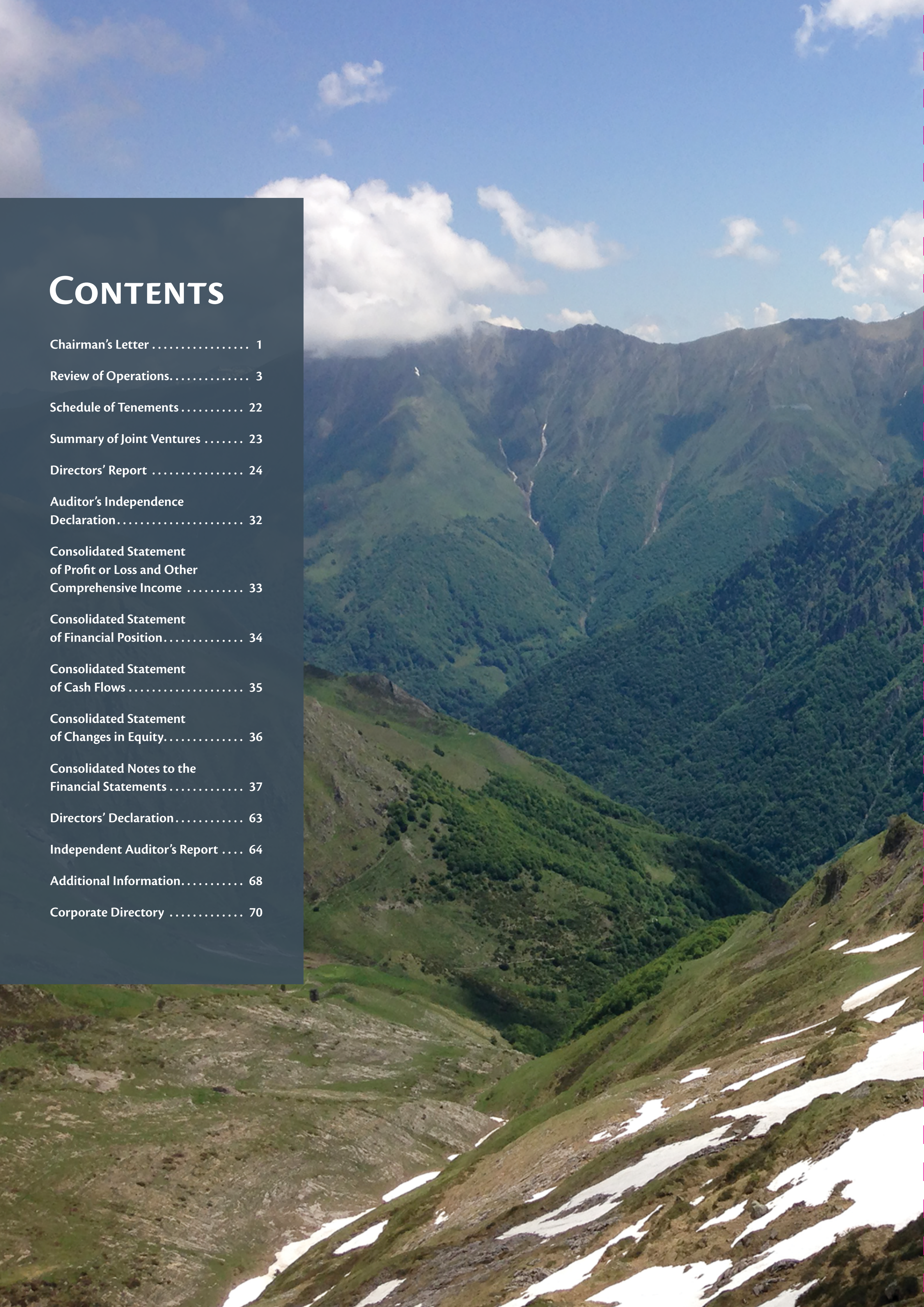
variscan mines

# Annual Report 2017



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# HIGHLIGHTS

## Attractive Asset Portfolio

- 7 licences provide multi-commodity diversification
- VAR is the largest holder of exploration permits (PER) in France
- Proximity to regional and export markets
- Independent Technical Assessment Report recently published

## Merléac – Zinc

- The Company has been unable to commence drilling which it is legally entitled to do due to a lack of political clarity arising from the recent presidential and parliamentary elections
- Company engaged with all levels of the French government, relevant authorities and stakeholders to progress with the proposed drilling in the short term

## St Pierre – Gold

- Focus of fieldwork during 2016 and 2017
- Completion of the first RC drill programme in France at Belleville
- Completion of focused diamond drilling at Ville Tirard

## Couflens – Tungsten

- Couflens JV with Apollo Minerals (AON:ASX) declared unconditional
- Application for Couflens licence transfer made
- Significant amount of future news-flow to be generated

## Corporate

- Multi-disciplinary board with local and international experience
- Supportive cornerstone investors
- Sale of non-core investments resulting in non-dilutive cash inflow of A$0.56M
- AIM listing well advanced and ready for more favourable market conditions

## New Growth Opportunities

- Mining industry re-shaping presents opportunities
- Will selectively pursue other value accretive development and production opportunities in low risk regions

# Chairman’s Letter

Dear fellow Variscan shareholders

**The Past Year**

As we are all aware we have focussed our efforts on executing our strategy of targeting ‘brownfields’ minerals projects in France. Whilst we have made sound progress in some areas the speed of our progress has been slower than we expected. Much of this has been due to Variscan being the pioneer of modern mineral exploration in France where there has been minimal activity for over 20 years. In addition, the election of the Macron Government has seen a pause in decision making as the new Government deals with policy changes in more important areas.

On the positive side, we have seen our Couflens Joint Venture transferred to Apollo Minerals who have commenced work. Variscan has a 20% Free Carried Interest until EUR 25 million in expenditure or completion of Definitive Feasibility Study. If the full EUR 25 million is spent by Apollo Minerals this equates to A$9.3 million being spent on Variscan’s behalf. Couflens includes the Salau mine, previously a significant tungsten producer, and contains a lot of potential with the application of modern exploration expertise and expenditure.

We have successfully undertaken our first drilling program in France on the St Pierre gold property. Whilst the results were somewhat disappointing, they have confirmed that the area has very good potential to host gold deposits but that additional drilling will be required. It is important to note that we completed this program with no adverse issues in relation to health and safety or environmental matters. This is a real demonstration to the relevant authorities that Variscan is a responsible and careful mineral exploration operator.

**Merleac Zinc Deposit**

At Merleac, we are working on finalising approvals so we can undertake our planned drilling program. It is difficult to place a timeframe on these approvals as the Macron Government deals with many other issues.

France remains an attractive jurisdiction for mineral exploration investment but there is a need for greater clarity of policy. We expect this to emerge as the new Government works through its agenda of changes. Given the uncertainty on the timing of that policy clarity we are continuing to pursue the exploration of Merleac but otherwise limiting exploration work in France.

There is a lot of potential value to be unlocked at Merleac which includes the Porte-aux-Moines zinc deposit.

At Porte-aux-Moines we have a Mineral Resource as at 31 May 2016 of 2.2 million tonnes of Indicated and Inferred Resources grading 6.0% zinc, 1.3% lead, 0.8% copper, 80.6 g/t silver and 0.9 g/t gold. An initial drilling program has been designed with the objective of improving the confidence levels of the resource.

The VTEM (Versatile Time Domain Electromagnetic) and soil/rock chip geochemistry programs that we undertook show strong evidence that additional new volcanogenic massive sulphide deposits will be found in the same rock sequences that host Porte-aux-Moines.

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

**New Resource Opportunities**

We are also actively pursuing new resource opportunities that meet the following general criteria:

1. Our Board and Management bring a competitive edge to those opportunities;
2. These potential new ventures are what we describe as “strategic metals” that can be expected to benefit from some of the major trends such as the shift towards electric vehicles;
3. They are brownfields or known resource possibilities rather than greenfield exploration; and
4. They are in jurisdictions that are “mining friendly”.

**Investments**

To provide additional capital through this process we have elected to sell our shareholdings in Silver City Minerals Limited and Eastern Iron Limited. This decision has little to do with the prospects for those companies but is about Variscan’s need to concentrate its financial resources on direct activities. Further, the sale of these investments did not dilute existing shareholders. Variscan does remain a significant shareholder in Thomson Resources Ltd which is undertaking a drilling program on the Bygoo, NSW tin prospects with very encouraging results to date.

# Chairman's Letter

### Market and Economic Conditions

The hard part for all Variscan shareholders has been the deterioration in our share price over the past year by around 50%. This is against a backdrop of generally positive equity and metals markets. The S&P/ASX Metals and Mining Index has risen by some 20% and the London Metals Exchange 3 month zinc price is up around 33%. Our positioning with the very attractive Porte-aux-Moines zinc deposit with its significant upside potential from a drilling campaign, has to some degree been justified by market movements. However, our ability to capitalise on the potential and create value for our shareholders and the French economy, are hampered by the slowness of approvals in France.

Metals demand continues to grow modestly in line with GDP growth. With the hiatus in exploration and major mine development since 2012, many metal prices have recovered well. We expect this to generally continue as in many cases even higher prices are required to act as incentives for new mine investment.

