Variscan Mines

Annual Report

2019

Contents

Corporate Directory

Directors

Dr Foo Fatt Kah
Non-executive Chairman

Mr Stewart Dickson
Managing Director

Mr Michael Moore
Non-Executive Director

Mr Mark Pitts
Non-Executive Director

Mr Kwan Chee Seng
Alternate Director – Dr Foo Fatt Kah

Company Secretary

Mr Mark Pitts

Registered Office & Principal Place of Business

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Auditors

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Securities Exchange Listing

Listed on the Australian Securities Exchange (ASX)
Home Exchange: Perth
Code: **VAR** (Ordinary Shares)

Chairman's Letter

Dear fellow Variscan shareholders

The past financial year has been one of significant transition for the Group, from the finalisation of the sale of the French operations to Apollo Minerals Limited in September 2018, the board and management restructuring, renegotiating the terms of the Rosario option agreement to provide the Group with a direct interest in the project and finally the announcement of the agreement to acquire the Spanish zinc projects in Novales-Usias and Guajaraz.

The Board's decision to transition away from its investment in France has allowed the Board to focus on those assets which are best suited to quickly deliver results, and therein value to the Company and its shareholders.

The renegotiation of the Rosario option agreement achieved two of the Company's goals: reducing the up-front cash costs of the purchase significantly, while also providing the Group with an immediate interest in the project.

Finally, the Board is extremely optimistic about the opportunity provided with the Spanish zinc assets. These are two high-quality assets in one of the most prospective areas of Europe, and in the vicinity of other world-class zinc mines and the world's second largest zinc smelter. Additionally, as the mining tenements have already been granted, completion of the acquisition will allow the Group to commence work in a short time period. Finally, Spain is considered to be relatively low-cost and importantly, politically stable.

Outlook

In the coming year shareholders can expect news from the following:

- Subject to shareholder approval at an upcoming general meeting, completion of the acquisition of the Spanish zinc assets, and commencement of exploration programmes;
- Further exploration outcomes from the Rosario copper project in Chile; and
- Acquisition of additional exploration assets, in line with our strategy.

As always, your Board is working to deliver the best results to shareholders and believes the greatest opportunities for the Company lie with the Rosario and Spanish assets.

Yours sincerely,

Dr Foo Fatt Kah
Chairman

CHILE

Rosario

On 18 December 2017, Variscan announced entering into an Option Agreement with the Chilean vendor over the licences which comprise the Rosario Project. This transaction delivered on the Company's strategy of acquiring new opportunities outside of France and re-balancing the Company's sovereign exposure.

The Rosario project is located approximately 120 kilometres east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is a proven mining jurisdiction and is the largest producer of copper globally.

It also lies less than 20 kilometres north of the El Salvador mine (owned by Codelco). It is one of the country's larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.

Figure 1. Location of the Rosario Project

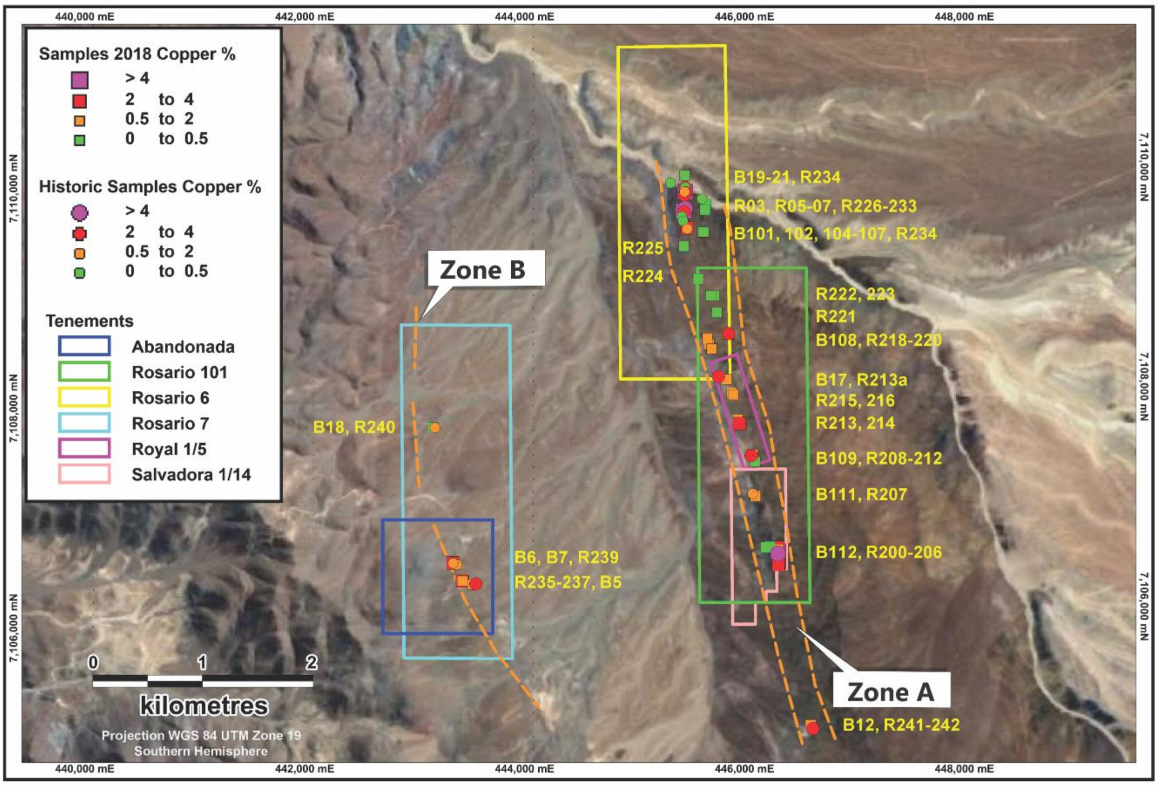
Rock chip and grab sampling

Field work conducted by Variscan has included inspection of previous sample sites, all old mine workings, trenches within the main project area and the location of 13 historic diamond drill-holes on nearby properties south of Rosario 6.

Forty-four samples were taken across the Rosario project and adjacent licences to complement the historic sampling conducted between 2012-2014. Over 50% of samples taken recorded copper grades 1%+ Cu, with multiple sample grades up to 4%+ Cu (see ASX announcement by Variscan dated 11 April 2018). In addition, a number of samples recorded potentially significant silver assays up to 42 g/t Ag coincident with high copper results. Samples were assayed by ALS Geochemistry at La Serena, Chile.

The sampling conducted by Variscan validates historic copper grades of up to 4.26% Cu recorded in surface rock chip and grab samples within the two principal mineralised zones ('A' and 'B', Figure 1) and confirms the high-grade potential of the Rosario project overall.

Figure 3. Plan of Rock Chip & Grab Sampling Results



Surface mapping and sampling programs

During the current year, the Company completed surface mapping and sampling programs over the Rosario project.

Through this, the copper mineralisation at the Rosario Prospect was assessed to be related to the up flow of fluids along the NNW Mantos Gruesos Fault zone in probable mesothermal conditions and lateral inflow of the mineralizing solutions into permeable layers of the Mantos Gruesos unit.

Oxide mineralisation also was transported into a secondary NW trending fault system. The lack of intense pyritization and the overall alteration characteristics indicates low sulphidation and suggest that the primary ore is made up mainly by copper sulphides. Copper mineralisation is hosted in the calcite infill of the main structure with thicknesses up to 20 m and in permeable strata in contact with this structure. In Northern Chile, this type of mineralized structures is common in the peripheries of intrusion related ore bodies and can constitute interesting targets for Cu-Ag or Cu-Au mineralisation.

Lithology

At the Rosario Prospect, as a result of soft reliefs and pediplanes, most of the E and NW parts of the area are covered by modern regolith and polymictic gravel deposits assigned to the Atacama Gravel Unit.

The lithology comprises basically volcanic and volcano sedimentary rocks, belonging to the Llanta Formation (Lower Cretaceous) and to the Mantos Gruesos sequence (Cretaceous - Paleocene). This units show a N020° structural contact defined by the Mantos Gruesos Fault were the hanging wall consist of andesites from the Mantos Gruesos unit in contact with clastic and volcanoclastic rocks from the Llanta unit.

Lower Cretacic rocks comprised mainly amygdaloid and porphyritic andesites and are distributed to the East of the Mantos Gruesos Fault. No significant mineralisation has been observed in this unit, alteration is restricted to silica- epidote-calcite in voids.

Upper Cretacic – Paleocene units consist on andesites, volcanic breccias and sandstones that were integrated as different sub units within the Mantos Gruesos sequence. These rocks show altered levels with Chlorite-Epidote alteration which is apparently controlled by the flow of fluids through regional fault systems in which the Mantos Gruesos system plays a predominant role.

The only intrusive identified so far consist on a dioritic porphyry that is roughly elongated parallel to the Mantos Gruesos fault zone and is supposed to be of Oligocene age. No significant alteration or mineralisation is associated to this unit.

Geological structures

The major structures in the area define larger blocks of NNW orientation that define the topography and the distribution of the outcrops of the different lithological units. The main structure is the NNW/70°-80° NE trending Mantos Gruesos Fault that runs parallel to the creek, along the Los Ochenta fault, about 600 m to 800 m to the west. The distribution of the lithological units suggest that the blocks are sequentially elevated towards the east. A second NW trending system is related to the Sierra Castillo Fault system. No cinematic relation between both systems was observed. The Mantos Gruesos Fault surface expression is a vein of Calcite and Calcite Silica breccia that host most of the observed mineralisation.

Alteration

Alteration is reduced to silica-epidote – Calcite in voids and chlorite – epidote in andesites, volcanic breccias and sandstones, in voids and invading apparently more permeable layers. Reported Magnetite in andesites should be of syngenetic origin but some could be related to the intrusion of the dioritic porphyry. The most important hydrothermal evidence seen and registered is the infill of calcite within the fault of the Mantos Hermoso zone and the NW structures on the intersections, where the most important feeders of mineralised zones are located.

Mineralisation

Observed mineralisation comprises chrysocolla, minor brochantite and “almagres”, no primary or secondary copper sulfides were identified. It is hosted in the calcite infill of the Mantos Gruesos fault that can reach up to 20 m, and in the NW structures close to the intersection with the MGF. The small mines that are in the area are located at the crossings of these two structural systems were the mineralisation is hosted in the calcite and as coatings in fractures. In the central north part of the area copper oxides in volcanic sedimentary horizons (manto-type) were observed in the Mantos Gruesos unit away from the main structural zone, indicating that the mineralisation fluids flowed out of the fault channel into permeable volcanic-sedimentary layers.

