(loss)		–	–	(1,939,765)	–	(1,939,765)
Total comprehensive (loss) for the period		**–**	**(1,929,515)**	**(1,939,765)**	**–**	**(3,869,280)**
Transactions with owners in their capacity as owners:						
Issue of share capital (net of share issue costs)		816,262	–	–	–	816,262
Option issue consideration		1,071,184	–	–	–	1,071,184
Transfer expired options to Retained Earnings		–	696,042	(696,042)	–	–
Share-based payments		–	–	142,415	–	142,415
Foreign currency translation	19	–	–	2,544	–	2,544
At 30 June 2015	**19**	**16,413,561**	**(11,683,107)**	**1,056,991**	**–**	**5,787,445**

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

Consolidated Notes to the Financial Statements

For the year ended 30 June 2015

1. CORPORATE INFORMATION

The financial report of Variscan Mines Limited (Variscan or the Company) (formerly PlatSearch NL) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 30 September 2015.

On 10 January 2014 the Company changed its name from PlatSearch NL to Variscan Mines Limited.

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 Consolidated Entity 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 and derivative financial instruments, 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').

Basis of consolidation

The consolidated financial statements comprise the financial statements of Variscan Mines Limited (Variscan or the Company) and its subsidiaries (collectively, the Group) 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.

Non-controlling interests are allocated their share of profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributable to the non-controlling interest even if that results in a deficit balance.

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. The Directors are investigating options to raise additional funds to allow the Group to pursue its project opportunities and reduce its working capital requirements with the intent that the consolidated group continues as a going concern.

If all of these options are unsuccessful, this may indicate there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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 of 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 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.

Trade and other receivables

Trade receivables, which generally have a 30 day term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company 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.
- 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.

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 Statement of Comprehensive Income 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 Company undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Restoration

Provisions for restoration costs are recognised when the Company 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected 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.

Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

Loans and receivables

Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Available for sale securities

Available for sale investments are those non-derivative financial assets, principally equity securities, that are designated as available for sale or are not classified as any of the three preceding categories. After initial recognition available for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Statement of Comprehensive Income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interest in jointly controlled operations – joint ventures

The Group has an interest in exploration joint ventures that are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

Plant and equipment

Plant and equipment is 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 2–10 years (2014: 2–10 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 statement of comprehensive income in the period the item is derecognised.

Leases

In determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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 Company 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 Company 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 Statement of Comprehensive Income 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e.an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 Company 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 binomial option pricing model.

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 Statement of Comprehensive Income 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.

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 the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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.

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 Statement of Comprehensive Income.

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

The results of the French subsidiary are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

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.

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.

Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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 Binominal formula taking into account the terms and conditions upon which the instruments were granted, and estimates of volatility as detailed in Note 18.

Derivative financial instruments

The Company values its equity in the form of options in listed public companies using the Binomial method of valuation methodology taking into account the terms and conditions on which the instruments are granted as detailed in Note 11. The net gain or loss for the period is brought to account in the Statement of Comprehensive Income.

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.

Earnings per share

Basic earnings per share is calculated as net profit 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 per share is calculated as net profit 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.

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.

Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2015. The Consolidated Entity plans to adopt the following standards which are considered relevant, at their application dates as detailed below.

AASB 9 Financial Instruments (Application date 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.

(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

It is anticipated that the application of this standard will not have a material effect on the Group's results or financial reports in future periods.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127] (Application date 1 January 2018)

The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

It is anticipated that the application of this standard will not have a material effect on the Group's results or financial reports in future periods.

	2015 $	2014 $
3. REVENUE AND OTHER INCOME		
Revenue		
Interest received – other persons/corporations	28,482	209,056
Consulting fees	173,673	222,533
Rental income	65,380	51,709
Other Income		
Gain on sale of investments	2,865,236	–
Gain on derivatives	–	2,139
Gain on sale of tenements	–	200,000
R&D tax concession offset / research tax credit	185,249	964,269
Victorian government infrastructure grant	–	300,000
Unrealised gain on foreign currency	–	43,190
Other	–	2,149
	3,318,020	**1,995,045**

4. INCOME TAX

	2015 $	2014 $
Income tax expense		
The major components of income tax expense are:		
Current income tax	–	–
Current income tax benefit		
Deferred income tax	–	–
Relating to origination and reversal of temporary differences	960,451	(42,631)
Recognition of previously unrecognised losses	–	–
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**960,451**	**(42,631)**
Amounts charged or credited directly to equity		
Deferred income tax related to items charged directly to equity		
Realised (gain)/loss on available for sale investments	859,571	–
Unrealised (gain)/loss on available for sale investments	(28,244)	(28,101)
Income tax benefit/(expense) reported in equity	**831,327**	**(28,101)**
Reconciliation		
Prima facie income tax (benefit)/expense on operating profit/(loss) at 30%	(290,719)	(1,727,963)
Non-deductible expenses	45,248	179,005
Under provision in prior year	–	–
Tax losses of subsidiaries not previously recognised	(200,887)	(414,850)
Recognition / de-recognition of tax losses and other temporary differences	1,406,809	1,921,177
Income tax (benefit)/expense	**960,451**	**(42,631)**
Recognised deferred tax assets and liabilities		
Opening deferred tax balance	(828,869)	(814,339)
Charged to income tax expense / (benefit)	960,451	(42,631)
Charged to equity (credit)	(831,327)	28,101
Charged to share issue costs	(32,305)	–
Closing balance	**(732,050)**	**(828,869)**
Amounts recognised in the Statement of Financial Position		
Deferred tax asset	800,250	1,011,530
Deferred tax liability	(68,200)	(182,661)
Net deferred tax balance	**732,050**	**828,869**

	2015 $	2014 $
4. INCOME TAX continued		
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Derivatives	–	287
Available for sale investments	42,300	128,017
Capitalised exploration	25,900	54,357
Gross deferred tax liabilities	**68,200**	**182,661**
(ii) Deferred tax assets		
Carry-forward tax losses	68,200	182,661
Equity accounted investment	403,286	667,200
Provisions	44,906	28,308
Share issuance costs	130,305	98,652
Available for sale investments	153,553	34,709
Gross deferred tax assets	**800,250**	**1,011,530**
Net deferred tax assets	**732,050**	**828,869**

Franking credits of $2,810,116 (2014: $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.