Monetary policies generally remain accommodative with Central Banks especially the European Central Bank, People's Bank of China and Bank of Japan. The US Federal Reserve has increased interest rates modestly over the past year but appear very cautious about future moves to tighten policy in the absence of much evidence of a strong growth in the US economy. With this background the outlook remains for a continuation of historically very low or negative interest rates. How long this remains the case against a backdrop of rising debt levels is the big question. So far, the easy money policies have inflated asset prices but have yet to become evident in a strong uptick in goods and services inflation (outside of Government charges) which reflects strong demand and capacity constraints. In many countries there appears to be ample spare capacity and, if anything, ongoing deflationary forces especially in goods.

In summary, we expect to see the improvement in many commodity prices we have seen over the past year continuing, thus providing a sound outlook for our endeavours.

### AIM Listing

During the year we commenced preparation for a companion listing on the AIM Market in London. These preparations are well advanced and we have evidence of good market interest in the UK and Europe. However, the delays on the drilling approvals at Merleac and our consequent low share price has caused us to delay our plans for the AIM dual-listing.

### Management

We have seen a significant management change with Greg Jones, our Managing Director stepping down after 8 years. We are indebted to Greg for his sound and strong leadership of our small executive team. Greg remains as Technical Director on a part-time basis so we are not losing the organisational memory or Greg's in depth technical knowledge.

In May 2017 Variscan appointed Stewart Dickson as Chief Executive Officer. We are delighted to have Stewart join us. Stewart brings an extensive experience in mining finance which complements the technical skills of Greg Jones. We are already seeing the benefits of these complementary skills.

### Outlook

In the coming year shareholders can look forward to:

- Positive news from the work being undertaken by Apollo Minerals on Couflens;
- Possible drilling of a Merleac zinc deposits; and
- Involvement in new resources assets.

The background outlook for metal prices is positive and your Board is working hard to achieve a recovery in the Company's valuation.

Yours sincerely,

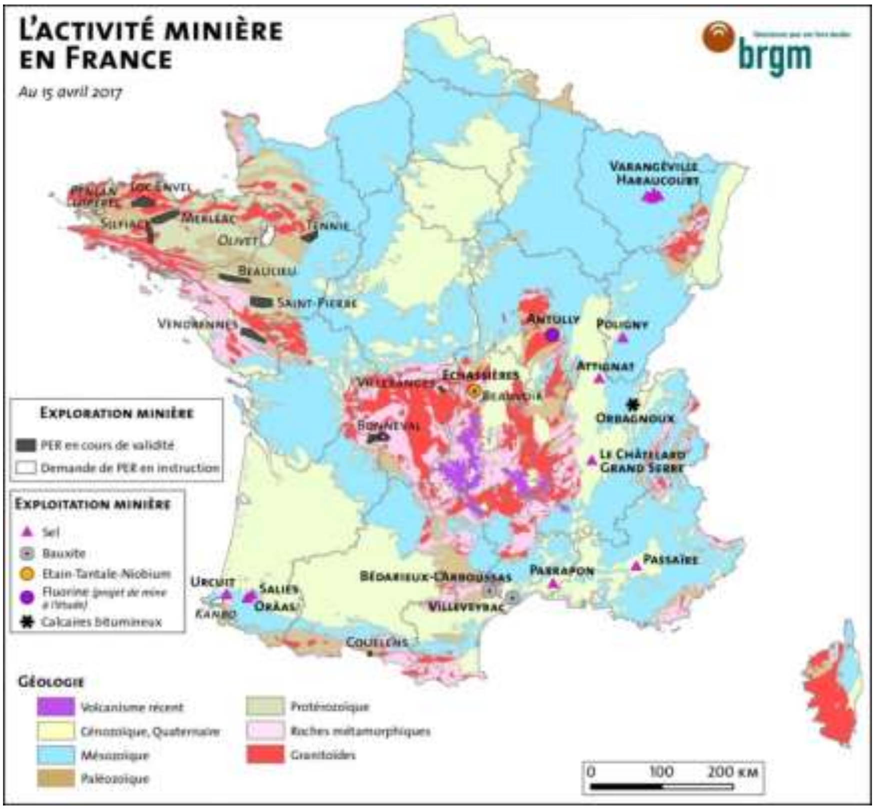
**Pat Elliott**
Chairman

## Overview

Since 2011 when the Company moved its focus to France, Variscan Mines has made a significant investment in-country based on the following positive factors:

- Favourable geology;
- Good mineral endowment;
- Excellent infrastructure;
- Skilled workforce; and
- Low risk jurisdiction

Since Variscan entered France, the country has seen both foreign and domestic corporations increasing levels of mineral resource exploration and development activity. This is consistent with increased levels of mining related activities across Europe.




*Mineral mining and exploration permits in France. Source: BRGM*

Variscan is one of the most active explorers in France. As a result of an early-mover advantage the Company has been successful in building a portfolio of attractive projects and holds the largest number of exploration licences (PER) in France.

Variscan now holds seven PERs which it considers there is good potential for short term resource generation and/or major new discoveries. The projects are primarily situated in Brittany, western France with an additional project (Couflens) under a joint venture in the Midi-Pyrénées, southern France.

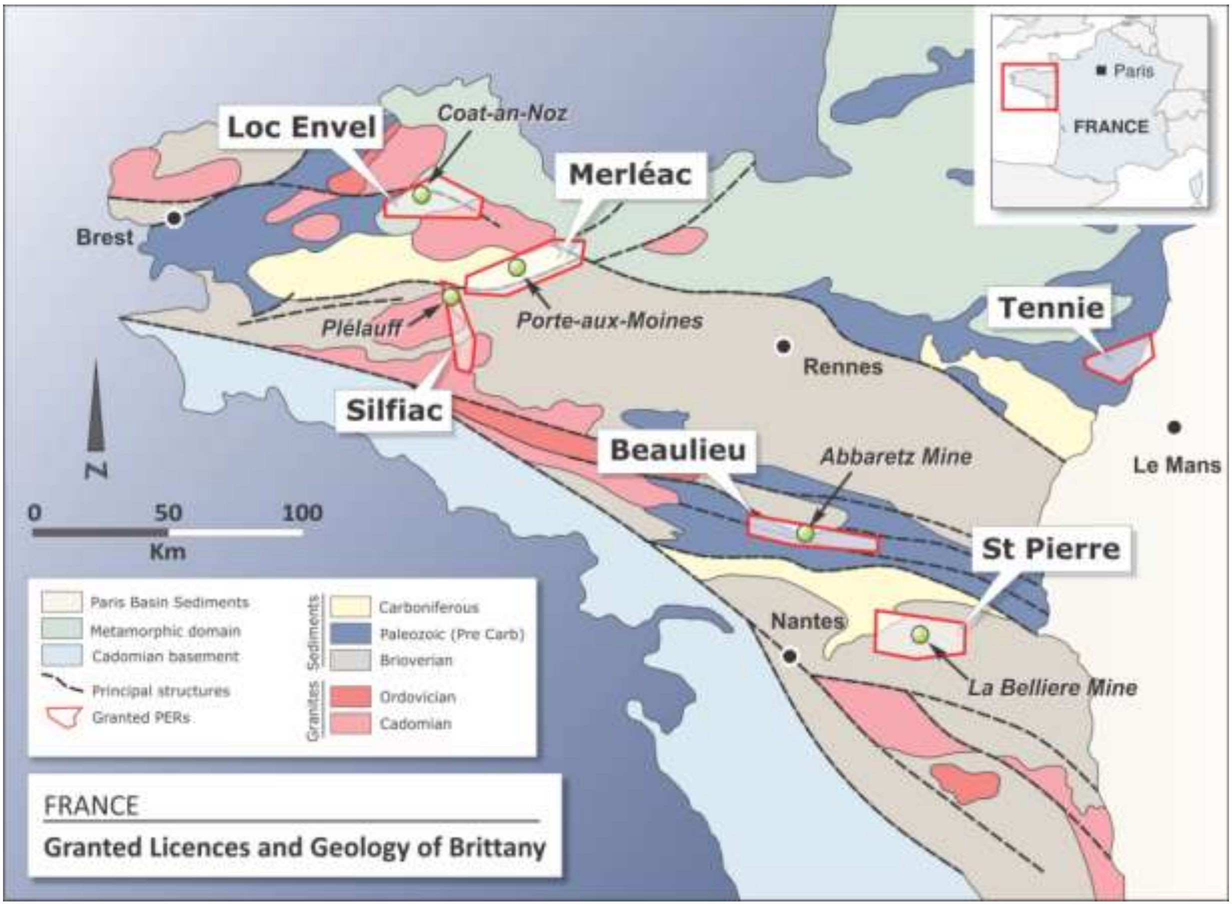
The Company' portfolio of projects are considered lower risk as they have been acquired over areas which have substantial old mine workings, mineralised zones defined by former exploration or contain non-JORC mineral resources as defined by previous owners.