Figure 4. Rosario Project Structural Map

Renegotiation of terms

In June 2019, Variscan agreed to material amendments to the Rosario Project Option Agreement with the vendors (refer ASX release 1 July 2019). As a result of the binding amendment, the total unconditional cash payments due to the project vendors will reduce by 94% from US$5.0m to US$0.3m. The vendors have agreed to grant Variscan an Earn-In Right in the Rosario Project reflecting expenditures made to date and in the future. The Earn-in Right provides Variscan with a mechanism to acquire a Participating Interest in the Rosario Project by incurring expenditures connected with the project and associated corporate costs incurred in-country as well as the payments to the vendors. Upon payment of USD$25,000 the Vendor shall grant a Participating Interest equal to 10.4% in the Rosario Project to Variscan. This payment was completed in July 2019.

Future grants of participating interests are conditional on the expenditure commitments being made. Participating Interests in the Rosario Project acquired by Variscan shall not be subject to claw-back by the vendors. However, Variscan has granted to the vendors a right of first refusal to buy back the Participating Interest held by Variscan either in whole or in part, subject to satisfactory commercial terms being agreed by the parties. The maximum Participating Interest that Variscan can acquire is 90% having spent approximately US$2.25m in aggregate. The vendors will retain a free-carried 10% Participating Interest.

In addition to the revised schedule of payments being made to the vendors, Variscan shall subject to the satisfaction of certain milestones make additional cash payments to the vendors, as follows:

Amount Payable (USD)	Milestone Event to be satisfied
$250,000	Publication of Mineral Resource Estimate for the Rosario Project
$250,000	Publication of a Scoping Study for the Rosario Project
$500,000	Publication of Pre-Feasibility Study for the Rosario Project
$1,000,000	Declaration of Commercial Production at the Rosario Project

The milestone events or associated payments are in no way time-bound. The total consideration payable would be a maximum of US$4.25m if all of the Earn-In and the conditional Milestone events were achieved which represents a reduction of 15% from the original agreement.

Licences

Since the initial announcement of the option agreement, both the Salvadora and Abandonara licence areas have been included as part of the Rosario project, with no additional cost to the Company. This increases the number of licences to be acquired from three to five.

Figure 4. Salvadora

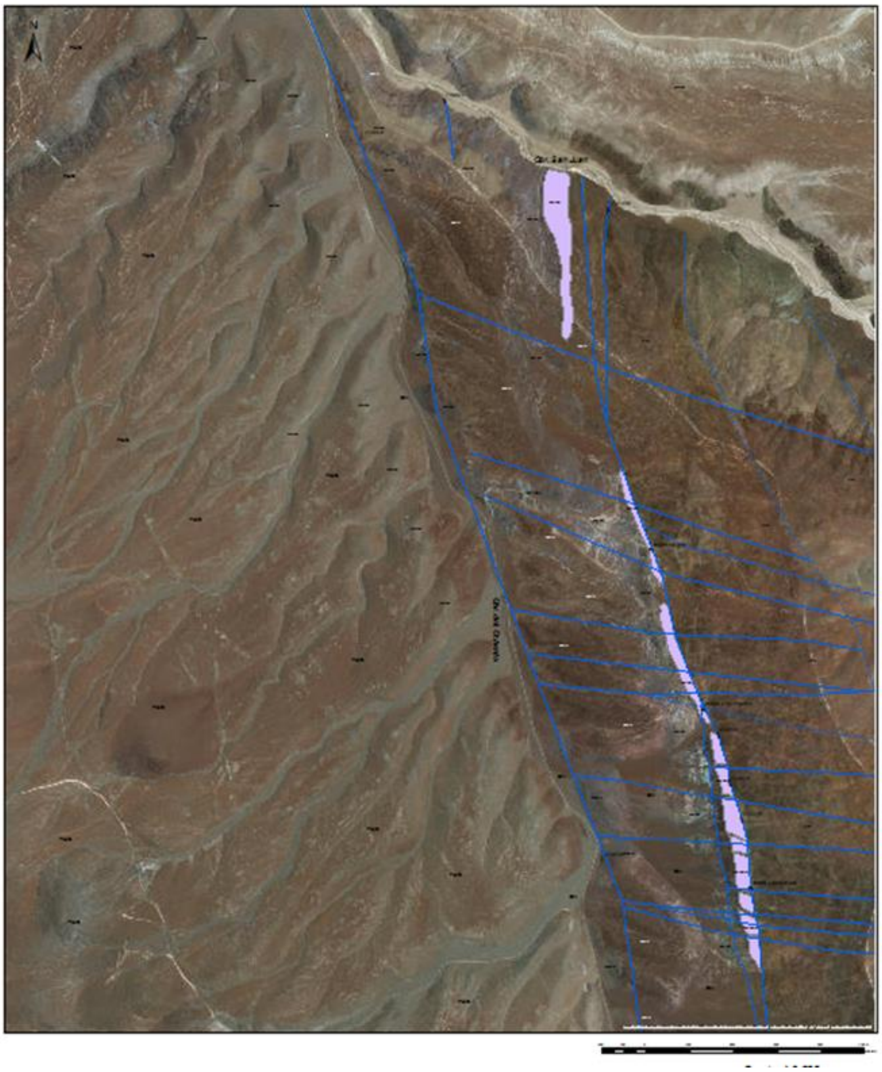
In July 2018, the Company confirmed the Chilean vendor had successfully upgraded the Rosario 6 and Rosario 7 licences from exploration to exploitation status having been granted 'Mensura'.

Mensura is the most secure form of tenement ownership in Chile. Mensura also carries full legal access to the minerals and allows the owner to claim permits for surface rights and water rights for the purposes of mining.

Exploitation licences are granted for indefinite time and remain valid providing annual land rent payment is submitted. The Company has confirmed the title and good standing of the licences comprising the Rosario Project.

The Rosario project currently comprises four granted exploration concessions, Rosario 6 and Rosario 7, Salvadora, Abandonara and an exploration concession under application (Rosario 101). These concessions cover two outcropping copper trends (Zones A and B) over a combined strike length of approximately 6 kilometres.

Figure 2. Rosario Project Mineralisation Map



SPAIN

During the year the Company investigated further strategic acquisitions of advanced-stage exploration projects which would complement the Company's existing portfolio of base-metals interests in Chile and Australia. After the end of the financial year, (refer ASX release 29 July 2019) the Company reached an agreement of terms to acquire two advanced Zinc projects from a consortium of vendors led by Slipstream Resources Investments Pty Ltd ("Slipstream").

The projects (Novales-Udias and Guajaraz), which include granted mining tenements and are located in established mining jurisdictions in Spain.

Spain is a desirable location for mining with increasing activity and in-bound investment, and this transformational acquisition provides Variscan shareholders with additional exposure to zinc, a commodity that continues to have a positive pricing outlook.

Several key highlights of the projects include:

- The Novales-Udias Project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include zinc soil anomalies over 2km long and close to 1km wide and up to 17% Zn. The Project is advanced and includes a number of granted mining tenements.
- Mississippi-Valley type ("MVT") situated in the Basque-Cantabrian Basin, adjacent (~10km) to the Reocin deposit (62Mt at 8.7% Zn and 1.0% Pb). Tenement area +68.3km2.
- Old workings in Cantabria historically intersected karst-filled "ore bags" and recorded multiple intersections of 20-30m widths and grades of 18-35% Zn.

- Near term production potential (subject to positive exploratory work) at the former producing Novales underground mine.
- World's second largest zinc smelter (Glencore owned, Asturias) within trucking distance (~80km) with excellent infrastructure and local support for potential future mine development.
- The Guajaraz Project is centred around the former producing La Union underground mine together with the adjacent Mina La Blanca and Mina Manolita mines which forms a large surrounding exploration opportunity.

Figure 5. Location of the Novales-Udias and Guajaraz Projects

Initial Consideration for the Transaction is A$2.2 million payable through the issue of 1,100,000,000 new ordinary shares to the Vendors at a price of A$0.002 per ordinary share (the 'Issue Price'), subject to shareholder approval. The Company will also assume obligations to repay debt of A$0.6 million in cash. Additional milestone-based consideration, conditional on the delineation of JORC Mineral Resources (as summarised below) of A$2.2 million is to be satisfied through the issue of a further 1,100,000,000 new ordinary shares to the Vendors at the Issue Price subject to shareholder approval and ASX waiver. The vendors have agreed to a voluntary escrow of these shares.

FRANCE

Variscan completed the sale of its subsidiary, Variscan Mines SAS and its 20% interest in the Couflens asset to Apollo Minerals Limited on 14 September 2018. As a condition of the approval of this sale, the French government cancelled most of the Group's remaining French mineral licences.

AUSTRALIA

The Group maintains several minority interests or net smelter royalties in a number of exploration licences in New South Wales.

FINANCIAL & CORPORATE

Board & Management Changes

On 30 September 2018, the Board undertook a significant restructure, with Messrs Elliot and Jones resigning from the Company, and the appointment of Mr Mark Pitts, the Company Secretary, as a non-executive director. Furthermore, Mr Kwan Chee Seng resigned as a director but has remained as an alternate director to Dr Foo Fatt Kah. In addition to these board changes, the administrative functions of the Company were moved from Sydney to Perth, resulting in significant cost savings for the Group. This process was completed in September 2019 with the transition of the Company's auditors from the Sydney firm to the Perth firm of HLB Mann Judd.

Competent Persons Statement

Where the Company refers to exploration results previously advised to the ASX it confirms that it is not aware of any new information or data that materially affects the information included in previous announcements and all material assumptions and technical parameters disclosed in those announcements continue to apply and have not materially changed.

Your directors submit their report for the year ended 30 June 2019.

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.

Dr Foo Fatt Kah, MB, BCh, BAO, MBA
Non-Executive Chairman

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 Foo Fatt Kah has not served as a director of any other ASX listed company.

Stewart Dickson, BA (Hons), MBA
Managing Director

Stewart was appointed a Director of the Company on 1 May 2017. Stewart is an experienced corporate financier with a decade of investment banking experience. Most recently, he was Managing Director and Head of Metals & Mining at Cantor Fitzgerald Europe, based in London. He had responsibility for client coverage of public and private mining companies across precious metals and base metals, bulks, fertilizers and specialty metals. He has a broad range of international financial advisory, equity capital markets and corporate broking transaction experience including initial public offerings, financings and M&A.