Tax consolidation

Variscan Mines Limited and its 100% owned subsidiaries (Bluestone 23) 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.

There are Nil (2014: $209,090) unrecognised tax losses attributable to Variscan Mines SAS which is not tax consolidated with the parent company.

5. AUDITORS' REMUNERATION

Amounts received or due and receivable by:

	2015 $	2014 $
HLB Mann Judd, for:		
Audit and review of the financial report of Variscan Mines Limited	48,000	65,703
Tax advisory services	–	5,000
	48,000	**70,703**
Amounts received or due and receivable **Barnes Dowell James,** for:		
Audit and review of the financial report of Eastern Iron Limited	–	25,500
Other services	–	3,500
Amounts received or due and receivable **SEFAC,** for:		
Audit and review of the financial report of Variscan Mines SAS	11,535	8,620
Total Auditors' Remuneration for the Group	**59,535**	**108,323**

	2015 $	2014 $
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	332,574	789,168
Short-term deposits	1,381,840	1,619,825
Refer Note 28	**1,714,414**	**2,408,993**

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.

7. RECEIVABLES

	2015 $	2014 $
Current		
R&D tax concession offset and other tax refunds	195,226	271,988
GST receivables	35,511	30,718
Interest receivable	4,126	21,611
Prepayments	64,658	47,516
Other debtors	22,098	43,080
	321,619	**414,913**
Non-current		
Rental bonds	23,740	32,156
	23,740	**32,156**

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 impairment loss is recognised when there is objective evidence that it is impaired. No allowance for impairment loss is required. The amounts not past due have been assessed to be not impaired.

8. INVESTMENTS

	2015 $	2014 $
Investment – available for sale – WPG (a)	–	426,721
Investment – available for sale – AGR (b)	188,000	47,000
Investment – available for sale SCI (c)	290,729	959,406
	478,729	**1,433,127**

(a) The Group sold its 10,407,837 shares in WPG on 8 January 2015 for $0.0364981 per share receiving a total of $379,866.

(b) The market value on ASX of the Group's 1,175,000 shares in Aguia Resources Limited (AGR) at 30 June 2015 was $188,000 ($0.16 per share) and on 25 September 2015 it was $217,375 ($0.185 per share).

(c) The market value of the Group's 14,536,449 shares in Silver City Minerals Limited (SCI) at 30 June 2015 was $290,729 ($0.02 per share) and on 25 September 2015 it was $348 875 ($0.024 per share).

9. INVESTMENT IN ASSOCIATES

The Group's interest in the below investments in associates have been brought to account using the equity method in accordance with Australian Accounting Standard AASB 128 Investments in Associates as the Directors consider that significant influence exists. The Company's share in any retained profits or reserves of the associated company are not available to Variscan until such time as those profits and reserves are distributed by the associated company.

	Thomson Resources Ltd		Eastern Iron Limited	
	2015	2014	2015	2014
Interest in associates	%	%	%	%
Ownership interest	21.39	25.65	34.77	36.74
	$	$	$	$
Carrying amount	–	–	1,850,000	1,850,000
Share of associate's losses	–	(450,018)	(128,971)	(549,765)
Carrying amount of investment in associate				
Balance at beginning of financial period	–	468,000	1,850,000	–
– opening value of associate	–	–	–	3,465,000
– share purchase	–	–	–	15,000
– share of associate's net losses for the financial period	–	(450,018)	(128,971)	(549,765)
– impairment of investment	–	(17,982)	(1,033,886)	(1,080,235)
Carrying amount of investment in associate at the end of the financial period	**–**	**–**	**687,143**	**1,850,000**
Summarised Balance Sheet				
Total current assets	334,777	1,034,371	379,237	1,312,236
Total non-current assets	2,186,911	2,465,170	6,407,053	5,956,649
Total current liabilities	(109,824)	(81,691)	(68,036)	(525,471)
Total non-current liabilities	–	(19,579)	–	–
Net assets	**2,411,864**	**3,398,271**	**6,718,254**	**6,743,414**
Reconciliation to carrying amounts:				
Opening net assets 1 July	3,398,271	5,152,726	6,743,414	6,967,316
Increase in share capital	200,103	–	341,688	1,261,883
Share based payments	53,505	–	4,052	10,580
(Loss) for the period	(1,240,015)	(1,754,455)	(370,900)	(1,496,365)
Closing net assets	**2,411,864**	**3,398,271**	**6,718,254**	**6,743,414**
Group's share in %	21.39	25.65	34.77	36.74
Group's share in $	515,898	871,657	2,335,937	2,477,530
Summarised statement of comprehensive income				
Revenue	285,792	417,196	284,263	2,183,794
(Loss) for the period	(1,240,015)	(1,754,455)	(370,900)	(1,496,365)
Other comprehensive income	–	–	–	–
Total comprehensive income	**(1,240,015)**	**(1,754,455)**	**(370,900)**	**(1,496,365)**

Thomson Resources Ltd

Thomson Resources Ltd (ASX Code: TMZ) is an Australian minerals explorer. The equity value of the investment is nil at 30 June 2015.