# Review of Operations

| Project | Area (kmsq²) | Metal | Former Mine | High grade exploration results | BRGM data available | Historical Mineral Resource Estimate | JORC Mineral resource Estimate |
|---|---|---|---|---|---|---|---|
| Merléac | 411 | Zn, Pb , Cu, Ag, Au | | | | | |
| Couflens | 208 | W, Cu, Au | | | | | |
| St Pierre | 386 | Au | | | | | |
| Beaulieu | 278 | Sn,W | | | | | |
| Silifac | 173 | Zn, Pb, Ag, Ge | | | | | |
| Tennie | 205 | Zn, Pb, Cu, Au | | | | | |
| Loc Envel | 336 | W, Cu | | | | | |

*De-risked portfolio of mineral projects in France with significant mine potential*

During 2016/7 the bulk of Variscan's exploration work in Brittany focussed on its Merléac (zinc-copper-lead) and St Pierre (gold) projects. Brittany is part of the Armorican Massif, which forms part of the Variscan Orogen, a Palaeozoic accretionary terrain that hosts a range of significant mineral deposits and deposit styles in Europe.




*Project locations in Brittany, France*

## MERLÉAC PROJECT

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

Following its discovery in 1975, the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) completed considerable exploration on PAM, including about 9.5 kilometres of drilling and two kilometres of underground decline development. The work outlined zones of high grade lead-zinc-copper-silver-gold mineralisation up to 20 metres thick from surface to a depth of about 300 metres over a strike length in excess of 250 metres.

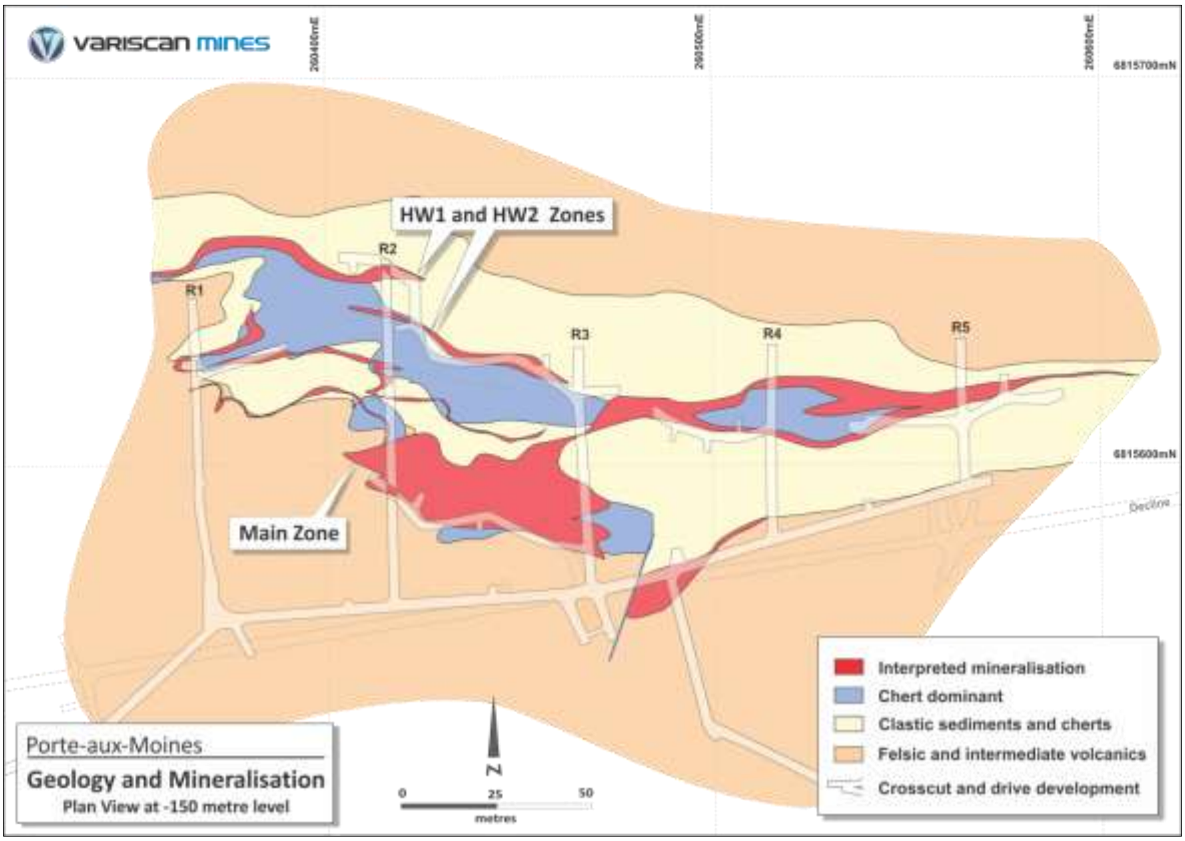
Aside from the underground development and sampling the deposit is essentially unmined.

In 2015 the Company accessed three remaining surface core holes from the BRGM exploration of PAM stored at the BRGM Orleans core farm. Resampling of mineralised intervals was completed and samples sent to ALS Geochemistry for confirmatory re-assay. Results from this work confirmed the high grade nature of the deposit with strong, zinc dominant, polymetallic intersections recorded in all holes.

Importantly, the ALS assays were, on average, slightly higher grade than the original BRGM assays, confirming the general overall accuracy and the high quality of the BRGM work. This provides high confidence in the veracity of the BRGM assays for the remaining drilling and underground development.

### PAM Geology

The VMS mineralisation at PAM is broadly contained within a sequence of sediments and volcanics. Mineralisation occurs as multiple, disrupted sulphide lenses, mainly hosted by black shales and cherts.



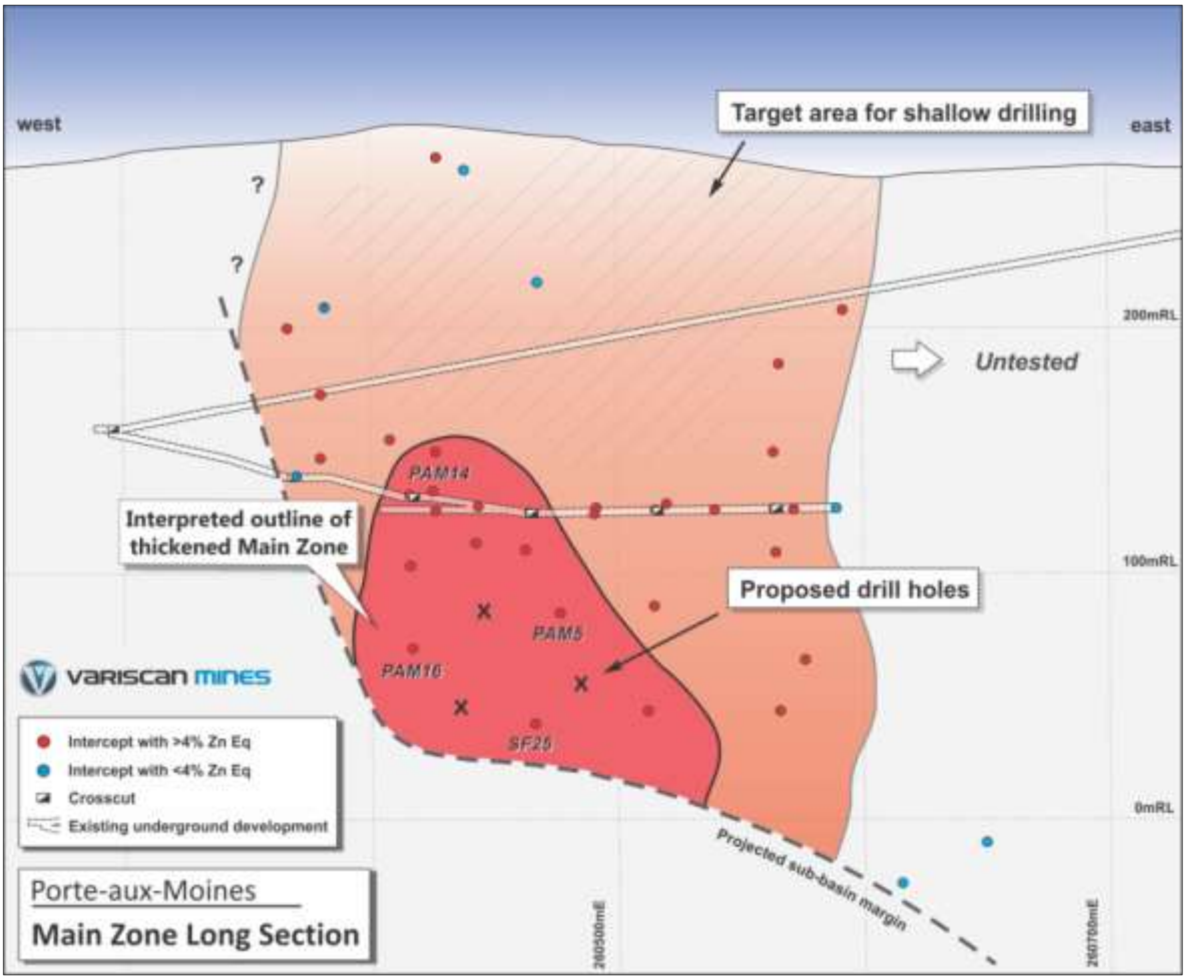

*Plan view of Porte-aux-Moines deposit showing interpreted mineralised zones and underground development completed by the BRGM*

Massive sulphides are very pyritic, with three main zones of mineralisation modelled to date from the BRGM data.