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

He was appointed as a Non-Executive Director of Trans-Siberian Gold plc on 19 September 2017, a gold producer listed on the AIM market of the London Stock Exchange.

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

Michael Moore BEng (Hons), MAusIMM, MAICD
Non-executive director

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

Mike is a mining engineer from the Camborne School of Mines with over 20 years operational and executive management experience across a diverse range of commodities in Australia, Indonesia, West Africa and Europe.

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 with ASX listed Montezuma Mining Company Ltd where he was CEO.

Mike is a member of the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy. Mike is currently serving as Managing Director of Golden State Mining Limited as well as serving on the board of Cape Care.

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

Mark Pitts, BBus, FCA, GAICD
Non-executive director and Company Secretary

Mark was appointed Company Secretary of the Company on 2 March 2018 and as a non-executive director from 30 September 2018.

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

Mark has been directly involved with and consulted to a number of public companies holding senior financial management positions. He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

During the past three years Mark Pitts served as a director Mareterram Limited. Mareterram Limited was removed from the official list of the ASX on 15 April 2019.

Kwan Chee Seng

Alternate director to Dr Foo Fatt Kah

Chee Seng was appointed a Director of the Company on 17 February 2009. He has over 30 years of experience in management and investment as a businessman in various sectors such as renewable sustainable energy, base metal resources and the biotechnology business. He also has extensive experience as an investor, particularly in the area of Mergers and Acquisitions (M&A).

In 2001, he acquired various local and international operations from the engineering division of SGX Mainboard-listed Van der Horst Limited (now known as Interra Resources Limited). After the acquisition, he restructured and rationalised the acquired entities, and successfully divested them with significant returns. Besides being the Chairman of his investment holding company, Chee Seng has sat on the Boards of numerous listed companies as a major shareholder. Presently, he sits on the Board of SGX Mainboard-listed GRP Limited as an Executive Director and is responsible for the Group's property business development. He is also a Non-Executive Director of SGX Catalist-listed Starland Holdings Limited, an 83.5% indirectly owned subsidiary of GRP Limited. Thus, he brings to Variscan a unique set of skills with an M&A angle.

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

Gregory Jones, BSc (Hons), MAusIMM, MAIG

Former Executive Technical Director – resigned 30 September 2018

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

- Eastern Iron Limited – appointed April 2009, resigned 27 November 2017
- Silver City Minerals Limited – appointed April 2009
- Thomson Resources Ltd – appointed July 2009
- Moly Mines Limited – appointed August 2014, resigned 9 April 2018

Patrick Elliott, BCom, MBA, CPA

Former Chairman – resigned 30 September 2018

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

- Argonaut Resources NL – appointed June 2003
- Global Geoscience Limited – appointed April 2003

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
F K Foo	57,756,974	24,207,716
S Dickson	9,598,043	20,000,000
C S Kwan	367,098,218	164,817,372
M Moore	4,000,000	-
M Pitts	-	-

Principal activities

The principal continuing activity of the consolidated entity is the exploration of economic metal and mineral deposits.

Results

The net result of operations of the consolidated entity after applicable income tax was a loss of $451,709 (2018: $6,997,545). This includes a gain from discontinued operations of $672,943 (2018: loss of $5,801,194) and the write-off of exploration expenditure during the year of $243,290 (2018: $184,051). The loss from continuing operations after income tax for the year was $1,124,652 (2018: $1,196,351)

Dividends

No dividends were paid or proposed during the year.

Review of operations

The Group's review of operations can be found on pages 3 to 10 of this report.

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 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 1 July 2019 the Company announced an Amendment to the Option Agreement to acquire the Rosario Copper Project in Chile (the "Unilateral Purchase Option Contract"). Through this amendment, the Company has, subsequent to year end, made payment of USD25,000 to acquire a 10.4% interest in the project. Further staged payments of up to USD2,250,000 can be made by the Company to increase its ownership interest to 90%. Finally, upon the satisfaction of certain milestones, a maximum additional amount of USD2,000,000 may be payable to the vendors;
- On 29 July 2019 the Company announced that it had entered into an agreement to acquire two advanced zinc projects in Spain from Slipstream Resources Investments Pty Ltd. The two projects, Novales-Udias and Guajaraz, include granted mining tenements and are located in established mining jurisdictions. Consideration to acquire the projects is through the issue of 1,100,000,000 ordinary shares at $0.002 ($2.2 million) and the assumption of $0.6m in cash debt. Additional milestone-based consideration of up to 1,100,000,000 shares at $0.002 ($2.2 million) may be payable upon the satisfaction of certain performance milestones. Finally, shareholder approval and a minimum equity raising of $2.4 million is required to complete the transaction; and
- On 2 August 2019 the Company allotted 287,500,000 ordinary shares at $0.002 per share raising $575,000 before costs.

Indemnification and insurance of directors and officers

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

Insurance premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

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 and PER's issued pursuant to French mining laws 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 relevant guidelines and standards. There have been no significant known breaches of licence conditions.

Likely developments and expected results

As the Group's mineral projects are at an early stage of exploration, it is not possible to postulate likely developments and any expected results.

The Group is advancing with the identification of new opportunities outside of France, notably with the option over the Rosario Project in Chile, which was amended subsequent to year end to provide the Group with an interest of 10.4% in the project. Furthermore, the Group has entered into an agreement to, subject to shareholder approval and a successful capital raising, acquire two advanced zinc projects in Spain which will further diversify the Group's exploration asset portfolio, while also diversifying geological and commodity price risks. The Group also retains a substantial shareholding in Thompson Resources and several minor interests in Joint Ventures in Australia.

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
593,384,943	Ord	$0.008	31 May 2021
10,000,000	Ord	$0.03	20 Nov 2021
10,000,000	Ord	$0.05	20 Nov 2022
613,384,943			

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.

Refer to the Remuneration Report and Notes 12 & 13 to the financial statements for further details of the options outstanding.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

Details of key management personnel

Details of KMP of the Group are set out below.

Directors	
Dr Foo Fatt Kah	Non-Executive Chairman
Stewart Dickson	Managing Director
Mike Moore	Non-Executive Director
Kwan Chee Seng	Alternate Director
Mark Pitts	Non-Executive Director (appointed 30 September 2018) and Company Secretary (appointed 2 March 2018)
Patrick Elliott	Non-Executive Chairman (resigned 30 September 2018)
Gregory Jones	Executive Technical Director (resigned 30 September 2018)
Dr Jack Testard	Executive Director (resigned 29 March 2018)
Executives	
Wendy Corbett	Managing Geologist (until 30 June 2018) [1]
Michelle Lilley	Finance Manager (until 30 June 2018) [1]
Ivo Polovineo	Company Secretary (resigned 2 March 2018)

1 – Wendy Corbett and Michelle Lilley have been assessed as not meeting the definition of "executives" for the year ended 30 June 2019.

Remuneration philosophy

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

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

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

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

Non-Executive Directors remuneration arrangements

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

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

As a result of feedback received from shareholders at the Company's 2017 and 2018 annual general meetings, the Company undertook a significant restructure of the board's composition and, as a result, has reduced total payments to Key Management Personnel by $372,448 or 47%. No remuneration consultants were engaged for this process.

Performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regarded to the following indices in respect of the current and previous four financial years:

	2019	2018	2017	2016	2015
Loss per share (cents)	(0.04)	(0.97)	(0.70)	(0.38)	(0.98)
Net loss ($)	(451,709)	(6,997,545)	(3,914,121)	(1,360,558)	(1,929,515)
Share Price at 30 June	$0.0015	$0.0030	$0.0076	$0.0153	$0.0240.

Service agreements

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

Managing Director – Stewart Dickson

- Contract term: No fixed term. Either party may terminate the letter of employment with six months' notice.
- Remuneration: £105,000 p.a. plus VAT as applicable (2018: £172,500 p.a. plus VAT) as at 30 June 2019. Mr Dickson's annual base fee was reduced from £172,500 on 26 October 2018, which will be reinstated upon the acquisition of a Company business or assets. Upon satisfaction of this milestone, Mr Dickson will also be entitled to a cash bonus of £25,000 and £50,000 to be satisfied through the issue of ordinary shares, subject to shareholder approval. Long term incentive 20,000,000 share options (refer note 14) were issued to S Dickson and approved by shareholders at the Company's AGM held on 6 November 2017. The options will vest at the rate of 25% per year of each year of employment service by S Dickson.
- Termination payments: Nil.

Non-executive Director and Company Secretary – Mark Pitts

- Contract term: No fixed term. Either party may terminate the letter of employment with three months' notice.
- Remuneration: $36,000 per annum for non-executive director services and $12,000 per annum for Company Secretarial services. Fees are paid to Endeavour Corporate Pty Ltd, an entity associated with Mr Pitts. Additional fees for accounting and administration charges of $2,300 per month are paid to Endeavour Corporate.
- Termination payments: Nil.

Directors and KMP remuneration (consolidated) for the year ended 30 June 2019

	Short-term benefits			Long-term benefits	Post-employment	Share-based payments		
	Cash salary and fees $	Consulting fees $	Shares in lieu of Directors fees $	Long service leave $	Superannuation $	Options (e) $	Total $	Consisting of options %
F K Foo	46,500	-	-	-	-	-	46,500	-
S Dickson	-	231,421	-	-	-	24,700	256,121	10%
M Moore	36,000	-	-	-	-	-	36,000	-
M Pitts(a)	27,000	23,000	-	-	-	-	50,000	-
C S Kwan(b)	9,000	-	-	-	-	-	9,000	-
G Jones(c)	12,000	-	3,000	-	-	-	15,000	-
P Elliott(d)	12,500	-	-	-	-	-	12,500	
Totals	143,000	254,421	3,000	-	-	24,700	425,121	6%

(a) Appointed as a non-executive director on 30 September 2018. Amounts paid for his role as the Company Secretary are included in Consulting Fees above.

(b) Resigned as a non-executive director on 30 September 2018 and appointed as an alternative director to Dr Foo Fatt Kah. For his role as non-executive director, Mr Kwan receives no salary.

(c) Resigned 30 September 2018. Mr Jones agreed to take $1,000 per month of his fees as shares, which were approved and issued subsequent to the Company's 2018 annual general meeting.

(d) Resigned 30 September 2018.

(e) Represents the expenses recognised in this financial year for options issued previously.