Eastern Iron Limited

Eastern Iron Limited (ASX Code: EFE) is an Australian minerals explorer. An impairment adjustment of $1,033,886 (2014: $690,945) was made to reflect the fair value of the investment on ASX at 30 June 2015 of $687,143 ($0.013 per share) and on 25 September 2015 it was $634,286 ($0.012 per share).

	2015 $	2014 $
10. NON-CONTROLLING INTERESTS		
Contributed equity	–	7,907,335
Reserves	–	353,987
Accumulated losses	–	(2,082,930)
Non-Controlling interest on disposal of Eastern Iron Limited	–	(6,178,392)
	–	–

11. DERIVATIVE FINANCIAL INSTRUMENTS

		2015 $	2014 $
Share options – AGR	(a)	–	–
Share options – SCI	(b)	–	955
Share options – TMZ	(c)	–	–
		–	955

(a) The Group's 200,000 unlisted options in Aguia Resources Limited (AGR) expired on 31 December 2014.

(b) The Group's 4,775,061 listed options in Silver City Minerals Ltd (SCI) expired on 19 December 2014.

(c) The Group's 5,000,000 unlisted options in Thomson Resources Limited (TMZ) expired on 11 December 2014.

The fair value of share prices are as identified in Note 8.

12. TENEMENT SECURITY DEPOSITS

	2015 $	2014 $
Current		
Cash with government mines departments	–	30,000
	–	30,000
Non-Current		
Cash with government mines departments	–	20,000
	–	20,000

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 25). The bank deposits are interest earning.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicle $	Plant and equipment $	Total $
Year ended 30 June 2014			
Opening net book amount	4,467	229,304	233,771
Additions	43,372	20,544	63,916
Disposals	–	–	–
Disposal of subsidiary	(2,452)	(17,209)	(19,661)
Depreciation expense	(8,158)	(69,400)	(77,558)
Foreign exchange differences	(822)	3,519	2,697
Closing net book amount	36,407	166,758	203,165
At 30 June 2014			
Cost	42,430	415,841	458,271
Accumulated depreciation	(6,023)	(249,083)	(255,106)
Net book amount	36,407	166,758	203,165
Year ended 30 June 2015			
Opening net book amount	36,407	166,758	203,165
Additions	–	118,172	118,172
Disposals	–	(10,098)	(10,098)
Depreciation expense	(8,430)	(72,434)	(80,864)
Foreign exchange differences	191	1,706	1,897
Closing net book amount	28,168	204,104	232,272
At 30 June 2015			
Cost	42,805	525,568	568,373
Accumulated depreciation	(14,637)	(321,464)	(336,101)
Net book amount	**28,168**	**204,104**	**232,272**

	2015 $	2014 $
14. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE		
Costs brought forward	918,297	5,793,879
Costs incurred during the year	1,552,423	3,885,862
Disposal of subsidiary	–	(7,235,467)
Foreign currency translation differences	–	5,904
Expenditure written off during the year	(198,419)	(1,531,881)
Costs carried forward	**2,272,301**	**918,297**
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	86,332	131,190
Expenditure on non joint venture areas	2,185,969	787,107
Costs carried forward	**2,272,301**	**918,297**

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.

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

	2015 $	2014 $
15. CURRENT LIABILITIES – PAYABLES		
Trade creditors *	239,902	131,948
Accrued expenses	55,377	65,197
GST payable	1,636	2,852
Accrued payroll and payroll deductions	202,425	164,558
	499,340	**364,555**

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

	2015 $	2014 $
16. LIABILITIES – PROVISIONS		
Current		
Annual Leave	125,392	97,103
Non-current		
Long Service Leave	**50,091**	**54,497**

Annual leave is accrued for all permanent eligible employees and provided for based on current salaries. Long service leave is accrued for all permanent eligible employees with greater than two years' service and provided for based on current salaries.

		2015 $	2014 $
17. CONTRIBUTED EQUITY			
Share capital			
306,447,930 (2014: 175,737,592) ordinary shares fully paid		15,646,422	14,756,951
Option issue consideration			
130,655,138 (2014: nil) listed options on issue		1,071,184	–
Share issue costs		(304,045)	(230,836)
		16,413,561	**14,526,115**

		Number	$
Movements in ordinary shares on issue			
At 1 July 2013		175,287,592	14,740,076
Conversion of partly paid shares	(i)	450,000	16,875
At 30 June 2014		175,737,592	14,756,951
Shares issued	(ii)	130,682,738	888,643
Shares issued	(iii)	27,600	414
Transfer value from options issue consideration reserve	(iv)	–	414
At 30 June 2015		**306,447,930**	**15,646,422**

(i) Sale and transfer of 450,000 forfeited partly paid shares offered at auction held on 18 October 2013. Refer to comments below under terms and conditions.

(ii) The Company issued 130,682,738 shares at $0.015 per share in May 2015 under a pro-rata renounceable Entitlement Offer. The shares were issued with a one for one attaching listed option. These options were valued at a total of $1,071,598 leaving a value of $888,643 to be allocated to the share capital value.

(iii) A total of 27,600 shares were issued on exercise of $0.015 listed options. The options were granted as per the Entitlement Offer mentioned in (ii) above.

(iv) Transfer the value of the options exercised in (iii) from the options issue consideration reserve to share capital.

Movements in listed options on issue			
At 1 July 2013		–	–
Options granted		–	–
At 30 June 2014		–	–
Options granted	(i)	130,682,738	1,071,598
Exercise of options	(ii)	(27,600)	(414)
At 30 June 2015		**130,655,138**	**1,071,184**

(i) The Company granted 130,682,738 listed options in May 2015 with an exercise price of $0.015 per share and expiry date of 4 May 2017. The one for one options were granted for every share issued under a pro-rata renounceable Entitlement Offer. These options were valued at a total of $1,071,598 using a Black, Scholes, Merton methodology with a binomial variation with an expected volatility of 66.46% and risk free rate of 2.52%, which led to an estimated fair value of $0.0082 per option.