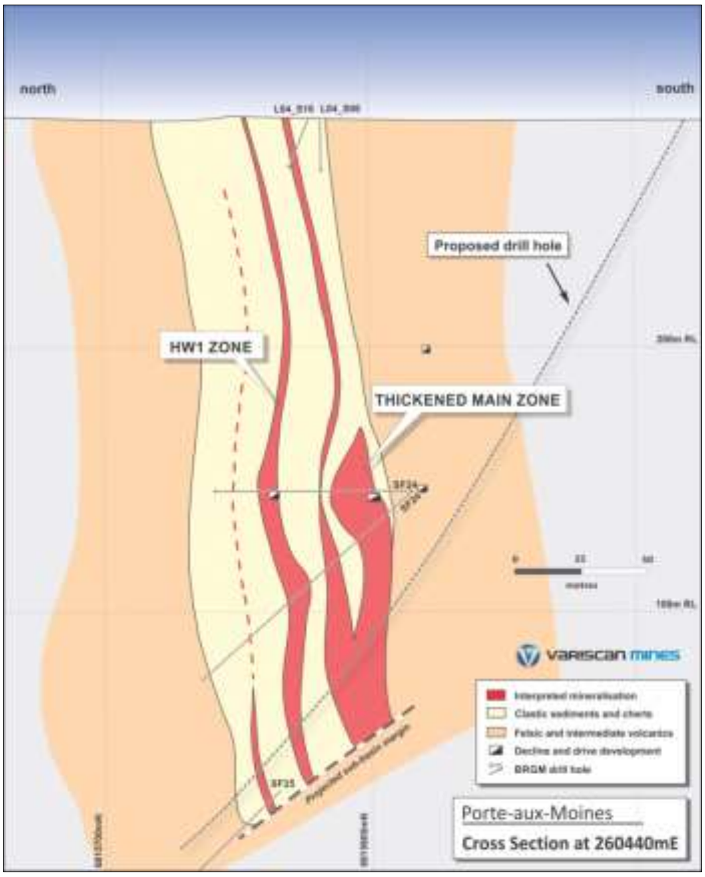
**Main Zone:** This is the lowest stratigraphic horizon and is generally located at the interface between the volcanics and overlying host sediments, but is currently modelled to migrate into a more hanging-wall position to the east. The Main Zone can be subdivided into a thick zone of high grade mineralisation (approximately 16 metres wide) that appears to have been deposited on the sea floor within a shallow depression, and thinner flanking mineralisation lateral to the thickened zone.

**HW1 Zone:** Mineralisation located up to about 20 metres into the hanging wall of the Main Zone. It is smaller and lower grade. However, the HW1 zone is laterally extensive and appears to have potential to extend to the west and down-dip.

**HW2 Zone:** A small zone at the western end of the deposit.




*Vertical long section of the Main Zone surface at Porte-aux-Moines showing the interpreted thickened zone and flanking mineralisation. Proposed deeper drilling pierce points shown as well as the target area for shallow drilling (hatched)*




*Cross section through Porte-aux-Moines showing interpreted mineralised zones and proposed future drilling*

### Porte-aux-Moines Mineral Resource

In June 2016 the company published a maiden Mineral Resource reported to JORC 2012.

The Mineral Resource for PAM is 2.2 million tonnes grading 6.0% zinc, 1.3% lead, 0.8% copper, 80.6 g/t silver and 0.9 g/t gold. This places the deposit within the first grade quartile for zinc-rich deposits worldwide, indicating good potential for economic extraction provided sufficient tonnage can be defined.

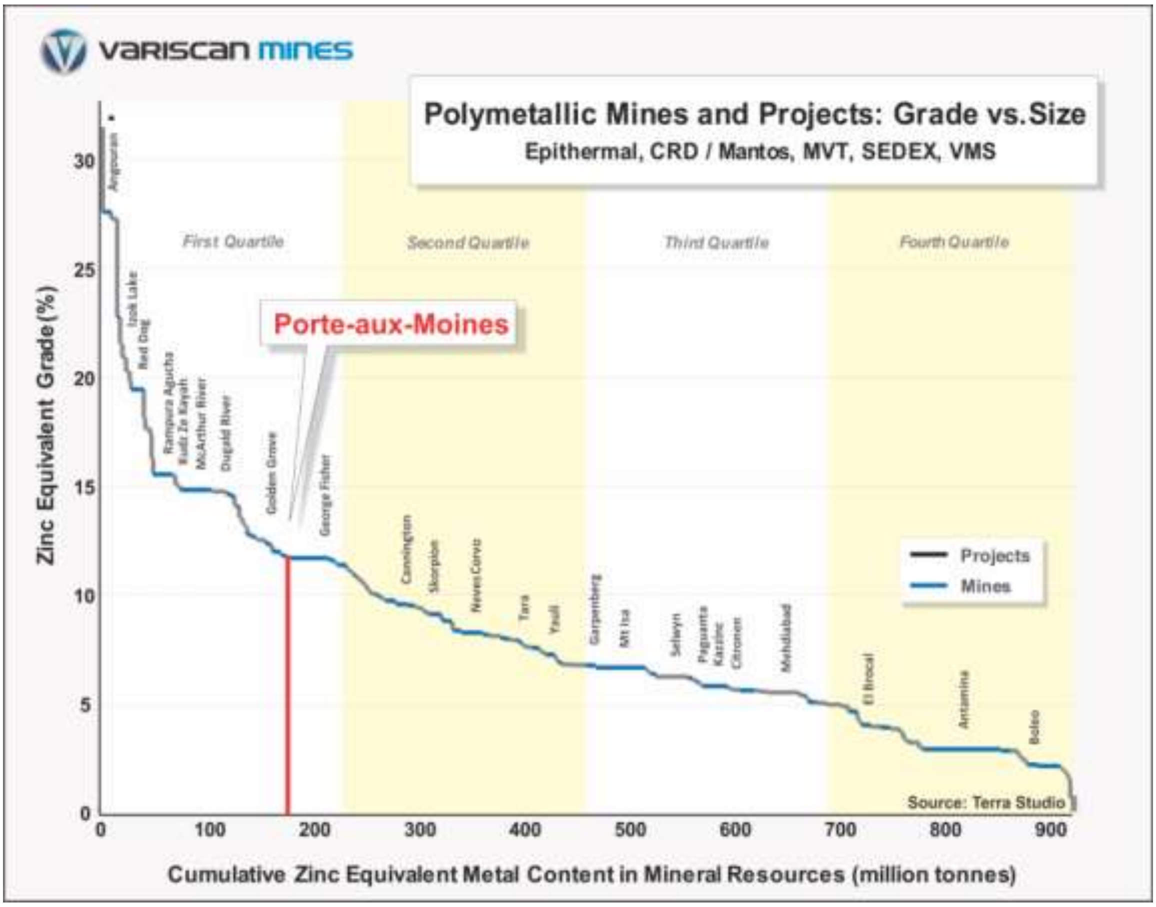
*Porte-aux-Moines Mineral Resource as at 31 May 2016*

| As at 31 May 2016 | Tonnes | Zinc % | Lead % | Copper % | Silver g/t | Gold g/t |
|---|---|---|---|---|---|---|
| **INDICATED** | | | | | | |
| Main | 291,000 | 6.1 | 1.2 | 0.8 | 7.65 | 0.9 |
| HW1 | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| HW2 | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 291,000 | 6.1 | 1.2 | 0.8 | 7.65 | 0.9 |
| **INFERRED** | | | | | | |
| Main | 1,505,000 | 6.1 | 1.3 | 0.9 | 86.0 | 0.9 |
| HW1 | 361,000 | 5.1 | 1.3 | 0.3 | 61.3 | 0.8 |
| HW2 | 44,000 | 5.4 | 2.0 | 0.1 | 82.3 | 0.0 |
| Total | 1,910,000 | 5.9 | 1.3 | 0.8 | 81.2 | 0.9 |
| **TOTAL** | | | | | | |
| Main | 1,796,000 | 6.1 | 1.3 | 0.9 | 84.4 | 0.9 |
| HW1 | 361,000 | 5.1 | 1.2 | 0.3 | 61.3 | 0.8 |
| HW2 | 44,000 | 5.4 | 2.0 | 0.1 | 82.3 | 0.0 |
| Total | 2,201,000 | 6.0 | 1.3 | 0.8 | 80.6 | 0.9 |

*Note: Mineral Resource is based on a zinc cut-off of 8.0% Zn Eq. Calculations have been rounded to the nearest 1000 t, 0.1 % zinc, lead and copper grade, 0.1 g/t gold and silver grade*

# Review of Operations

The Mineral Resource estimate was completed by QG Australia Pty Ltd, an independent consultancy group that specialises in resource estimation for deposits like PAM, from mineralisation domains and wireframes supplied by Variscan geologists.