Directors and KMP remuneration (consolidated) for the year ended 30 June 2018

	Short-term benefits			Long-term benefits	Post empl-oyment	Share-based payments			
	Cash salary and fees $	Consu-lting fees $	Shares in lieu of Directors' fees (e) $	Long service leave $	Super-annuat-ion $	Shares in lieu of Directors' fees (f) $	Op-tions $	Total $	Consis-ting of options %
Directors									
P Elliott	12,500	-	37,500	-	-	-	-	50,000	-
S Dickson	-	255,568	33,726	-	-	13,800	5,867	308,961	2%
G Jones	38,448	-	21,952	37,500	-	3,600	-	101,500	-
C S Kwan	9,000	-	27,000	-	-	-	-	36,000	-
F K Foo	9,000	-	27,000	-	-	-	-	36,000	-
M Moore	11,257	-	24,000	-	784	-	-	36,041	-
J Testard (a)	44,468	-	-	-	-	2,329	-	46,797	-
Total Directors	124,673	255,568	171,178	37,500	784	19,729	5,867	615,299	1%
Other key management personnel									
M Pitts (b)	-	16,000	-	-	-	-	-	16,000	-
W Corbett	-	3,930	-	-	-	-	-	3,930	-
M Lilley (c)	100,201	16,020	-	-	9,519	-	-	125,740	-
I Polovineo (d)	-	36,600	-	-	-	-	-	36,600	-
Other KMP	100,201	72,550	-	-	9,519	-	-	182,270	-
Totals	224,874	328,118	171,178	37,500	10,303	19,729	5,867	797,569	1%

(a) Resigned 29 March 2018.

(b) Appointed 2 March 2018.

(c) Approximately $60,000 of M Lilley's cash salary was on charged to other companies for her time and is included in consulting revenue in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

(d) Resigned 2 March 2018.

(e) Proposed issuance of shares is subject to shareholder approval. Should the resolution not be passed then these amounts will be paid in cash.

(f) For certain months during the reporting period, Executive Directors elected to receive shares in lieu of director fees. The shares were approved at the Company's AGM in November 2017.

Share holdings and transactions of Key Management Personnel

	Balance at 1 July 2018 / on appointment	Shares issued on exercise of options	Shares granted in lieu of fees	Net change other	Balance at 30 June 2019 / upon resignation
Directors					
F K Foo	53,256,974	-	4,500,000	-	57,756,974
S Dickson	1,380,000	-	8,218,043	-	9,598,043
M Moore	-	-	4,000,000	-	4,000,000
M Pitts	-	-	-	-	-
C S Kwan	362,598,218	-	4,500,000	-	367,098,218
G Jones (a)	13,053,218	-	-	-	13,053,218
P Elliott (b)	32,677,537	-	-	-	32,677,537

(a) Subsequent to his resignation, Mr Jones received 4,158,667 shares in lieu of fees.

(b) Subsequent to his resignation, Mr Elliott received 6,250,000 shares in lieu of fees.

Option holdings and transactions of Key Management Personnel

	Balance at 1 July 2018 / on appointment	Granted as remuneration	Net change other	Balance at 30 June 2019 / upon resignation	Vested and exercisable at 30 June 2019
Directors					
F K Foo	25,207,716	-	(1,000,000)	24,207,716	24,207,716
S Dickson	20,000,000	-	-	20,000,000	10,000,000
M Moore	1,000,000		(1,000,000)	-	-
M Pitts	-	-	-	-	--
C S Kwan	166,317,372	-	(1,500,000)	164,817,372	164,817,372
G Jones	2,800,000	-	-	2,800,000	-
P Elliott	9,751,870	-	-	9,751,870	-

Compensation options: granted and vested during the year

No options were granted during the current financial year. The following options were granted during the previous financial year:

Share-based payments awarded during the previous financial year to Key Management Personnel

KMP	Grant date	Granted no.	Vested no.	Vest-ed %	Total value of options granted (Note 13) $
S Dickson	6 Nov 2017	20,000,000	10,000,000	50	39,000

These options were issued in two equal tranches. The first tranche is exercisable at 3 cents per share on or before 20 November 2021. The second tranche is exercisable at 5 cents per share on or before 20 November 2022. Both tranches vest on the basis of 25% on each anniversary date of the commencement of Mr Dickson's appointment.

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.

Transactions with directors and key management personnel

During the current year, amounts totalling $19,550 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2018: Nil).

During the prior year, the Company entered into a Loan agreement with two of its Directors, Dr Foo Fat Kah and Mr Kwan Chee Seng. The loan amount was for $340,000 with a maturity date of June 2018. Interest of 18% was payable on maturity of the loan and an amount of $15,300 interest was paid equally to each Director totalling $30,600. The loan amount and interest were repaid in full in June 2018. No further loans were provided during to subsequent to the year ended 30 June 2019.

Directors' Benefits, Emoluments and Share Options

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

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

There is no retirement scheme for Non-Executive Directors.

End of Audited Remuneration report.

Directors' Report

Meetings of directors

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director for which they were entitled to attend.

	Board of directors		Audit committee	
	Held	Attended	Held	Attended
P Elliott	1	1	1	1
F K Foo	5	5	1	1
S Dickson	5	5	-	-
M Moore	5	5	-	-
M Pitts	4	4	-	-
C S Kwan	1	1	-	-
G Jones	1	1	1	1

There were five meetings of the board of directors during the financial year, and one meeting of the audit committee.

Upon the resignation of Messrs Elliott and Jones on 30 September 2018, the Directors resolved that, due to the small size of the board, the entire board should act as the Audit Committee. There is currently no remuneration committee. The Board operates the functions of the Audit Committee and the Remuneration and Nomination Committee in accordance with each committee's Charter.

Non-audit services

Neither the Company's current auditor nor previous auditor provided any non-audit services during the year ended 30 June 2019 (2018: Nil).

Signed this 27th day of September 2019 in accordance with a resolution of the Directors.

Stewart Dickson
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Variscan Mines Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
27 September 2019

N G Neill
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Income			
Interest income	3	16,569	4,864
Gain on settlement of share based payments	12	97,641	-
Other income	3	250	204,672
Total income		114,459	209,536
Expenses			
Compliance expenses		(65,512)	(76,730)
Professional services expenses	5(a)	(121,246)	(179,858)
Finance expenses		(1,310)	(30,600)
Occupancy expenses		(5,006)	(49,358)
Depreciation and amortisation	9	(1,721)	(1,435)
Directors expenses		(383,941)	(524,351)
Employee benefits expense		(142)	-
Travel and accommodation expenses		(52,571)	(18,479)
Exploration expenditure expensed and written off	10	(243,290)	(184,051)
Share based payments	13	(24,700)	(5,867)
Impairment of financial assets	8	-	(235,300)
Decrease in value of financial assets	8	(307,700)	-
Other expenses		(16,878)	(101,141)
Total expenses		(1,224,017)	(1,407,170)
Foreign exchange			
Realised gain/(loss) on foreign exchange		(15,141)	-
Unrealised gain/(loss) on foreign exchange		46	1,283
Total foreign exchange gain/(loss)		(15,095)	1,283
(Loss) from continuing operations before income tax expense		(1,124,652)	(1,196,351)
Income tax (expense)	4	-	-
(Loss) from continuing operations after income tax expense		(1,124,652)	(1,196,351)
Discontinued operations			
Gain / (Loss) from discontinued operations	24	672,943	(5,801,194)
(Loss) for the year		(451,709)	(6,997,545)
Other comprehensive income/(loss)			
Items that have been reclassified to profit or loss			
Recognition of net exchange differences on disposal of foreign operation		(527,210)	-
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		-	214,980
Other comprehensive income/(loss) for the period, net of tax		-	214,980
Total comprehensive (loss) for the period		(978,919)	(6,782,565)
Earnings/(Loss) per share (cents per share)			
Basic and diluted (loss) per share – continuing operations	15	(0.09)	(0.17)
Basic and diluted earnings/(loss) per share – discontinued operations	15	0.05	(0.80)
		(0.04)	(0.97)

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	948,358	1,898,067
Receivables	7	19,088	43,157
Assets classified as held for sale	24	-	378,486
Total current assets		967,446	2,319,710
Non-current assets			
Investments	8	362,000	669,700
Property, plant and equipment	9	-	1,721
Deferred exploration and evaluation expenditure	10	37,908	90,268
Total non-current assets		399,908	761,689
Total assets		1,367,354	3,081,399
Liabilities			
Current liabilities			
Trade and other payables	11	117,620	556,513
Liabilities directly associated with assets classified as held for sale	24	-	410,414
Total current liabilities		117,620	966,927
Total liabilities		117,620	966,927
Net assets		1,249,734	2,114,472
Equity			
Contributed equity	12	24,456,205	24,366,724
Reserves	14	153,822	891,632
Accumulated losses		(23,360,293)	(23,143,884)
Total equity		1,249,734	2,114,472

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 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Payment to suppliers and employees		(848,963)	(1,649,410)
Consultancy fees and rental income received		7,553	213,975
R&D tax offset		-	628,273
Interest received		19,314	2,337
Net cash flows used in operating activities	21	(822,096)	(804,825)
Cash flows from investing activities			
Purchase of plant and equipment		-	(840)
Expenditure on mining interests (exploration)		(190,930)	(1,115,316)
Sale of available for sale assets		-	567,055
Cash disposed on sale of subsidiary		(64,157)	-
Deposit received for sale of subsidiary (discontinue operation)		-	200,000
Tenement security deposits & bank guarantees (paid)/recovered		6,565	-
Net cash flows used in investing activities		(248,522)	(349,101)
Cash flows from financing activities			
Proceeds from issue of shares and options		-	2,122,693
Payment of share issue costs		(2,638)	(44,531)
Proceeds from borrowings		-	340,000
Payment for borrowing costs		-	(30,600)
Repayment of borrowings		-	(340,000)
Net cash flows (used in) / from financing activities		(2,638)	2,047,562
Net increase/(decrease) in cash and cash equivalents		(1,073,256)	893,636
Net foreign exchange differences		1,755	5,352
Cash and cash equivalents at beginning of the year		2,019,859	1,120,871
Cash and cash equivalents at end of the year	21	948,358	2,019,859
Cash and cash equivalents at end of the year – continuing operations		948,358	1,898,067
Cash and cash equivalents at end of the year – discontinued operations		-	121,792
Cash and cash equivalents at end of the year		948,358	2,019,859

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 2019

	Consolidated			
	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
At 1 July 2017	22,355,868	(16,364,161)	829,117	6,820,824
(Loss) for the period	-	(6,997,545)	-	(6,997,545)
Other comprehensive income/(loss)	-	-	214,980	214,980
Total comprehensive (loss) for the period	-	(6,997,545)	214,980	(6,782,565)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	2,086,264	-	-	2,086,264
Share based payments	-	-	5,867	5,867
Transfer expired options to Accumulated losses	(75,408)	217,823	(142,415)	-
Transferred to loss for year on sale of investments	-	(1)	(15,917)	(15,918)
At 30 June 2018	24,366,724	(23,143,884)	891,632	2,114,472
At 1 July 2018 – as previously reported	24,366,724	(23,143,884)	891,632	2,114,472
Impact of adoption of AASB 9	-	235,300	(235,300)	-
At 1 July 2018 – restated	24,336,724	(22,908,584)	656,332	2,114,472
(Loss) for the period	-	(451,709)	-	(451,709)
Other comprehensive income/(loss)	-	-	(527,210)	(527,210)
Total comprehensive (loss) for the period	-	(451,709)	(527,210)	(978,919)
Transactions with owners in their capacity as owners:				
Share based payments	92,119	-	24,700	116,819
Share issue costs	(2,638)	-	-	(2,638)
At 30 June 2019	24,456,205	(23,360,293)	153,822	1,249,734

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

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 27 September 2019. Variscan is a for-profit entity for the purposes of preparing the financial statements.