(ii) A total of 27,600 listed options were exercise at $0.015 during the year ended 30 June 2015.

An additional 28,850,000 options are on issue under Share-based payments Note 18.

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.

In respect to members who hold shares which are paid to $0.01, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. The shares were issued under the Platinum Search Share Incentive Plan, which was replaced by the Variscan Employee Share Option Plan on 25 November 1993.

17. CONTRIBUTED EQUITY continued

On 4 September 2013 the company issued call notices to the holders of the 450,000 unquoted partly paid shares on issue to call up the full amount of 24 cents per share which were unpaid at the date of the notices. The calls were not paid by the due date of 18 September 2013 and were therefore forfeited. These shares were subsequently sold as fully paid shares by public auction.

Options

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

18. SHARE-BASED PAYMENTS

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 2015 and 2014.

Summary of options granted by the parent entity

	2015 no.	2014 no.
Outstanding at the beginning of the year	25,290,000	26,190,000
Granted during the year	15,650,000	–
Expired during the year	(12,090,000)	(900,000)
Outstanding at the end of the year	28,850,000	25,290,000

The outstanding balance as at 30 June 2015 is represented by:

- 10,900,000 which expire on 25 November 2015 exercisable at $0.30 per share
- 2,300,000 which expire on 31 October 2015 exercisable at $0.14 per share
- 15,650,000 which expire on 4 December 2017 exercisable at $0.07 per share

There are an additional 130,655,138 options under Contributed Equity Note 17 which is represented by:

- 130,655,138 which expire on 4 May 2017 exercisable at $0.015 per share

Weighted Average disclosures for options granted by the parent entity

	2015	2014
Weighted average exercise price of options at 1 July	$0.23	$0.23
Weighted average exercise price of options granted during period	$0.07	–
Weighted average exercise price of options outstanding at 30 June	$0.16	$0.23
Weighted average exercise price of options exercisable at 30 June	$0.16	$0.23
Weighted average contractual life	1.50	0.92
Range of exercise price	$0.07 – $0.30	$0.14 – $0.30

18. SHARE-BASED PAYMENTS continued

Option pricing model and terms of options

The following table lists the inputs to the options model and the terms of options granted in **Variscan Mines Limited:**

Issue date	Number of options issued	Exercise price	Expiry date	Expected volatility	Risk-free rate	Expected life years	Estimated fair value	Model used	
Nov 10	6,250,000	$0.30	25 Nov 15	80.00%	5.32%	5.0	$0.0500	Binomial	(a)
Dec 10	1,900,000	$0.30	25 Nov 15	80.00%	5.37%	4.9	$0.0600	Binomial	(b)
May 11	950,000	$0.30	25 Nov 15	121.29%	5.19%	4.5	$0.0663	Binomial	(c)
Dec 11	1,800,000	$0.30	25 Nov 15	30.86%	4.75%	4.0	$0.0035	Binomial	(d)
Oct 12	2,300,000	$0.14	31 Oct 15	60.37%	2.58%	3.0	$0.0135	Binomial	(e)
Nov 14	15,650,000	$0.07	4 Dec 17	60.16%	2.52%	3.0	$0.0091	Binomial	(f)
	28,850,000								

(a) 6,250,000 options were issued to Directors of the Company and approved by shareholders at the Company's AGM held on 25 November 2010. The options vested immediately and were expensed in the income statement.

(b) 1,900,000 options were issued to employees and consultants under the Company's ESOP. The options vested immediately and were expensed in the income statement.

(c) 950,000 options were issued to employees and consultants under the Company's ESOP. The options vested immediately and were expensed in the income statement.

(d) 1,800,000 options were issued to employees/consultants under the Company's ESOP. The options vested immediately and were expensed in the income statement.

(e) 2,300,000 options were issued to employees/consultants under the Company's ESOP. The options vested immediately and were expensed in the income statement.

(f) 10,000,000 options were issued to Directors of the Company and approved by shareholders at the Company's AGM held on 27 November 2014. 5,650,000 options were issued to employees/consultants under the Company's ESOP. The options vested immediately and were expensed in the statement of comprehensive income.

19. RESERVES

		2015 $	2014 $
Share-based compensation reserve		669,250	1,222,877
Investment revaluation reserve		98,700	2,038,465
Foreign currency translation reserve		289,041	286,497
		1,056,991	**3,547,839**
Share-based compensation reserve	(i)		
Balance at the beginning of financial year		1,222,877	1,270,757
Share-based payment expense		142,415	–
Transfer expired options to Retained Earnings		(696,042)	(47,880)
Balance at end of financial year		**669,250**	**1,222,877**
Investment revaluation reserve	(ii)		
Balance at the beginning of financial year		2,038,465	1,972,896
Change in fair value of investments available for sale		98,700	65,569
Investment revaluation reserve adjustment on sale of investment		(2,038,465)	–
Balance at end of financial year		**98,700**	**2,038,465**

(i) Share-based compensation reserve

The share-based compensation reserve is used to recognise the fair value of unlisted options issued but not exercised as described in Note 2 and referred to in Note 18.

(ii) Investment revaluation reserve

The investment revaluation reserve arises in connection with the accounting for investments as per Note 8.

19. RESERVES continued

		2015 $	2014 $
Foreign currency translation reserve	(iii)		
Balance at the beginning of financial year		286,497	404,385
Effect of exchange rate fluctuation		2,544	(117,888)
Balance at end of financial year		**289,041**	**286,497**

(iii) **Foreign currency translation reserve**
The foreign currency translation reserve arises from the translation of foreign currency subsidiaries.