*Global ranking of projects and mines by grade and size compared to the mineral resources of about 300 zinc and polymetallic mines and projects worldwide. The zinc equivalent grade calculation represents the value for each metal - Zn (US$1,800 per tonne), Pb (US$1,800 per tonne), Cu (US$5,600 per tonne), Ag (US$15 per ounce) and Au (US$1,150 per ounce) - multiplied by the grade and estimated metal recoveries (Zn–90%, Pb–85%, Cu–80%, Ag–60%, Au–70%), summed and expressed in equivalent zinc percent per tonne. The zinc equivalent calculation is intended as an indicative value only. Source: Terra Studio*

### PAM Drilling

Further drilling is required at PAM to confirm the geological interpretation, increase the tonnage of Indicated Mineral Resource and provide additional samples for confirmatory density measurements and gold assays. Deeper drilling is planned to test the thickened Main Zone and deeper parts of the HW1 zone.

In addition, later drilling may also infill the thinner, but shallower section of the Main Zone close to the surface, which has had little exploration in the past. There is good potential in this area to expand the Indicated Resource above the level of the former underground development.

Modelling work by Variscan indicates that approximately 3.5+ million tonnes of resource will be required at PAM to justify initiation of mine feasibility studies. Growing the size and enhancing the classification levels of the current 2.2 million tonne resource base to a level sufficient to allow the company to move into feasibility studies is a key priority.

During the year, the Company had intended to commence a limited diamond drilling programme at PAM to meet the aforementioned requirements. However, the Company has been unable to commence work which it is legally entitled to do due to a lack of political clarity arising from the recent presidential and parliamentary elections. The Company has engaged with all levels of the French government, relevant authorities and stakeholders to progress with the proposed drilling in the short term. In the interim, the Company has voluntarily suspended fieldwork activities and will review further exploration expenditure until a satisfactory outcome is achieved. All options remain open to the Company; resolving this situation is the Company's highest priority.

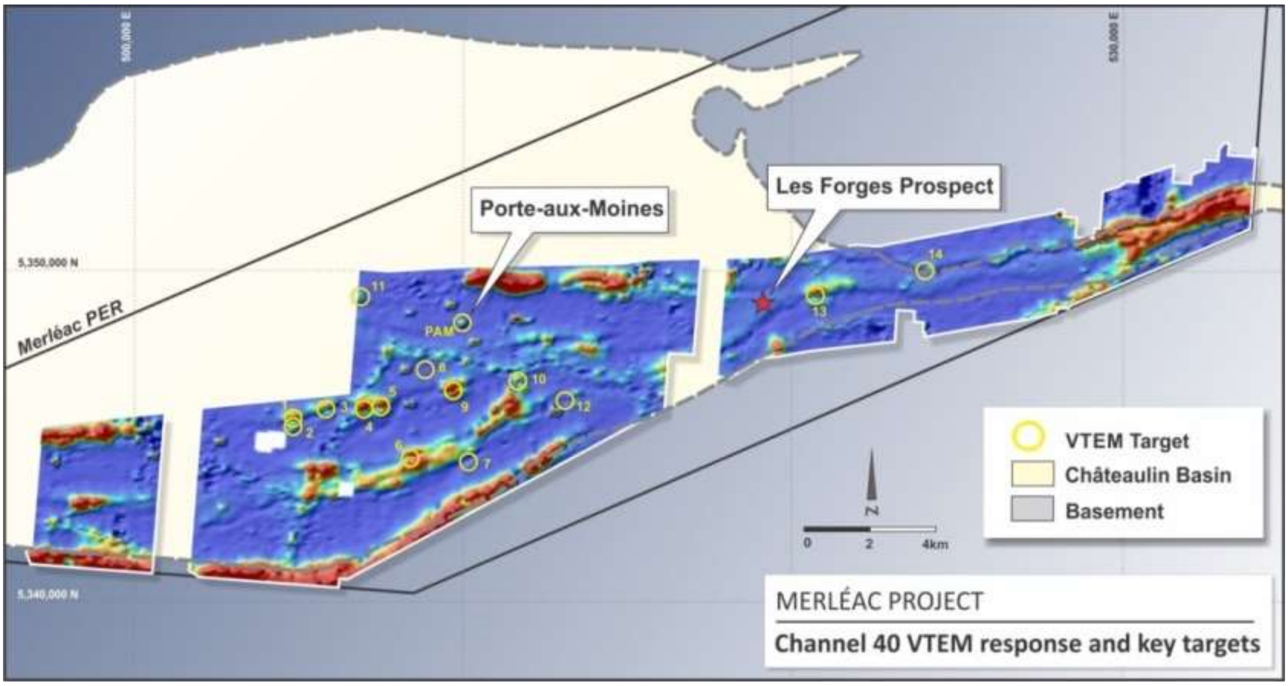
## Regional Exploration

The regional potential for additional VMS deposits is considered excellent.

PAM is hosted within a sequence of vitric tuffs and pyritic black shales (the mine sequence) which can be traced for approximately 80 kilometres along strike and within structurally repeated blocks in the Merléac licence. Within these rock units, outcropping gossanous zones containing highly anomalous base and precious metal values have been defined, interpreted to represent the oxidised expressions of underlying sulphides. Some of these gossans were previously mined by shallow open pits for iron up until the 19th century and generally have not been explored below the iron oxide cap aside from shallow BRGM drilling in some locations.

In September 2015, Variscan completed modelling of a large Versatile Time Domain Electromagnetic (VTEM) survey completed to test key mineralised areas in and around PAM and within the broader Merléac licence. The survey covered approximately 160 square kilometres of the southern section of Merléac, testing about 50 strike kilometres of the PAM mine sequence.

The survey successfully identified 14 high priority 'Tier 1' targets with moderate to strong, early to late time electromagnetic responses, in many cases similar to those generated at PAM and which are possibly caused by sulphide-rich bedrock sources. In addition, the survey identified approximately 50 other conductors possibly due to sulphide zones, but close to buildings, power lines or other 'conductive' infrastructure, requiring field checks to confirm the source of the anomalism.

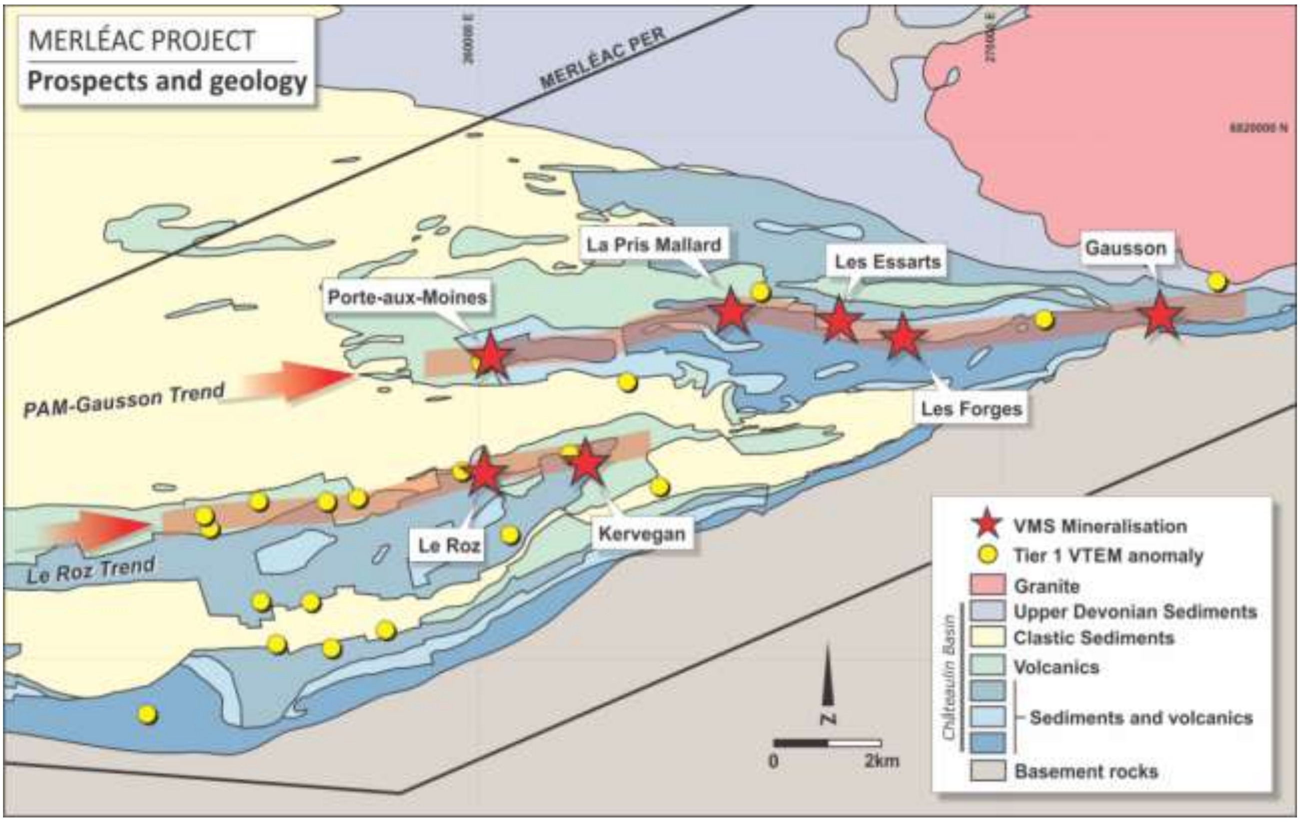



*'Tier 1' VMS targets over Channel 40 response plot at Merléac*

Follow-up of the VTEM and geochemical targets as well as review of previous exploration work has provided strong evidence that additional new VMS deposits will be discovered within the mine sequence. Two main trends over a total strike length of 22 kilometres hosting seven centres of base metal mineralisation have been defined, with highly geochemically anomalous rock chip/grab results recorded in recent sampling. At some prospects these assays are in proximity to strong VTEM anomalies, interpreted to be possible buried VMS deposits.