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

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

The nature of the operations and principal activities of the 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).

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 2019. The Consolidated Entity plans to adopt the following standards which are considered relevant, at their application dates as detailed below.

AASB 16 Leases (effective 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The Directors have assessed the likely impact of the adoption of AASB 16 and concluded that it is likely to be immaterial.

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period beginning on or after 1 July 2018. As a result of this review, the Group has initially applied AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers from 1 July 2018.

Due to the transition methods chosen by the Group in applying AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Full details of the Company's accounting policy regarding Financial Instruments is detailed below.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2018 has not been restated. The impact of the adoption of AASB 9, as compared to the previously applicable standard, AASB 139, is as follows:

2. Summary of significant accounting policies (continued)

EQUITY	AASB 139 30 June 2018 $	Impact of change $	AASB 9 30 June 2018 $
Equity attributable to equity holders of the parent			
Contributed equity	24,456,205	-	24,456,205
Reserves	368,822	(235,300)	133,522
Accumulated losses	(23,150,119)	235,300	(22,914,819)
Total equity	1,674,908	-	1,674,908

There would be no impact on other balances or results for the comparative financial periods if the Group had elected to restate comparative financial information.

On initial application date, an election has been made to designate available-for-sale financial instruments that are non-derivative equity instruments at fair value through profit or loss (FVTPL). Previously recognised fair value adjustments in the Investment Revaluation Reserve are transferred from the reserve to accumulated losses. As from the initial application date further gains or losses will be recognised in the Profit or Loss. Where applicable, individually immaterial FVTPL equity instruments have been aggregated for disclosure purposes.

As it is material to the Group, an adjustment of $235,300 has been made to accumulated losses and the Investment Revaluation Reserve as at 1 July 2018 and has been recognised in the Statement of Changes in Equity for the year ended 30 June 2019.

AASB 15 Revenue from Contracts with Customers

From 1 July 2018 the Group has adopted AASB 15 which replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue related Interpretations. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

Since 1 July 2018, the Group recognises revenue as follows, which has not changed from prior periods:

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

The adoption of AASB 15 has not had any effect on the financial performance or position of the Group. No adjustment was required to be recognised to the opening balance of accumulated losses at 1 July 2018 as a result of the adoption of AASB 15.

Other amending Accounting Standards and interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the reporting period commencing 1 July 2018. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the interim financial report.

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.

2. Summary of significant accounting policies (continued)

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 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.

On 29 July 2019 the Company announced that it had entered into an agreement to acquire two advanced zinc projects in Spain, in conjunction with the raising of $3 million via placement to sophisticated and institutional investors, in the following tranches:

- Tranche 1 was completed on 2 August 2019 via the issue of 287,500,000 ordinary fully paid shares at $0.002 per share, raising $575,000 before costs, utilising the Company's existing security placement capacity under ASX listing rules 7.1 and 7.1A; and
- Tranche 2 is expected to be completed, upon the granting of shareholder approval, via the issue of approximately 1,200,000,000 shares at an issue price of $0.002 per share, raising approximately $2,400,000. Furthermore, the Company will seek approval to accept up to an additional $1,000,000.

Of this total amount raised, approximately $600,000 will be used in satisfaction of the cash payments to acquire the Spanish zinc projects, with the rest being available to further the Company's planned exploration and evaluation projects as well as general working capital.

Should shareholder approval not be obtained, or the proposed capital raising not be successful, the Directors are confident that the existing capital of the Company is sufficient to continue work upon the Rosario copper project, investigate further opportunities and meet ongoing working capital requirements for a period of at least twelve months from the date of this report.

Business combinations

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

2. Summary of significant accounting policies (continued)

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

Cash and cash equivalents

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

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

Exploration, evaluation, development

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

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

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

Exploration and evaluation – impairment

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

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

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

Investments and other financial assets

Recognition and derecognition

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

2. Summary of significant accounting policies (continued)

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 39.

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

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

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

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

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

2. Summary of significant accounting policies (continued)

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assts; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset

Trade and other receivables

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

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

Classification and measurement of financial liabilities

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

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

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

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

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.

2. Summary of significant accounting policies (continued)

Plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, namely motor vehicles and plant and equipment – depreciated over 2 - 5 years (2018: 2 - 5 years).

Impairment

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

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

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

Leases

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

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

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

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

Employee entitlements

Wages, salaries, annual leave, and long service leave

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

Superannuation

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

2. Summary of significant accounting policies (continued)

Share-based payment transactions

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

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

Royalties

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

Contract exploration

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

2. Summary of significant accounting policies (continued)

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 profit or loss.

Other taxes

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

Impairment of assets

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

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.

2. Summary of significant accounting policies (continued)

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 Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted and estimates of volatility.

Capitalisation and write-off of capitalised exploration costs

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on assessments of results, various assumptions and other factors such as historical experience, current and expected economic conditions. Refer to Note 10 for further details.

Earnings/Loss per share

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

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

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

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

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.

Non-current assets (or disposal groups) held for sale and discontinued operations.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain in recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain of loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

2. Summary of significant accounting policies (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the profit or loss. The Consolidated Statement of Profit and Loss and Other Comprehensive Income's comparative figures at 30 June 2018 have been restated to reflect the reclassification of the discontinued operation.

3. Income

	2019 $	2018 $
Income		
Interest income	16,569	4,864
Rental income	-	72,855
Consulting fees	-	115,900
Gain on sale of investments	-	15,917
Miscellaneous income	250	-
	16,819	209,536

4. Income tax

	2019 $	2018 $
Prima facie income tax (credit) on operating (loss) at 27.5% (2018: 27.5%)	(124,220)	(1,924,325)
Deferred tax assets not recognised	124,199	1,924,325
Other	21	-
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2019.

The Group has a deferred income tax liability of Nil (2018: Nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. No recognition has been given to any deferred income tax asset which may arise from available tax losses. The Company has estimated its losses at $13,479,386 (2018: $12,749,266) as at 30 June 2019.

A benefit of 27.5% (2018: 27.5%) of approximately $3,706,831 (2018: $3,506,048) associated with the tax losses carried forward will only be obtained if:

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

4. Income tax

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 (2018: Nil) unrecognised tax losses attributable to Variscan Mines SAS which is not tax consolidated with the parent company.

Franking credits

Franking credits of $2,810,116 (2018: $2,810,116) are available for subsequent years.

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

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

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

5. Auditors' remuneration

	2019 $	2018 $
(a) Audit Services		
Amounts received or due and receivable by: **HLB Mann Judd (NSW) Partnership**, for:		
Audit and review of the financial report of Variscan Mines Limited	49,718	48,300
Amounts received or due and receivable by: **HLB Mann Judd (Western Australian Partnership)**, for:		
Audit and review of the financial report of Variscan Mines Limited	16,500[1]	-
Total remuneration for Audit Services	66,218	48,300

On 5 September 2019, the Company announced that HLB Mann Judd (NSW) Partnership had resigned as the Company's auditors and HLB Mann Judd (Western Australian Partnership) were appointed.

1 – represents the accrual for the audit of the financial report for the year ended 30 June 2019.

6. Cash and cash equivalents

	2019 $	2018 $
Cash at bank and in hand	948,358	97,923
Short-term deposits	-	1,800,144
	948,358	1,898,067

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

	2019 $	2018 $
Current		
Trade Debtors	-	7,303
GST/VAT receivable	4,134	13,290
Interest receivable	-	2,746
Prepayments	14,954	12,834
Rental bonds	-	6,565
Other debtors	-	419
	19,088	43,157

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

		2019 $	2018 $
Investment –TMZ	(a)	362,000	669,700
		362,000	669,700

(a) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Ltd (TMZ) at 30 June 2019 was $362,000 ($0.02 per share).

9. Property, plant and equipment

	Motor vehicle $	Plant and equipment $	Total $
Year ended 30 June 2018			
Opening net book amount	11,245	105,744	116,989
Additions	-	840	840
Depreciation expense – continuing operations	-	(1,435)	(1,435)
Depreciation expense – discontinued operations	(9,073)	(47,531)	(56,604)
Transferred to discontinued operations	(2,172)	(55,897)	(58,069)
Closing net book amount	-	1,721	1,721
At 30 June 2018			
Cost	-	70,370	70,370
Accumulated depreciation	-	(68,649)	(68,649)
Net book amount	-	1,721	1,721
Year ended 30 June 2019			
Opening net book amount	-	1,721	1,721
Depreciation expense	-	(1,721)	(1,721)
Closing net book amount	-	-	-
At 30 June 2019			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book amount	-	-	-

10. Deferred exploration and evaluation expenditure

	2019 $	2018 $
Exploration and evaluation phase:		
Costs brought forward	90,268	4,374,186
Costs incurred during the year	37,908	86,753
Expenditure written off during the year	(90,268)	(85,253)
Held for sale – costs incurred during the year	-	1,024,413
Held for sale – expenditure written off during the year (Note 24)	-	(5,217,180)
Held for sale – deferred exploration balance (Note 24)	-	(92,651)
Costs carried forward	37,908	90,268
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	-	90,268
Capitalised costs to acquire interest in Rosario Copper project - Chile	37,908	-
Costs carried forward	37,908	90,268

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.