20. (LOSS) PER SHARE

(Loss) used in calculating basic and diluted (loss) per share	(1,929,515)	(5,742,060)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	196,505,804	175,597,044
	Cents per share	Cents per share
Basic (loss) per share	(0.98)	(3.27)
Diluted (loss) per share	(0.98)	(3.27)

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2014: nil) relating to share options issued. There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for all of the periods presented.

Conversion, call, subscription or issue after 30 June 2015: Since the end of the financial year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

21. KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) remuneration, shares and options

	$	$
Compensation for key management personnel		
Short-term employee benefits	911,023	1,234,512
Post-employment benefits	38,089	57,994
Share-based payments	130,585	10,580
Total compensation	**1,079,697**	**1,303,086**

21. KEY MANAGEMENT continued

Shareholdings of key management personnel

Fully paid ordinary shares held in Variscan Mines Limited

	Balance at 1 July no.	Granted as remuneration no.	Received on exercise of options no.	Net other change* no.	Balance at 30 June no.
2015					
P Elliott	2,352,345	–	–	3,136,460	5,488,805
G Jones	2,505,000	–	–	4,640,000	7,145,000
C S Kwan	52,396,526	–	–	70,165,368	122,561,894
F K Foo	1,403,000	–	–	11,203,999	12,606,999
I Polovineo	70,000	–	–	343,333	413,333
J Testard	200,000	–	–	–	200,000
M Bonnemaison	219,629	–	–	–	219,629
Total	59,146,500	–	–	89,489,160	148,635,660
2014					
P Elliott	2,352,345	–	–	–	2,352,345
G Jones	2,200,000	–	–	305,000	2,505,000
C S Kwan	52,396,526	–	–	–	52,396,526
F K Foo	1,403,000	–	–	–	1,403,000
I Polovineo	–	–	–	70,000	70,000
J Testard	–	–	–	200,000	200,000
M Bonnemaison	219,629	–	–	–	219,629
Total	58,571,500	–	–	575,000	59,146,500

* Other change consists of shares purchased and sold by KMP on market during the period and shares issued under the SPP in May 2015.

Option holdings of key management personnel

Share options held in Variscan Mines Limited

	Balance at 1 July no.	Granted as remuneration no.	Options exercised no.	Net change other# no.	Balance at 30 June no.	Balance vested at 30 June no.	Vested and exercisable no.
2015							
P Elliott	1,600,000	1,000,000	–	2,136,460	4,736,460	4,736,460	4,736,460
G Jones	5,550,000	4,000,000	–	89,999	9,639,999	9,639,999	9,639,999
C S Kwan	2,000,000	1,000,000	–	69,035,368	72,035,368	72,035,368	72,035,368
F K Foo	1,600,000	1,000,000	–	6,203,999	8,803,999	8,803,999	8,803,999
A Breen	1,000,000	1,000,000	–	(1,000,000)	1,000,000	1,000,000	1,000,000
I Polovineo	1,250,000	1,750,000	–	93,333	3,093,333	3,093,333	3,093,333
W Corbett	1,000,000	350,000	–	(350,000)	1,000,000	1,000,000	1,000,000
M Lilley	900,000	250,000	–	(250,000)	900,000	900,000	900,000
J Testard	1,500,000	2,000,000	–	–	3,500,000	3,500,000	3,500,000
M Bonnemaison	1,500,000	2,000,000	–	–	3,500,000	3,500,000	3,500,000
Total	17,900,000	14,350,000	–	75,959,159	108,209,159	108,209,159	108,209,159

(2015: Options granted as part of SPP in May 2015 less expiry of options during the period). (2014: Expiry of options).

21. KEY MANAGEMENT continued

	Balance at 1 July no.	Granted as remuneration no.	Options exer-cised no.	Net change other[#] no.	Balance at 30 June no.	Balance vested at 30 June no.	Vested and exercisable no.
2014							
P Elliott	1,600,000	–	–	–	1,600,000	1,600,000	1,600,000
G Jones	6,300,000	–	–	(750,000)	5,550,000	5,550,000	5,550,000
C S Kwan	2,000,000	–	–	–	2,000,000	2,000,000	2,000,000
F K Foo	1,600,000	–	–	–	1,600,000	1,600,000	1,600,000
K Champaklal[a]	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000
A Breen	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000
I Polovineo	1,250,000	–	–	–	1,250,000	1,250,000	1,250,000
W Corbett	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000
M Lilley	900,000	–	–	–	900,000	900,000	900,000
J Testard	1,500,000	–	–	–	1,500,000	1,500,000	1,500,000
M Bonnemaison	1,500,000	–	–	–	1,500,000	1,500,000	1,500,000
Total	19,650,000	–	–	(750,000)	18,900,000	18,900,000	18,900,000

(a) K Champaklal resigned as an alternate Director on 6 March 2014.

(2015: Options granted as part of SPP in May 2015 less expiry of options during the period). (2014: Expiry of options).

No shares were issued as a result of the exercise of compensation options to KMP.

Options held by Directors may be exercised at any time. Shares and options held by Directors include those held by the Directors and their Director-related entities, including the spouses of such Directors and relatives of such Directors. All shares and options, excluding those held under the Employee Share Option Plan, were issued or granted on terms no more favourable than to other shareholders or option holders.

22. RELATED PARTY DISCLOSURES

Subsidiaries

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

		% Equity interest		$ Investment	
Name	Country of incorporation	2015	2014	2015	2014
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Eastern Iron Limited*	Australia	–	–	–	–
PlatSearch Australia Limited	Australia	100	100	5	5
Variscan Mines SAS	France	100	100	2,461,379	1,007,679

* Eastern Iron Limited was deconsolidated on 11 March 2014.