### PAM – Gausson Trend

This extensive east-west striking zone is the most important defined to date and stretches approximately 15 kilometres from PAM to the Gausson prospect in the east. Five main areas of VMS mineralisation have been defined within sediments and volcanics along the general PAM VMS deposition horizon.




*Key VMS prospects within the Le Roz and PAM-Gausson mineralised trends. Summary of BRGM geology*

### La Pris Mallard Prospect

This prospect also includes a Tier 1 VTEM anomaly located about 5 kilometres east of PAM. Previous BRGM work included shallow percussion and core drilling which recorded base metal sulphides and strong sericite-quartz-pyrite altered volcanics just west-south-west of the strong VTEM anomaly.

Rock chip/grab samples by Variscan of gossanous material representing oxidised semi–massive and massive sulphide and stockwork sulphide-veined material recorded individual assays of up to 6.1% lead, 800ppm zinc and 1840ppm copper, confirming this as a likely centre of VMS mineralisation.

### Les Essarts Prospect

This advanced prospect is approximately 700 metres in strike length and was drilled to a shallow depth by the BRGM during the 1970's. The drilling recorded a number of zinc-lead-copper intersections of stratiform VMS mineralisation including -

- 1.25 metres @ 7.0% zinc, 3.04% lead, 0.22% copper from 80 metres in LSS2, and
- 1.0 metre @ 5.49% zinc, 2.72% lead and 0.26% copper from 66 metres in LSS3

The BRGM work has clearly identified another centre of VMS mineralisation broadly analogous to PAM.

### Les Forges Prospect

The prospect lies approximately 1.2 kilometres east of Les Essarts. Previous work by Variscan included sampling of a group of old iron workings that mined gossanous material displaying box-work textures after base metal sulphides.

Highly elevated results up to 1986ppm zinc, 318ppm lead, 638ppm copper and 260ppb gold were recorded over a strike length of about 700 metres, again believed located within the same rock package that hosts PAM.

### Gausson Prospect

Former work by the BRGM included shallow drilling to the southwest of a strong VTEM anomaly, intersecting low grade stockwork copper mineralisation.

Previous rock chip and float sampling (including the VTEM target) conducted by Variscan returned elevated surface values, believed associated with VMS mineralisation, up to 875ppm zinc, 1991ppm lead, 917ppm copper and 90ppb gold.

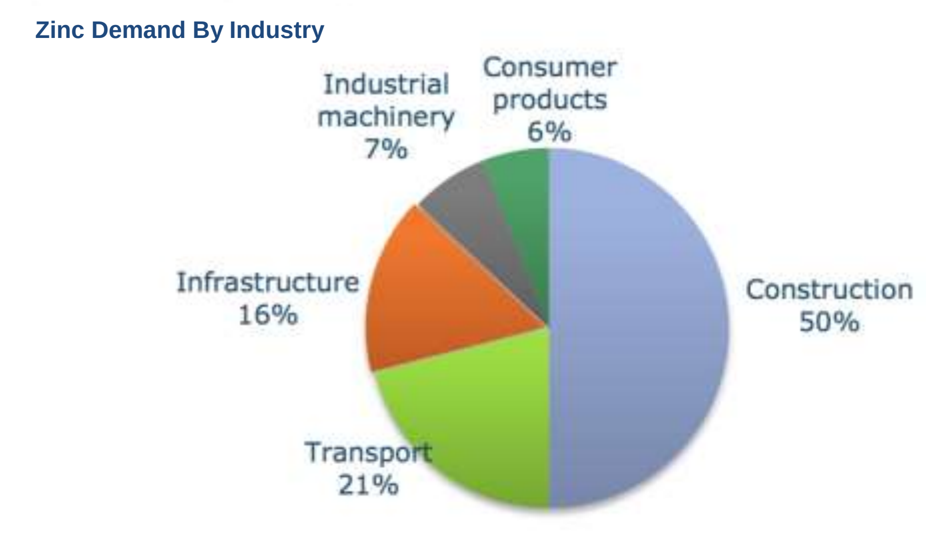
### Le Roz Trend

This trend lies approximately two kilometres south of the PAM deposit and was defined on the basis of a string of strong VTEM anomalies. To date Variscan has assessed two of the seven 'Tier 1' VTEM anomalies that have been defined over a strike distance of around seven kilometres. Both anomalies, Le Roz and Kervegan do not appear to have been explored previously and are favourably located within the interpreted folded repeat of the PAM mineralised rock sequence.

Base metal geochemistry at both prospects is elevated, particularly at Le Roz, indicating the possible presence of base metal sulphides.


## Zinc

Zinc is primarily used in the construction and consumer sectors. Demand for Zinc is dominated by its use as a rust-protective coating on steel in the form of galvanising. Demand for galvanised steel, in turn, is heavily dependent on the construction, automative and domestic white-goods markets. Like many other metals, China dominates geographical demand for zinc.




*Source: Wood MacKenzie, Vedanta Resources*

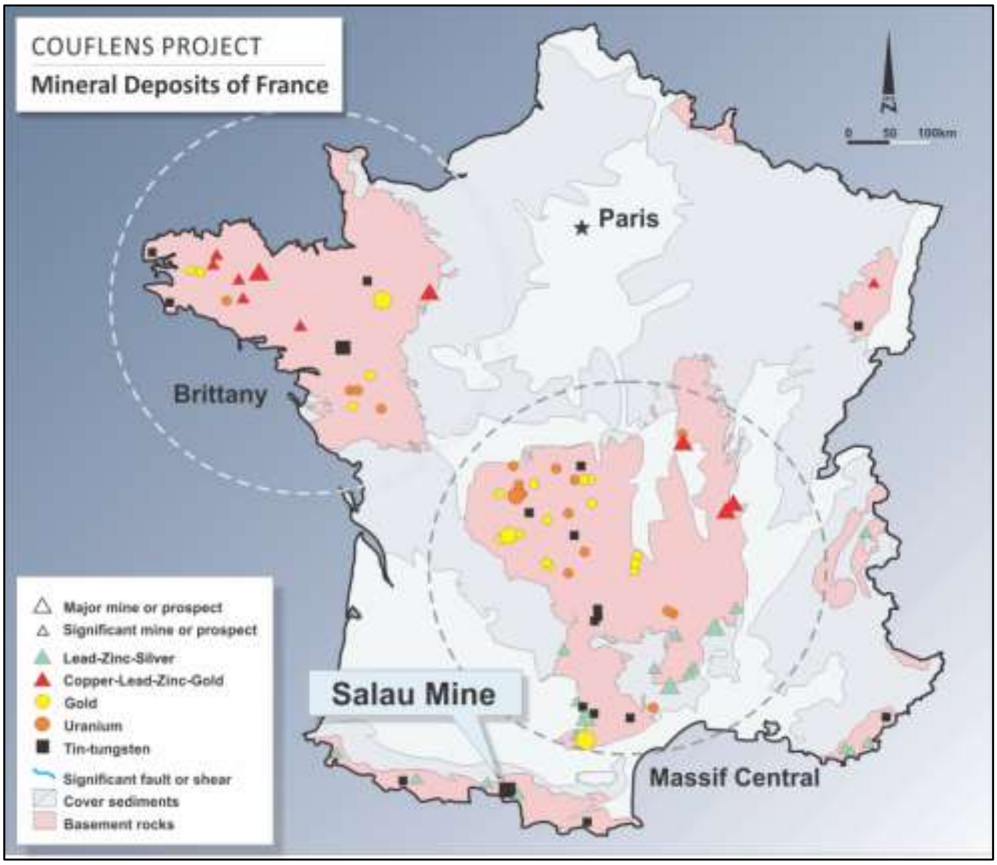
Zinc prices have increased dramatically over the reporting period. One of the primary drivers of positive sentiment has been a reduction of supply following the closures of major mines in Australia and Europe. Falling inventories and limited investment in new zinc capacity make it likely that high zinc prices will be sustained.


*Source: Wood MacKenzie, Vedanta Resources*

**“Zinc remains our preferred commodity. We believe the market has moved into deficit and will remain in deficit throughout our forecast period, drawing inventories down below critical levels and leading to very strong pricing.”**
RBC Capital Markets

## COUFLENS TUNGSTEN PROJECT

On 25 October 2016, the Company was granted the Couflens licence, located in the Pyrenees region and covering an area of 42 square kilometres, centered on the Salau tungsten-copper-gold mine. Prior to its closure in 1986, Salau was one of the highest grade tungsten mines in the world, with an average recorded Life of Mine production grade of approximately 1.5% $WO_3$.