During the financial year ended 30 June 2019, the Directors reviewed the carrying value of the assets carried forward as Deferred Exploration and Evaluation Expenditure and determined that they should be written off, as they related to the Company's previous interest in Australian exploration projects, which the Company continues to retain royalty rights and other non-controlling rights to. Since completion of the disposal of the Company's French assets during the period, it has focused its exploration resources on its Chilean copper project and to identifying new projects.

11. Current liabilities – payables

	2019 $	2018 $
Trade creditors *	54,212	130,292
Accrued expenses	63,408	210,161
GST payable	-	664
Apollo Minerals deposit for sale of French subsidiary **	-	200,000
Accrued payroll and payroll deductions	-	15,396
	117,620	556,513

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

** During the comparative period the Company received $200,000 being the initial cash consideration for the sale of its French subsidiary. The $200,000 was part of the overall consideration payable by Apollo Minerals to Variscan totalling up to a maximum of $4.25m. In September 2018, legal completion of the sale of the French subsidiary occurred and accordingly the above $200,000 has been recognised in the net gain on disposal of foreign operations in the current financial year.

12. Contributed equity

	2019 $	2018 $
Share capital		
1,271,073,585 (2018: 1,239,446,875) ordinary shares fully paid	25,061,842	24,969,723
Option issue consideration reserve		
593,384,943 (2018: 593,384,943) listed options on issue	528,604	528,604
Share issue costs	(1,134,241)	(1,131,603)
	24,456,205	24,366,724

*A further 20,000,000 (Director and employees) unlisted options are included under Share-based payments in Note 13.

		Number	$
Movements in ordinary shares on issue			
At 1 July 2017		674,088,999	23,198,422
Shares issued	(a)	1,972,933	19,729
Shares issued	(b)	362,377,339	1,449,509
Shares issued	(c)	201,007,604	804,030
Transfer to options issue consideration reserve	(d)	-	(322,574)
Transfer to options issue consideration reserve	(e)	-	(179,393)
At 30 June 2018		1,239,446,875	24,969,723
Shares issued in lieu of directors' fees	(f)	31,626,710	92,119
At 30 June 2019		1,271,073,585	25,061,842

(a) The Company issued 1,972,933 shares at $0.010 per share in December 2017 to Directors in lieu of a proportion of the Directors' cash remuneration payable by the Company for the quarter commencing 1 October 2017 which was approved by shareholders at the AGM held on 6 November 2017.

(b) The Company issued 362,377,339 shares at $0.004 per share in May 2018 under a Rights Issue. An attaching one for one free listed option was issued under the Rights Issue. These options were valued at $322,574 leaving a value of $1,126,934 to be allocated to share capital.

(c) The Company issued 201,007,604 shares at $0.004 per share in June 2018 under a placement of Shortfall relating to the Rights Issue referred to in (e). An attaching one for one free listed option was issued. These options were valued at $179,393 leaving a value of $624,637 to be allocated to share capital.

(d) Value of the options in (e) transferred to option issue consideration reserve of $322,574.

(e) Value of the options in (f) transferred to option issue consideration reserve of $179,393.

(f) The Company issued 24,410,210 shares at $0.002 per share and 7,216,500 shares at $0.006 per share in December 2018 to Directors in lieu of a proportion of Directors' cash remuneration payable by the Company for the period from 1 July 2017 to 30 September 2018 which was approved by shareholders at the AGM held on 5 November 2018. These shares were issued in full satisfaction of outstanding directors' fees totalling $189,760, and accordingly, a gain has been recorded within the loss for the year of $97,641.

12. Contributed equity (continued)

		Number	$
Movements in options on issue			
At 1 July 2017		29,347,830	75,408
Expiry of unlisted options	(a)	(29,347,830)	(75,408)
Listed options granted	(b)	563,384,943	501,968
Listed options granted	(c)	30,000,000	26,636
At 30 June 2018		593,384,943	528,604
At 30 June 2019		593,384,943	528,604

(a) A total of 29,347,830 unlisted options with an exercise price of $0.05 per share expired on 29 January 2018.

(b) The Company issued 563,384,943 listed options with an exercise price of $0.008 per shares and expire on 31 May 2021 under the Rights Issue and placement of Shortfall in May and June 2018. The options were valued at a total of $501,968 using a Black Scholes methodology with an expected volatility of 80% and average risk-free rate of 2.78% which led to an estimated value of $0.0009 per option

(c) The Company issued 30,000,000 options with an exercise price of $0.008 per shares and expire on 31 May 2021 under the Rights Issue and placement of Shortfall in May and June 2018. These options were approved by Board to be issued prior to 30 June 2018 and were issued on 9 July 2018. The options were valued at a total of $26,636 using a Black Scholes methodology with an expected volatility of 80% and risk-free rate of 2.61% which led to an estimated value of $0.0009 per option.

An additional 20,000,000 options are on issue under Share-based payments Note 13.

Terms and conditions of contributed equity

Ordinary shares

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

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

Options

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

13. 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 2019 and 2018.

13. Share-based payments (continued)

Summary of options granted by the parent entity

	2019 no.	2018 no.
Outstanding at the beginning of the year	32,450,000	28,100,000
Granted during the year	-	20,000,000
Expired during the year	(12,450,000)	(15,650,000)
Outstanding at the end of the year	20,000,000	32,450,000

The outstanding balance as at 30 June 2019 is represented by:

- 10,000,000 which expire on 20 November 2021 exercisable at $0.03 per share
- 10,000,000 which expire on 20 November 2022 exercisable at $0.05 per share

There are an additional 593,384,943 listed options under Contributed Equity in Note 12 which is represented by:

- 593,384,943 which expire on 31 May 2021 exercisable at $0.008 per share

Weighted Average disclosures for options granted by the parent entity

	2019	2018
Weighted average exercise price of options at 1 July	$0.05	$0.06
Weighted average exercise price of options granted during period	-	$0.04
Weighted average exercise price of options expired during period	$0.05	-
Weighted average exercise price of options outstanding at 30 June	$0.04	$0.04
Weighted average exercise price of options exercisable at 30 June	$0.04	$0.05
Weighted average contractual life remaining	2.89	2.56
Range of exercise price	$0.03 - $0.05	$0.03 - $0.05

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	Exer-cise price	Expiry date	Expect-ed volatility	Risk-free rate	Expect-ed life years	Estimat-ed fair value	Model used	
Nov 17	10,000,000	$0.03	20 Nov 21	80.00%	2.58%	4.0	$0.0020	Black Scholes	(a)
Nov 17	10,000,000	$0.05	20 Nov 22	80.00%	2.58%	5.0	$0.0019	Black Scholes	(a)
	20,000,000								

(a) 20,000,000 options were issued to Managing Director of the Company S Dickson and approved by shareholders at the Company's AGM held on 6 November 2017. The options will vest at the rate of 25% per year of each year of employment service by Mr Dickson and recognised over this vesting period.

14. Reserves

	2019 $	2018 $
Share-based compensation reserve	153,822	129,122
Investment revaluation reserve	-	235,300
Foreign currency translation reserve	-	527,210
	153,822	891,632

		2019 $	2018 $
Share-based compensation reserve	(i)		
Balance at the beginning of financial year		129,122	265,670
Share-based payment expense		24,700	5,867
Transfer expired options to Retained Earnings		-	(142,415)
Balance at end of financial year		153,822	129,122
Investment revaluation reserve	(ii)		
Balance at the beginning of financial year		235,300	251,217
Investment revaluation reserve adjustment on sale of investment		-	(15,917)
Impact of initial adoption of AASB 9		(235,300)	-
Balance at end of financial year		-	235,300
Foreign currency translation reserve	(iii)		
Balance at the beginning of financial year		527,210	312,230
Effect of exchange rate fluctuation		-	214,980
Recognition of net exchange differences on disposal of foreign operation		(527,210)	-
Balance at end of financial year		-	527,210

(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 13.

(ii) **Investment revaluation reserve**

The investment revaluation reserve recognised the gain or loss (excluding impairment losses) on available for sale investments as per Note 8 for the year ended 30 June 2018. Upon initial adoption of AASB 9, the investment was classified as Fair Value through Profit or Loss and the balance of the reserve was transferred to the opening accumulated losses balance.

(iii) **Foreign currency translation reserve**

The foreign currency translation reserve recognised the net exchange differences on foreign operations. Upon disposal of the net investment in the foreign operation during the year, the balance was recognised in the net gain or loss on disposal.

15. Earnings/(Loss) per share

	2019 $	2018 $
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share:		
From continuing operations	(1,124,652)	(1,196,351)
From discontinued operations	672,943	(5,801,194)
	(451,709)	(6,997,545)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,260,069,223	721,193,122
	Cents per share	**Cents per share**
Basic and diluted earnings/(loss) per share:		
From continuing operations	(0.09)	(0.17)
From discontinued operations	0.05	(0.80)
	(0.04)	(0.97)

For the year ended 30 June 2019, all potential ordinary shares for the calculation of diluted loss per share from continuing operations are considered anti-dilutive. Potential ordinary shares for the calculation of diluted loss per share from discontinued operations have been assessed to have nil impact on with weighted average number of shares and therefore no impact on earnings per share.

For the year ended 30 June 2018, all potential ordinary shares for the calculation of diluted loss per share from both continuing and discontinued operations are considered anti-dilutive.

16. Key management personnel

Key management personnel (KMP) remuneration

	2019 $	2018 $
Compensation for key management personnel		
Short-term employee benefits	400,421	724,170
Long-term employee benefits	-	37,500
Post-employment benefits	-	10,303
Share-based payments	24,700	25,596
Total compensation	425,121	797,569

17. 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	2019	2018	2019	2018
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mines SAS	France	-	100	-	2,461,379
Variscan Mines Europe Limited *	UK	100	100	1	1

Variscan Mines SAS (France) was disposed on 14 September 2018. Variscan Mines Europe Limited was incorporated on 29 January 2018.

17. Related party disclosures (continued)

Transactions with key management personnel

During the prior year, the Company entered into a Loan agreement with two of its Directors, Dr Foo Fat Kah and Mr Kwan Chee Seng. The loan amount was for $340,000 with a maturity date of June 2018. Interest of 18% was payable on maturity of the loan and an amount of $15,300 interest was paid equally to each Director totalling $30,600. The loan amount and interest were repaid in full in June 2018.