Subsidiary deconsolidated

In March 2014, Eastern Iron Limited (Eastern Iron) issued shares through a placement and appointed a new board member which reduced Variscan's shareholding in Eastern Iron from 45% to 39% and Variscan's interest in the Board of Eastern Iron from (3 of 6 directors) to (3 of 7 directors). Management assessed that from 11 March 2014, Variscan no longer meets the definition of control and subsequently deconsolidated Eastern Iron. The Group retains significant influence over Eastern Iron and accounts for the retained interest as an associate. At the time the Group lost control of the subsidiary, the assets, liabilities and non-controlling interest of the subsidiary were deconsolidated and a loss on disposal was recognised in the Consolidated Statement of Comprehensive Income.

22. RELATED PARTY DISCLOSURES continued

Transactions with directors and key management personnel

The Company has an agreement with Luminor Capital Pte Ltd which is entitled to a cash fee of 6% of equity funds raised by Luminor Capital and other parties. Mr Kwan and Dr Foo, Directors of Variscan, have an interest in and are directors of Luminor Capital and Mr Champaklal, alternate Director (resigned 6 March 2014) for Mr Kwan, is a director of Luminor Capital. No fees have been paid to date.

Variscan Mines SAS signed an agreement in January 2013 with E-Mines of which Michel Bonnemaison is a Director. The agreement is for E-Mines to provide geological services, sample preparation, analytical services and geological software to Variscan Mines SAS. A total of $511,978 was paid to E-Mines during the year ended 30 June 2015 (2014: $538,700).

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

Transactions with associated companies

During the year the Company provided technical and administrative support services to its associated companies Thomson Resources Ltd (TMZ) and Eastern Iron Limited (EFE). Services provided to TMZ amounted to $76,772 (2014: $110,086) and EFE $63,370 (2014: $105,228) consisting of payments received for consulting, use of office space and office services.

23. JOINT VENTURES

The Company is a party to a number of exploration joint venture 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. The joint ventures 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 joint ventures, other than exploration expenditure costs carried forward as detailed in Note 14. Costs are accounted for in accordance with the terms of joint venture agreements and in accordance with Note 2. Percentage equity interests in joint ventures at 30 June 2015 were as follows:

Variscan Mines Limited	% interest 2015	% interest 2014
New South Wales – gold, base metals and iron		
Hillston – diluting to 16%	39.2%	39.2%
Mundi Plains	20%	20%
Achilles and Chiron	49%	100%
South Australia – base metals and gold		
Quinyambie* – diluting to 15%	52.6%	52.6%
Callabonna – diluting to 30%	100%	100%
Junction Dam –base and precious metals rights	13.4%	16%
Junction Dam – uranium rights	0%	0%

* Quinyambie was allowed to expire on 28 July 2015.

24. SEGMENT INFORMATION

The operating segments identified by management are as follows:

1. Exploration projects funded directly by Variscan ('Exploration') operating in France and Australia and;
2. Investments in other companies ('Investing').

Regarding the Exploration segment, the Chief Operating Decision Maker (the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in Note 14 of this financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned. Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 14.

Regarding the Investing segment, the Chief Operating Decision Maker reviews the value of investments and derivatives held in other exploration companies. The changes in the value of investments and derivatives are disclosed in Notes 8, 9 and 11 of this financial report. Segment revenues are disclosed in the statement of comprehensive income as '(Loss) on options'. Financial information about each of these tenements is reported to the Managing Director on an ongoing basis.

24. SEGMENT INFORMATION continued

Corporate office activities are not allocated to operating segments as they are not considered part of the core operations of any segment and comprise of the following:

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

The Group's accounting policy for reporting segments is consistent with that disclosed in Note 2.

The Group's geographical segments are determined based on the location of the Group's assets.

	GEOGRAPHICAL SEGMENTS							
	Australia		France		Eliminations		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue								
Revenue from outside the group	3,133	1,719	185	276	–	–	3,318	1,995
Results								
Segment results before income tax	(1,631)	(7,031)	662	1,271	–	–	(969)	(5,760)
Income tax expense							(961)	43
Profit/(loss) after income tax expense							(1,930)	(5,717)
Assets								
Segment assets	7,385	9,824	2,892	1,612	(3,815)	(3,296)	6,462	8,140
Liabilities								
Segment liabilities	499	565	562	1,364	(386)	(1,413)	675	516
Other segment information								
Plant and equipment	5	8	227	195	–	–	232	203
Other non-current assets	5,470	6,137	2,203	787	(3,479)	(1,840)	4,194	5,084
Depreciation	5	19	76	59	–	–	81	78

25. CONTINGENT LIABILITIES

The Group's bankers have provided guarantees totalling nil (2014: $50,000) in respect of exploration tenements and the guarantees are secured against short term deposits of these amounts. The Company does not expect to incur any material liability in respect of the guarantees.

26. COMMITMENTS

Lease commitments

The Company has obligations under the terms of an operating lease agreement for its office premises as follows:

	2015 $	2014 $
Payable not later than one year	79,629	26,543
Payable later than one year and not later than five years	26,543	–
	106,172	**26,543**

The Company's lease of its office premises is for a two year period expiring on 31 October 2016.

26. COMMITMENTS continued

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. These expenditure requirements will diminish as the Group joint ventures projects to third parties. It is the Group's exploration strategy to farm-out to larger companies to fund the more expensive phases of exploration such as drilling programmes.

There are nil exploration licence commitments at year end (2014: nil).

27. EVENTS AFTER THE REPORTING DATE

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2015 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.