Subsequently Apollo Minerals Limited (ASX:AON) acquired Ariege Tungsten SAS, the company in joint venture with Variscan over Couflens where it can maintain an 80% interest in the project by spending €2.5M within 3 years, with Variscan free-carried until the completion of a successful DFS or the total expenditure of €25M (whichever is less).

The initial consideration for the 80 per cent equates to $5.25 million and the total consideration, if paid, is A$15.5 million, together with an obligation to spend up to €25 million, with the Company free-carried.

In 03 July 2017, Apollo Minerals passed certain resolutions at an EGM and subsequently announced the acquisition of its 80% interest in the Couflens project as unconditional.

Variscan (through its wholly owned French subsidiary, Variscan Mines SAS) has submitted the application to transfer the Couflens PER to the joint venture company Mines du Salat ("MdS"). We continue to actively manage our interest in this promising project.

As announced on 03 July 2017, Dr. Michel Bonnemaison joined the Board of Apollo as a Non- Executive Director. He is also the President of Ariege (the French subsidiary through which Apollo holds its interest in the project) and MdS, and will lead the commencement of activities at the Couflens project. The Company and Dr. Bonnemaison have mutually agreed he will leave Variscan shortly. This will confer a significant cost saving to the Company but still benefit from his expertise and knowledge through his leadership of MdS.

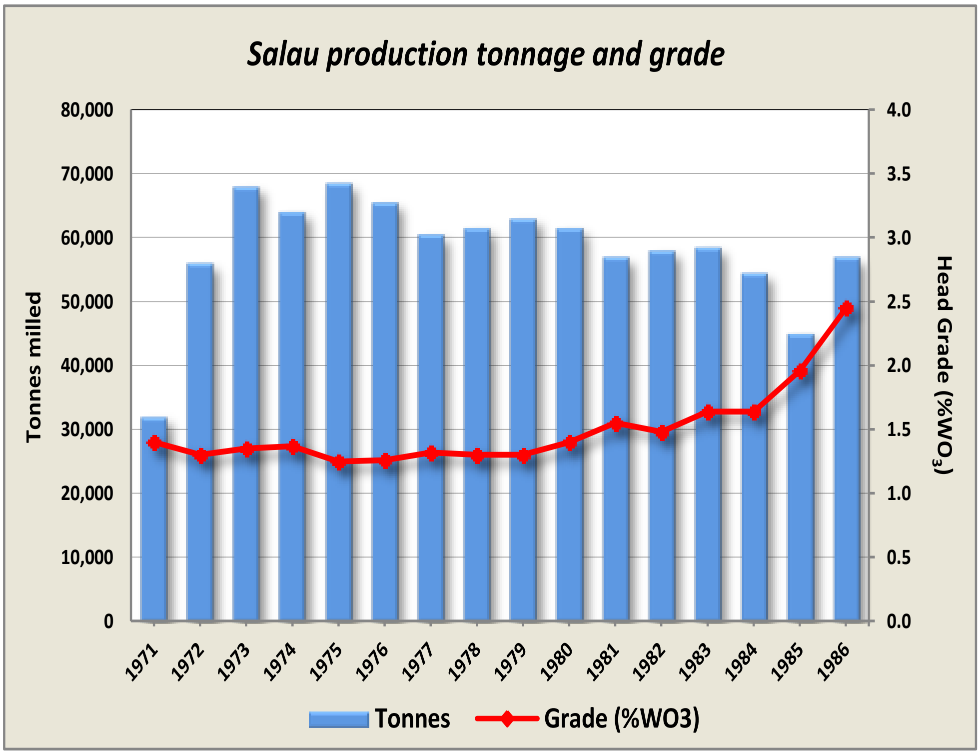
# Review of Operations

## Salau Mine

The Salau skarn tungsten is located approximately 130km south of Toulouse, within the Pyrenees region near the border with Spain.

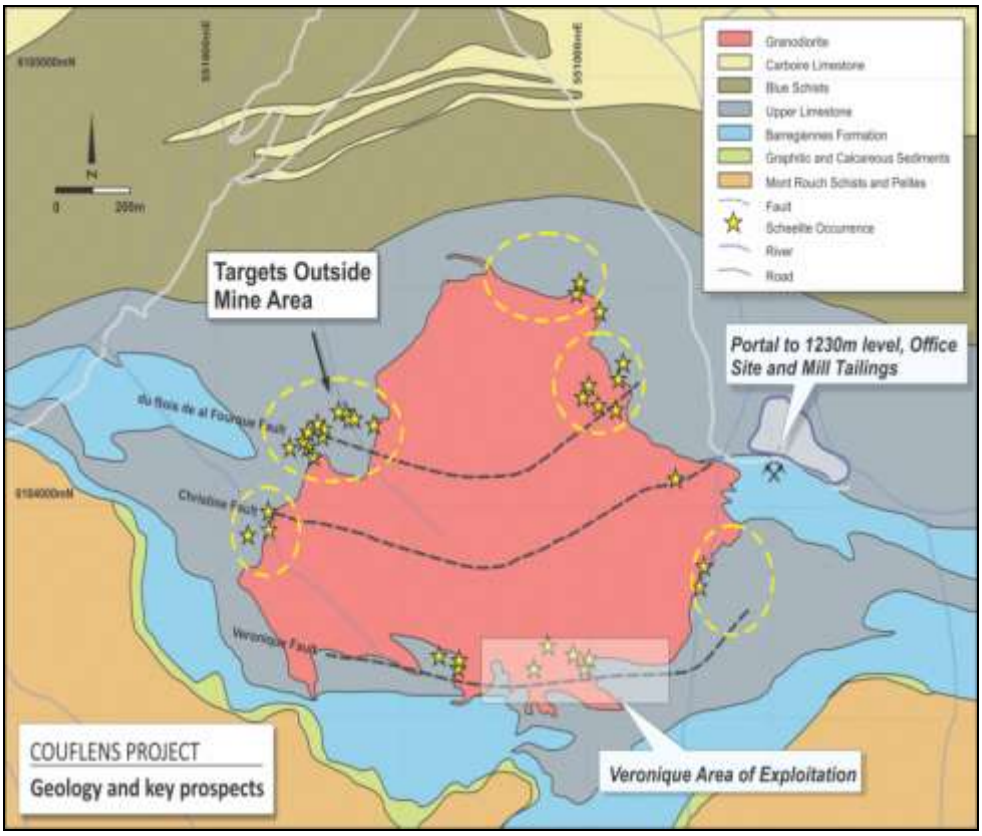
The deposit was discovered in 1964 by the BRGM. Les Mines d'Anglade ("LMA") operated the mine from April 1971 to November 1986, during which time it is reported to have produced 0.93 million tonnes of ore at an average grade of 1.5% WO3 to yield approximately 11,500 tonnes of WO3 in concentrate. Notwithstanding the existence of remaining resources, the discovery of promising mineralized zones elsewhere and the much higher grade production from the last years of production (up to 2.48% WO3), the precipitous fall in the tungsten price in 1986 led to mine closure.

*Salu Mine Production*




Salau is a tungsten-bearing (primarily scheelite) skarn deposit which consists of two known mineralised systems, the Bois d'Anglade' embayment (North Formation, Gulf South Formation, Column and SC ore zones) and 'Veronique'. Bois d'Anglade was discovered first and provided the bulk of the early production. Veronique, 300 metres to the west, was discovered in 1975 and provided higher grade tungsten production (average 1.9% WO3), including gold-rich material (not recovered in milling) towards the end of the mine life. In limited sampling by the previous mine owners, this material graded around 10g/t gold in the lower section of the Veronique Southeast zone.

*Plan view of the geology and targets with recorded scheelite occurrences at surface around the Salau tungsten mine*