During the current year, amounts totalling $19,550 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2018: Nil).

18. 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. Percentage equity interests in joint ventures at 30 June 2019 were as follows:

Variscan Mines Limited (New South Wales – gold, base metals and iron)	% interest 2019	% interest 2018
Hillston – diluting to 16%	39.2%	39.2%
Mundi Plains[1]	-	12.4%
Callabonna – diluting to 30%	49%	49%
Junction Dam –base and precious metals rights	9.9%	9.9%
Junction Dam – uranium rights[3]	0%	0%

1 – During the period the Company's 12.4% interest in the Mundi Plains Joint Venture lapsed.

2 - Junction Dam – uranium rights. The Company has retained a 3.75% net profits royalty on production from a uranium mine.

19. 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 Board of Directors receives information on the exploration expenditure incurred. This information is disclosed in Note 10 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 10.

Regarding the Investing segment, the Board of Directors reviews the value of investments held in other exploration companies. The value of the investing segment is disclosed in Note 8 of this financial report. Segment revenues and other income are disclosed in Note 3 (interest received and gains on disposal of investments). Financial information about each of these tenements is reported to the Managing Director on an ongoing basis.

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

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

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

20. Commitments

Lease commitments

The Company previously had obligations under the terms of lease agreements for office premises in France as follows:

	2019 $	2018 $
Payable not later than one year	-	39,057
Payable later than one year and not later than five years	-	27,754
	-	66,811 *

* The above amount formed part of the sale of the French subsidiary and has been netted off against the transaction consideration.

Exploration licence expenditure requirements

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

There are nil exploration licence commitments at year end (2018: nil).

21. Statement of Cash Flows

	2019 $	2018 $
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
Operating loss after income tax	(451,709)	(6,997,545)
Depreciation	1,721	54,382
Exploration expenditure expensed or written-off	243,290	5,302,432
Share-based payment expense	24,700	5,867
Impairment of investments	307,700	235,300
Gain on settlement of share-based payments	(97,641)	-
Shares issued in lieu of fees	18,582	
Provisions for annual leave and long service leave	-	(72,853)
Foreign exchange variances	(1,755)	-
Non-cash gain on disposal of foreign operation	(816,774)	-
Non-cash gain on sale of investment	-	(15,917)
Other	-	59,311
Change in assets and liabilities:		
(Increase)/decrease in receivables	17,505	489,520
(Decrease)/increase in trade and other creditors	(67,715)	134,678
Net cash outflow from operating activities	(822,096)	(804,825)

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.

	2019 $	2018 $
The balance at 30 June comprised:		
Cash and cash equivalents (including cash balance classified as held for sale)	948,358	219,715
Money market securities – bank deposits (Note 6)	-	1,800,144
Cash on hand	948,358	2,019,859

22. Financial risk management objectives and policies

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

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

Capital management

The Group considers its capital to comprise its ordinary share capital and its retained earnings, net of accumulated losses.

In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt at the year end hence has a nil gearing ratio.

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

Financial instrument risk exposure and management

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

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

General objectives, policies and processes

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

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

Liquidity risk

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

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

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

22. Financial risk management objectives and policies (continued)

Interest rate risk

At reporting date, the Group is exposed to floating weighted average interest rates at 30 June 2019 for financial assets as follows:

	2019	2018
Weighted average rate of **cash** balances	0.02%	0.02%
Cash balances	$948,358	$219,715
Weighted average rate of **term deposits and at call accounts**	-	2.03%
Term deposits and at call accounts	-	$1,800,144

All other financial assets and liabilities are non-interest bearing

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

Risk exposure and responses	Pre tax loss		Equity	
Judgements of reasonably possible movements:	Lower/ (higher)		Lower/ (higher)	
Consolidated	2019 $	2018 $	2019 $	2018 $
+1% (100 basis points)	9,483	20,199	9,483	20,199
-1% (100 basis points)	(9,483)	(20,199)	(9,483)	(20,199)

Share market risk

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

Credit risk

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

The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

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

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The Group does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency. The Group is primarily exposed to change in USD/$ exchange rates for the year ended 30 June 2019, although this exposure and all other foreign currency exposure during the current financial year has been assessed as immaterial. During the year ended 30 June 2018, the Company had a material exposure with respect to EURO/$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arose mainly from Euro expenditure in the Group's French operation during the prior financial year and the impact on other components of equity arose from foreign currency translations.

22. Financial risk management objectives and policies (continued)

Sensitivity

	Impact on post tax profit		Impact on other components of equity	
	2019 $	2018 $	2019 $	2018 $
EURO/$ exchange rate – increase 10%	-	(102,253)	-	66,886
EURO/$ exchange rate – decrease 10%	-	102,253	-	(66,886)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows (the Group has no material exposure to EURO foreign currency risk for the year ended 30 June 2019):

	EURO converted to AUD	
	2019 $	2018 $
Trade receivables	-	35,154
Trade payables	-	116,441
Exploration asset	-	92,651

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	2019 $	2018 $	2019 $	2018 $
+20%	-	-	72,400	133,940
-20%	-	-	(72,400)	(133,940)

Accounting policies

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

Fair value of financial assets and liabilities

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

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

All financial assets and liabilities are denominated in Australian dollars during the year ended 30 June 2019. During the year ended 30 June 2018, the Group held a bank account though Variscan SAS, the French subsidiary and a Euro bank account held by the parent entity.

Fair value risk

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

22. Financial risk management objectives and policies (continued)

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.

2019	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial assets	**$**	**$**	**$**	**$**
Investments	362,000	-	-	362,000
Total financial assets	362,000	-	-	362,000

2018	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial assets	**$**	**$**	**$**	**$**
Investments	669,700	-	-	669,700
Total financial assets	669,700	-	-	669,700

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.

23. Parent entity information

Information relating to the parent entity Variscan Mines Limited:	2019 $	2018 $
Current assets	964,994	1,879,596
Total assets	1,156,080	4,829,364
Current liabilities	117,620	556,513
Total liabilities	117,620	556,513
Net Assets	1,038,460	4,272,851
Issued capital	24,456,205	24,366,724
Accumulated losses	(23,571,567)	(20,360,795)
Investment revaluation reserve	-	137,800
Share based payment reserve	153,822	129,122
Total shareholders' equity	1,038,460	4,272,851
(Loss) of the parent entity	(3,210,772)	(1,138,232)
Other comprehensive income	(527,210)	182,823
Total comprehensive (loss) of the parent entity	(3,737,982)	(955,409)

The parent entity has lease commitments as stated in Note 20. The parent entity holds the lease commitment for its subsidiaries.

24. Discontinued operations

On 14 September 2018, legal completion of the sale of the French subsidiary (Variscan Mines SAS) to Apollo Minerals Limited occurred.

(a) Details of the sale of the subsidiary

	14 Sep 2018
	$
Cash consideration received	200,000
Total sale consideration	200,000
Carrying amount of net liability sold	367,410
Gain on sale before income tax and reclassification of foreign currency translation reserve	567,410
Income tax expense	-
Reclassification of foreign currency translation reserve	527,210
Gain on sale after income tax	1,094,620

Net liabilities at date of sale

	14 Sep 2018
	$
Assets	
Cash and cash equivalents	64,157
Receivables	16,664
Property, plant & equipment	48,397
Deferred exploration and evaluation expenditure	95,257
Total Assets	224,475
Liabilities	
Trade and other payables	(410,266)
Provisions	(181,619)
Total Liabilities	(591,885)
Net liabilities at date of sale	(367,410)

24. Discontinued operations (continued)

(b) Financial performance and cash flows of the discontinued operation

The financial performance and cash flow information presented are for the period from 1 July 2018 to 14 September 2018 and the year ended 30 June 2018 respectively.

	14 Sep 2018	30 June 2018
	$	$
Financial Performance		
CIR (R&D) refund	-	229,439
Exploration expenditure	-	(5,217,180)
Employee costs net of on-charges to exploration projects	(349,227)	(470,837)
Other operating expenses	(72,450)	(342,616)
Loss from discontinued operations	(421,677)	(5,801,194)
Income tax expense	-	-
Loss after income tax from discontinued operations	(421,677)	(5,801,194)
Gain on sale of subsidiary after income tax – refer (a)	1,094,620	-
Gain / (loss) from discontinued operations	672,943	(5,801,194)
Cash Flows		
Cash flows from operating activities		
Payments to suppliers and employees	(134,815)	(660,221)
CIR (R&D) refunds	-	628,273
Expenditure on mining interests (exploration)	-	(1,028,563)
Effects on exchange rate on cash	1,755	5,349
Net cash (outflows) from discontinued operations	(133,060)	(1,055,162)

(c) Assets and liabilities held for sale

The major classes of assets and liabilities comprising the operation classified as held for sale at 30 June 2018 are as follows:

	30 June 2018
	$
Current assets	
Cash and cash equivalents	121,792
Receivables	105,974
Property, plant & equipment	58,069
Deferred exploration and evaluation expenditure	92,651
Assets classified as held for sale	378,486
Current liabilities	
Trade and other payables	(256,818)
Provisions	(153,596)
Liabilities directly associated with assets classified as held for sale	(410,414)
Net liabilities classified as held for sale	(31,928)

25. Events after the reporting date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 1 July 2019 the Company announced an Amendment to the Option Agreement to acquire the Rosario Copper Project in Chile (the "Unilateral Purchase Option Contract"). Through this amendment, the Company has, subsequent to year end, made payment of USD25,000 to acquire a 10.4% interest in the project. Further staged payments of up to USD2,250,000 can be made by the Company to increase its ownership interest to 90%. Finally, upon the satisfaction of certain milestones, a maximum additional amount of USD2,000,000 may be payable to the vendors;
- On 29 July 2019 the Company announced that it had entered into an agreement to acquire two advanced zinc projects in Spain from Slipstream Resources Investments Pty Ltd. The two projects, Novales-Udias and Guajaraz, include granted mining tenements and are located in established mining jurisdictions. Consideration to acquire the projects is through the issue of 1,100,000,000 ordinary shares at $0.002 ($2.2 million) and the assumption of $0.6m in cash debt. Additional milestone-based consideration of up to 1,100,000,000 shares at $0.002 ($2.2 million) may be payable upon the satisfaction of certain performance milestones. Finally, shareholder approval and a minimum equity raising of $2.4 million is required to complete the transaction; and
- On 2 August 2019 the Company allotted 287,500,000 ordinary shares at $0.002 per share raising $575,000 before costs.