28. CASH FLOW STATEMENT

	2015 $	2014 $
Reconciliation of net cash outflow from operating activities to operating profit after income tax		
Operating profit after income tax	(1,929,515)	(5,717,244)
Depreciation	80,864	77,558
Exploration expenditure written-off	198,419	1,531,881
Non cash adjustments on convertible note	–	734,375
Share of associate's net losses	128,971	999,783
Share-based payment expense	142,415	10,580
Loss on disposal of subsidiary	–	471,845
Non cash movements in investments	–	41,240
Impairment of investments	1,702,562	1,174,199
Non cash movements in derivatives	955	–
Provisions for annual leave and long service leave	23,677	29,590
Tax expense/(benefit)	86,824	(14,530)
Foreign exchange variances	(72,225)	14,064
Exploration adjustments and differences in closing creditors/accruals	(148,477)	(139,388)
Gain on sale of tenement	–	(200,000)
Non cash movements in reserves	(1,991,609)	–
Other	10,098	(70,221)
Change in assets and liabilities:		
(Increase)/decrease in receivables	97,481	(234,328)
(Decrease)/increase in trade and other creditors	128,001	289,182
Net cash outflow from operating activities	**(1,541,559)**	**(1,001,414)**

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.

	2015 $	2014 $
The balance at 30 June comprised:		
Cash and cash equivalents	332,574	789,168
Money market securities – bank deposits (Note 6)	1,381,840	1,619,825
Cash on hand	**1,714,414**	**2,408,993**

29. 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 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.

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 the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Interest rate risk

At reporting date, the Group is exposed to floating weighted average interest rates at 30 June 2015 for financial assets as follows:

	2015 $	2014 $
Weighted average rate of cash balances	0.02%	0.00%
Cash balances	$332,574	$789,168
Weighted average rate of term deposits	2.28%	3.74%
Term deposits	$1,381,840	$1,619,825

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

All other financial assets and liabilities are non-interest bearing

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out in the following tables:

Risk exposure and responses	PRE TAX LOSS		EQUITY	
Judgements of reasonably possible movements:	Lower/(higher)		Lower/(higher)	
Consolidated	2015 $	2014 $	2015 $	2014 $
+1% (100 basis points)	13,818	16,198	13,818	16,198
-1% (100 basis points)	(13,818)	(16,198)	(13,818)	(16,198)

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. At 30 June 2015 the Group had no material exposure to foreign currencies and therefore no sensitivity analysis has been performed.

Other receivables

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

Equity price risk

Price risk arises from investments in equity securities. All significant equity investments held by Variscan are publicly traded on the ASX. The price risk for listed securities is material in terms of the possible impact on profit and loss or total equity and as such a sensitivity analysis is completed below. The capacity of the Company to raise capital from time to time may be influenced by either or both market conditions and the price of Variscan's quoted shares at that time.

At balance date, the Group is exposed to a stock exchange risk on its investments (Note 8). The Group's exposure to share price movement is set out in the following tables:

Risk exposure and responses	PRE TAX LOSS		EQUITY	
Judgements of reasonably possible movements in share prices:	Lower/(higher)		Lower/(higher)	
Consolidated	2015 $	2014 $	2015 $	2014 $
+20%	–	–	95,746	286,625
-20%	–	–	(95,746)	(286,625)

At balance date, the Group is exposed to a stock exchange risk on its derivative financial instruments (Note 11). The Group's exposure to movements in the value of share options is set out in the following tables:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Risk exposure and responses	PRE TAX LOSS		EQUITY	
Judgements of reasonably possible movements in share prices:	Lower/(higher)		Lower/(higher)	
Consolidated	2015 $	2014 $	2015 $	2014 $
+20%	–	191	–	191
-20%	–	(191)	–	(191)

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 Variscan Group approximate their carrying value.

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

All financial assets and liabilities are denominated in Australian dollars, except for a bank account held by Variscan SAS, the French subsidiary.

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.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the tables below.

	Quoted market price (Level 1) $	Valuation technique – market observable inputs (Level 2) $	Valuation technique – non market observable inputs (Level 3) $	Total $
2015				
Financial assets				
Investments available for sale	478,729	–	–	478,729
Total financial assets	478,729	–	–	478,729
Derivative assets				
Derivatives – fair value through the income statements	–	–	–	–
Derivative assets	–	–	–	–
2014				
Financial assets				
Investments available for sale	1,433,127	–	–	1,433,127
Total financial assets	1,433,127	–	–	1,433,127
Derivative assets				
Derivatives – fair value through the income statements	–	955	–	955
Derivative assets	–	955	–	955

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.

30. PARENT ENTITY INFORMATION

Information relating to the parent entity Variscan Mines Limited:	2015 AUD$'000	2014 AUD$'000
Current assets	1,908	3,574
Total assets	5,986	7,840
Current liabilities	149	161
Total liabilities	199	216
Issued capital	16,414	14,526
Accumulated losses	(11,296)	(10,164)
Investment revaluation reserve	–	2,039
Share based payment reserve	669	1,223
Total shareholders' equity	5,787	7,624
Profit of the parent entity	(2,629)	(5,820)
Total comprehensive income/(loss) of the parent entity	(4,667)	66
	(7,296)	(5,754)
Contingent liabilities of the parent entity – refer to Note 25	–	50

Contractual commitments by the parent entity

The parent entity has lease commitments as stated in Note 26. The parent entity holds the lease commitment for its subsidiaries.

Directors' Declaration

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

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date.

  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

On behalf of the Board

Greg Jones
Managing Director
Sydney, 30 September 2015

Independent Auditor's Report

HLB Mann Judd

Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED
ABN 16 003 254 395
INDEPENDENT AUDITOR'S REPORT

To the members of Variscan Mines Limited

We have audited the accompanying financial report of Variscan Mines Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Variscan Mines Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Going Concern

Without modifying our opinion, we draw attention to the Going Concern Note included in Note 2 in the financial report, which indicates that the company's ability to continue as a going concern is dependent on it generating further equity funding. This condition, along with other matters as set forth in this note, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M D Muller
Partner

Sydney, NSW
30 September 2015

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Additional Information

SHAREHOLDER INFORMATION

Information relating to shareholders at 22 September 2015.