Directors' Declaration

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 20 to 52 are in accordance with the *Corporations Act 2001*, including:

      (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

      (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2019 required by section 295A of the *Corporations Act 2001*.

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

Stewart Dickson
Managing Director

27 September 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REPORT

To the members of Variscan Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Variscan Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key Audit Matter	**How our audit addressed the key audit matter**
Going Concern Note 2	
The Group has net assets of $1,249,734 and a working capital surplus of $849,826 at 30 June 2019. Cash balances of $948,358 were held at 30 June 2019 with the entity recording cash outflows of $822,096 for the year then ended.	We considered the appropriateness of the going concern basis of accounting by evaluating and testing the cash flow projections prepared by the Group. We vouched cash receipts of $575,000 from the capital raising subsequent to balance date to supporting documentation, assessed the reasonableness of forecast expenditure and obtained representations from the directors as

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Key Audit Matter	How our audit addressed the key audit matter
Going Concern (cont) Note 2	
If the directors of the Company deemed it inappropriate for the financial statements to be prepared on the going concern basis, the values of certain assets and liabilities as set out in the financial statements may have significantly differed. The going concern basis of accounting was a key audit matter due to the potential for a material uncertainty relating to this matter.	to the adequacy of cash resources and the completeness of financial statement disclosures in respect of going concern. Our responsibilities in respect of the going concern basis of accounting are included below under *Auditor's responsibilities for the audit of the financial report*. In the directors' opinion the receipt of funds subsequent to balance date removed any uncertainty relating to going concern. We concur with the directors' assessment.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
27 September 2019

Norman Glass

N G Neill
Partner

Schedule of Tenements

Schedule of Tenements, as at 24 September 2019

Tenement	Tenement No.	Interest	Joint Venture Details
New South Wales			
Broken Hill			
Willyama	EL 8075	0%	Note 1
Hillston	EL 6363	39.2%	Perilya can earn 80%, Eaglehawk 9.8%
Native Dog	EL 8236	0%	Note 1
Lachlan Fold Belt			
Woodlawn South	ELs 7257 and 7469	0%	Royalty interest only
South Australia			
Junction Dam	EL 5682	9.9%	Teck 87%, Eaglehawk 2.5%, Marmota 100% in uranium rights only, Note 2
Callabonna	EL 5360	49%	Red Metal 51%, can earn 70%
France (Note 3)			
St Pierre	PER	100%	
Beaulieu	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 an NSR (Net Smelter Return).

Note 2: Marmota has earned 100% of the uranium rights only in EL 5682 (previously EL 4509). Variscan has retained a 3.75% net profits royalty on production from a uranium mine. These interests are calculated at 30 June 2019.

Note 3: The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) have been conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. Pursuant to the approval for the Subsidiary Sale, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining licences. The Company has approved the relinquishment request and to-date three of the five remaining licences have been relinquished. The timetable for the completion of the relinquishment process is unknown.

Note 4: On 1 July 2019 the Company announced that it had renegotiated the existing Unilateral Purchase Option Contract ("Option Agreement") with the vendors of the Rosario Copper Project to provide the Company with a participating interest of 10.4% in the four original tenements, and also an additional license area referred to as "Abandonara". Details of these tenements are as follows:

Tenement (Note 4)	Tenement No.	Property Size
Rosario 6 1-40	0310259624	194ha
Rosario 7 1-60	0310259632	190ha
Rosario 101	03102N2229	300ha
Salvadora 1-14	0310231355	60ha
Abandonara	0310248487	100ha

Summary of Joint Ventures and Governance Framework

Summary of Joint Ventures, as at 24 September 2019

Callabonna EL 5360, SA

Variscan 49%. Red Metal has earned a 51% interest by spending $1 million and can earn 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 5682, SA

Variscan 9.9%, Teck 87% and Eaglehawk 2.5% in base and precious metal rights. Variscan can elect to participate at its interest rate current at the time of election, or dilute to an NSR royalty.

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

Woodlawn South ELs 7257 and 7469, NSW

Variscan holds an NSR royalty interest in both these tenements.

Willyama and Native Dog, ELs 8075 and 8236 NSW

Under various agreements with Silver City Minerals Limited, Variscan holds an NSR royalty interest in each of these tenements.

Governance Framework

The Board of Variscan Mines Limited (Variscan) has responsibility for corporate governance for the Company and its subsidiaries (the Group) and has implemented policies, procedures and systems of control with the intent of providing a strong framework and practical means for ensuring good governance outcomes which meet the expectations of all stakeholders.

The Corporate Governance Statement, dated 30 June 2019 and approved by the Board on 16 October 2019, sets out corporate governance practices of the Group which, taken as a whole, represents the system of governance.

The framework for corporate governance follows the 3rd Edition of the ASX Corporate Governance Council's Principles and Guidelines. The Directors have implemented policies and practices which they believe will focus their attention and that of their Executives on accountability, risk management and ethical conduct. The Board will continue to review its policies to ensure they reflect any changes within the Group, or to accepted principles and good practice.

Where the Board considers the Group is not of sufficient size or complexity to warrant adoption of all the recommendations set out in the ASX Corporate Governance Council's published guidelines, these instances have been highlighted.

This Corporate Governance Statement together with governance policies and committee charters is available on our website at https://www.variscan.com.au/index.php/corporate-information/corporate-governance.

Shareholder Information

Information relating to shareholders at 24 September 2019.

Ordinary fully paid shares

1,558,573,585 fully paid ordinary shares on issue.

Options

593,384,943 listed options and 20,000,000 unlisted options on issue.

Substantial shareholders	Shareholding
CITICORP NOMINEES PTY LIMITED	347,397,172
DELPHI UNTEMEHMENSBERATUNG AKTIENGESELLSCHAFT	227,500,000

As at 24 September 2019, there were 1,080 shareholders with less than a marketable parcel of $500.

Top 20 shareholders of ordinary shares	Number	%
CITICORP NOMINEES PTY LIMITED	347,552,747	22.3
DELPHI UNTEMEHMENSBERATUNG AKTIENGESELLSCHAFT	227,500,000	14.6
WAINIDIVA PTY LTD	60,000,000	3.8
BNP PARIBAS NOMS PTY LTD <DRP>	55,053,529	3.5
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,182,278	2.8
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	40,054,075	2.6
MR CHEN-KANG WANG	31,220,010	2.0
RAREWEALTH CORPORATION PTY LTD <SMITH SHARE A/C>	30,000,000	1.9
MR CHRIS CARR & MRS BETSY CARR	27,000,000	1.7
RECO HOLDINGS PTY LTD <RECO SUPER FUND A/C>	26,019,030	1.7
SYRACUSE CAPITAL PTY LTD <THE TENACITY A/C>	21,500,000	1.4
MR BYRON SCHAMMER	20,919,992	1.3
JAWAF ENTERPRISES PTY LTD	20,000,000	1.3
MR PATRICK JAMES DYMOCK ELLIOTT	19,673,421	1.3
MR JOHN VIEIRA & MRS TRACEY LOIS VIEIRA <BAYVIEW RETIREMENT	19,583,333	1.3
PANSTYN INVESTMENTS PTY LTD	19,254,117	1.2
SLAM CONSULTING PTY LTD	17,238,730	1.1
LAWRENCE CROWE CONSULTING PTY LTD <L C C SUPER FUND A/C>	16,700,000	1.1
JETOSEA PTY LTD	16,662,190	1.1
DR FATT KAH FOO	15,131,619	1.0
Total of top 20 holdings	**1,075,245,071**	**69.0**
Other holdings	483,328,514	31.0
Total fully paid shares issued	**1,558,573,585**	**100.0**

Distribution of shareholders		
Range	**No of shareholders**	**Ordinary shares**
1 – 1,000	336	132,350
1,001 – 5,000	179	470,139
5,001 – 10,000	130	1,066,001
10,001 – 100,000	329	13,642,810
100,001 – and over	318	1,543,262,285
	1,292	**1,558,573,585**

Shareholder Information

Top 20 option holders of listed options	Number	%
CITICORP NOMINEES PTY LIMITED	155,507,673	26.21
RAREWEALTH CORPORATION PTY LTD <SMITH SHARE A/C>	25,000,000	4.21
JAWAF ENTERPRISES PTY LTD	20,000,000	3.37
SLAM CONSULTING PTY LTD	19,738,730	3.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,382,853	3.27
RECO HOLDINGS PTY LTD <RECO SUPER FUND A/C>	19,061,953	3.21
SYRACUSE CAPITAL PTY LTD <THE TENACITY A/C>	17,500,000	2.95
SCHAMMER PTY LTD <SCHAMMER FAMILY A/C>	17,500,000	2.95
FIRST INVESTMENT PARTNERS PTY LTD	15,605,921	2.63
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	15,273,670	2.57
MR JOHN VIEIRA & MRS TRACEY LOIS VIEIRA <BAYVIEW RETIREMENT	14,583,333	2.46
MR PATRICK JAMES DYMOCK ELLIOTT	13,423,421	2.26
RAVEN INVESTMENT HOLDINGS PTY LTD <RAVEN INVESTMENT A/C>	12,500,000	2.11
MR MARK ANDREW TKOCZ	10,100,000	1.70
LAWRENCE CROWE CONSULTING PTY LTD <L C C SUPER FUND A/C>	10,000,000	1.68
RATDOG PTY LTD	10,000,000	1.68
MR MICHAEL SEAN HOBBS & MS ANN KELLY <HOBBS S/F A/C>	9,788,981	1.65
PANSTYN INVESTMENTS PTY LTD	8,751,871	1.48
MS YAFEN ZHU	7,750,095	1.31
JETOSEA PTY LTD	7,500,000	1.26
Total of top 20 holdings	**428,968,501**	**72.29**
Other holdings	164,416,442	27.71
Total fully paid shares issued	**593,384,943**	**100.00**

Distribution of listed option holders		
Range	**Number of option holders**	**Options**
1 – 1,000	9	6,523
1,001 – 5,000	9	31,557
5,001 – 10,000	4	34,702
10,001 – 100,000	34	1,482,966
100,001 – and over	116	591,829,195
	172	**593,384,943**

Voting rights

There are no restrictions on voting rights for ordinary shares. 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.

Option holders have no voting rights until the options are exercised.

There is no current on-market buy-back.


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Variscan Mines Limited (ASX:VAR)
ABN: 16 003 254 395