Ordinary fully paid shares

There were a total of 306,447,930 fully paid ordinary shares on issue.

Options

There were a total of 130,655,138 listed options and 28,850,000 of unlisted options on issue.

Substantial shareholders	Shareholding
Kwan Chee Seng	122,561,894

At the prevailing market price of $0.024 per share, there were 808 shareholders with less than a marketable parcel of $500.

Top 20 shareholders of ordinary shares as at 22 September 2015	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	126,866,916	41.40
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	23,937,486	7.81
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	23,780,383	7.76
MR CHRIS CARR & MRS BETSY CARR	17,500,000	5.71
MR XIANGJUN ZHANG	6,642,000	2.17
PANSTYN INVESTMENTS PTY LTD	5,488,805	1.79
CITICORP NOMINEES PTY LIMITED	4,906,398	1.60
MR GREGORY FRANCIS PATRICK JONES <JONES SUPER FUND A/C>	4,579,101	1.49
MR ALLAN EDWARD WATTS <WATTS FAMILY A/C>	4,433,335	1.45
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	4,327,111	1.41
MR ROBERT LEWIS RICHARDSON & MS SUSANNE BRINT <THE RATHROAM STAFF FUND A/C>	3,350,760	1.09
MR RAMAZAN GUNES	3,350,000	1.09
DR FATT KAH FOO	3,273,666	1.07
MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	2,600,602	0.85
MR RHYS WILLIAMS	2,564,333	0.84
IPSEITY PTY LIMITED	2,376,707	0.78
NEFCO NOMINEES PTY LTD	2,307,337	0.75
MACKAY CONSULTING PTY LIMITED <MACKAY CONSULTING P/L SF A/C>	2,300,000	0.75
MR GREGORY JONES <THE JONES FAMILY ACCOUNT>	2,011,667	0.66
MR PETER FABIAN HELLINGS & MRS JACQUELINE KIM GUN HELLINGS <BOX SUPER FUND A/C>	1,650,000	0.54
Total of top 20 holdings	**248,246,607**	**81.01**
Other holdings	58,201,323	18.99
Total fully paid shares issued	**306,447,930**	**100.00**

Distribution of shareholders

Range	No of shareholders	Ordinary shares
1 – 1,000	331	132,351
1,001 – 5,000	187	503,496
5,001 – 10,000	150	1,238,928
10,001 – 100,000	396	15,428,871
100,001 – and over	138	289,144,284
	1,202	306,447,930

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Optionholders have no voting rights until the options are exercised.

Top 20 holders of listed options as at 22 September 2015	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,629,153	54.82
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	13,588,790	10.40
MR CHRIS CARR & MRS BETSY CARR	10,000,000	7.65
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	5,633,926	4.31
PANSTYN INVESTMENTS PTY LTD	3,136,460	2.40
MR GREGORY FRANCIS PATRICK JONES <JONES SUPER FUND A/C>	2,616,629	2.00
MR ALLAN EDWARD WATTS <WATTS FAMILY A/C>	2,533,334	1.94
CITICORP NOMINEES PTY LIMITED	2,063,122	1.58
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	1,914,349	1.47
DR FATT KAH FOO	1,870,666	1.43
MACKAY CONSULTING PTY LIMITED <MACKAY CONSULTING P/L SF A/C>	1,333,333	1.02
NEFCO NOMINEES PTY LTD	1,145,907	0.88
MR GRAHAME JOHN MCKENZIE	1,000,000	0.77
MR PETER FABIAN HELLINGS & MRS JACQUELINE KIM GUN HELLINGS <BOX SUPER FUND A/C>	950,000	0.73
MR PETER FABIAN HELLINGS	800,000	0.61
MR TREVOR HYLTON SCHLOSS	672,000	0.51
MR MATTHEW DAVID BURFORD	666,667	0.51
MR GRAHAM JOHN MCKENZIE & MRS SHIRLEY JANE MCKENZIE <KINTAIL SUPER A/C>	575,000	0.44
JETOSEA PTY LTD	530,000	0.41
CURRACLOE PTY LTD <ROTHERY SUPER FUND A/C>	500,000	0.38
Total of top 20 holdings	**123,659,336**	**94.65**
Other holdings	6,995,802	5.35
Total fully paid shares issued	**130,655,138**	**100.00**

Distribution of holders of listed options

Range	Number of optionholders	Unlisted options
1 – 1,000	5	3,673
1,001 – 5,000	12	27,591
5,001 – 10,000	15	111,084
10,001 – 100,000	50	2,002,580
100,001 – and over	43	128,510,210
	125	**130,655,138**

Distribution of holders of unlisted opions

Range	Number of optionholders	Unlisted options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	1	100,000
100,001 – and over	18	28,750,000
	19	**28,850,000**

Corporate governance

Variscan Mines is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines.

The Group's Corporate Governance Statement can be viewed at:
www.variscan.com.au/index.php/corporate-information/corporate-governance

Corporate Directory

BOARD OF DIRECTORS

Patrick Elliott
Chairman

Greg Jones
Managing Director

Kwan Chee Seng
Non-Executive Director

Dr Foo Fatt Kah
Non-Executive Director

Mike Moore
Non-Executive Director

Jack Testard
Executive Director

COMPANY SECRETARY

Ivo Polovineo

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SOLICITORS

Gadens Lawyers
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Sydney, NSW 2000

BANKERS

Bankwest
Commonwealth Bank
Macquarie Bank

SECURITIES EXCHANGE LISTING

Australian Securities Exchange
ASX code: **VAR**

ACN

ACN: 003 254 395

Variscan Project Manager Anne-Sophie Audion sampling mine waste.

Inset: Two samples of tungsten rich skarn mineralisation from a Variscan PER application with coarse scheelite (white grains).

ABN: 16 003 254 395
ASX Code: VAR