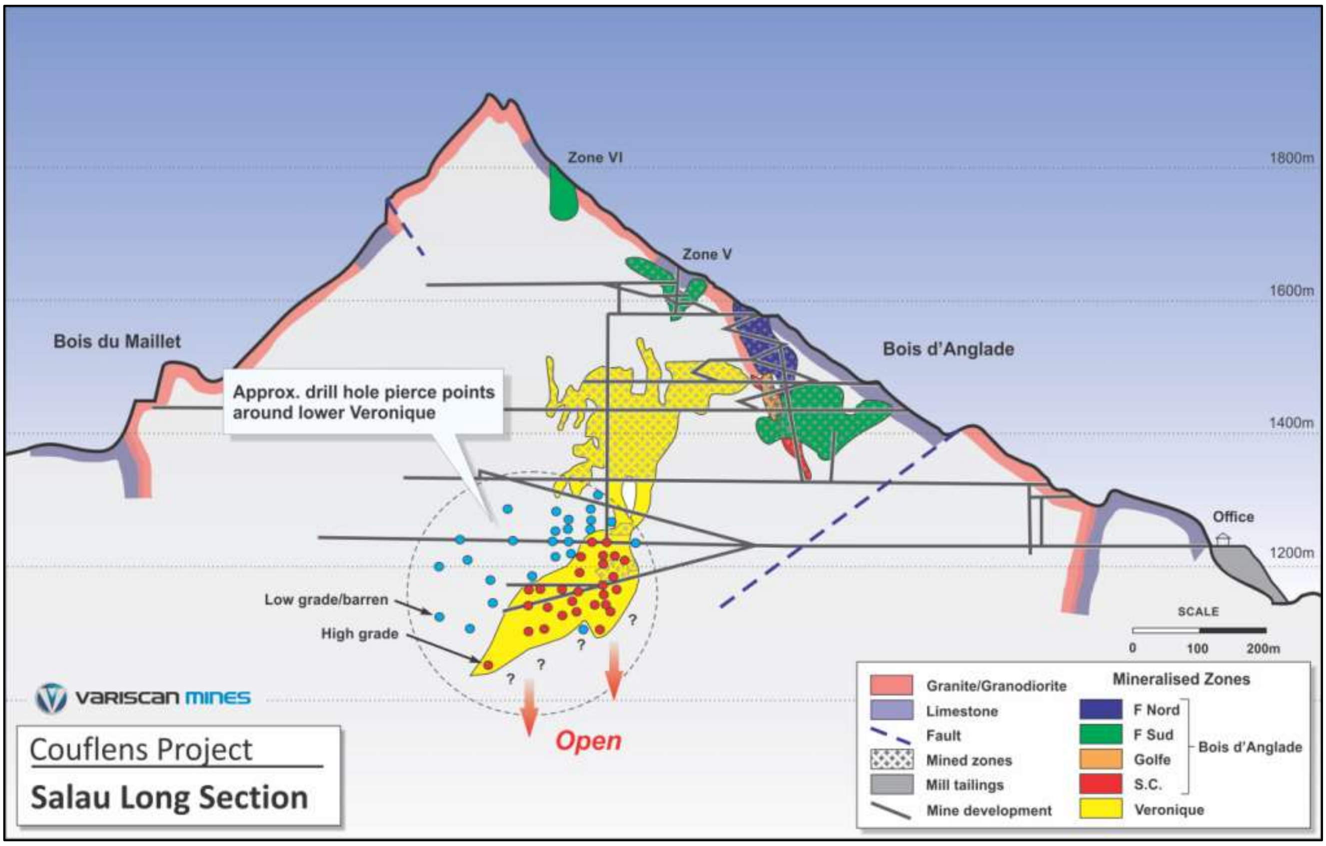

The geometry of the orebodies at Salau is complex and appears controlled mainly by irregularities in the intrusive contact and by faulting. Two principal types of metalliferous skarns are developed:

- Prograde skarns – initial metasomatism resulted in the formation of broad zones of prograde skarns containing modest tungsten values (0.2 to 0.5% WO3); and
- Retrograde skarns - later hydrothermal fluids overprinted the prograde skarns and deposited sulphide-rich material (mainly pyrrhotite) containing substantially higher values of tungsten, gold and copper. It is these sulphide-rich skarns which provided the bulk of the former production from Salau.

## Exploration targets and upside

Previous underground drilling by the former mine owners recorded a number of high-grade tungsten-bearing skarn intersections below the 1,230 metre level access adit, the down-plunge continuation of the Veronique ore system. This enabled a non-JORC resource to be calculated by LMA with a similar tungsten grade to that derived from mining in the upper levels of Veronique. The system remains open at depth and is believed to contain substantial gold credits.

Potential also remains around the other previously mined areas (Veronique and Bois d'Anglade systems) where remnant zones of tungsten-bearing material appear present.




*Composite long section through the Salau mineralised system showing the key mineralised zones defined from previous exploration/mining. Approximate recorded position of LMA underground drilling testing the lower section of Veronique shown in yellow (red - >1.0% WO3, blue - low grade/barren). Source - Dr. Nick Le Boutilliere*

## Exploration plan

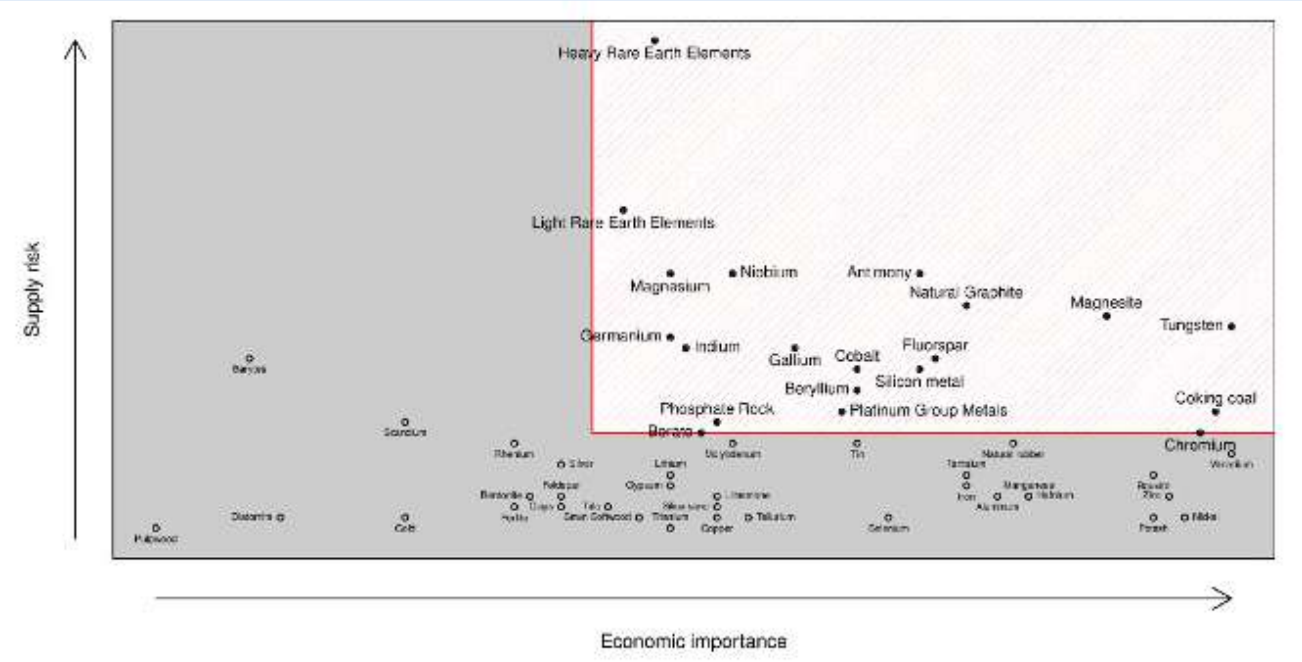
The initial exploration work plan for the Couflens Project announced by Apollo includes:

- Acquisition and digitisation of available mine and exploration data
- Mine area and old tailings area risk assessments
- Initial access and assessment of existing mine development and stoping areas
- Mapping and sampling of mineralisation exposed in previously developed mine areas
- Generation of a 3D model of the geology, zones of mineralisation and principal controls on mineralisation
- Underground drilling to confirm known zones of mineralisation and test for extensions of these zones
- Estimation and reporting of a Mineral Resource in accordance with the JORC Code
- Surface exploration programs to further assess identified prospects and generating new targets within the broader project area
- A second phase of exploration may include the development of an underground incline to provide access below the existing mine workings and to allow more extensive drill testing of the down plunge continuation of the high grade Veronique system and parallel structural positions
- Initial work will focus on defining sufficient high grade tungsten mineralisation to justify commencement of mine feasibility studies, as well as testing the gold potential within and adjacent to the Salau mine area.

Consequently the Directors expect a significant amount of news-flow to be generated from the Couflens project.

**Tungsten is a critical material**

Tungsten is one of the raw materials identified by the British Geological Surveys, US Department of Defense and European Commission as a ‘critical’ raw material due to its economic importance and supply risk. They describe raw materials such as tungsten as ‘being essential for maintaining and improving our quality of life’ and as a result, securing reliable access is of a concern across all of these jurisdictions and around the world.




*Source: European Commission*

Tungsten’s chemical symbol W comes from the German name Wolfram. Wolframite and scheelite are the two naturally occurring tungsten ores important for industrial use. The main use of tungsten is the manufacture of cemented carbides or hard metals; wear resistant materials used in metalworking, mining, oil and construction industries. It has diverse commercial, industrial and military applications including hardening steels, use in the manufacture of armaments, lighting (light bulb filaments), electronic and chemical industries. Another of its numerous applications includes the technology market where it is used in the touch screens of smartphone devices.

# Review of Operations

## St Pierre Gold Project

St Pierre has been the focus of fieldwork during 2016 and 2017. The Company successfully completed the first RC drill programme in France.

*Reverse Circulation drilling at Belleville in April 2017*

The St Pierre PER covers the La Bellière gold mine believed to be the third largest gold producer in France. Until 1952 the mine produced about 338,000 ounces of gold from veins grading 12 g/t gold, hosted within an east-west oriented shear zone.

Previous exploration work conducted by Variscan identified two areas for drilling at Ville Tirard and Belleville to the west and south of the St Pierre township where a combination of shallow traverse RC and core diamond drilling tested these targets.

### Belleville

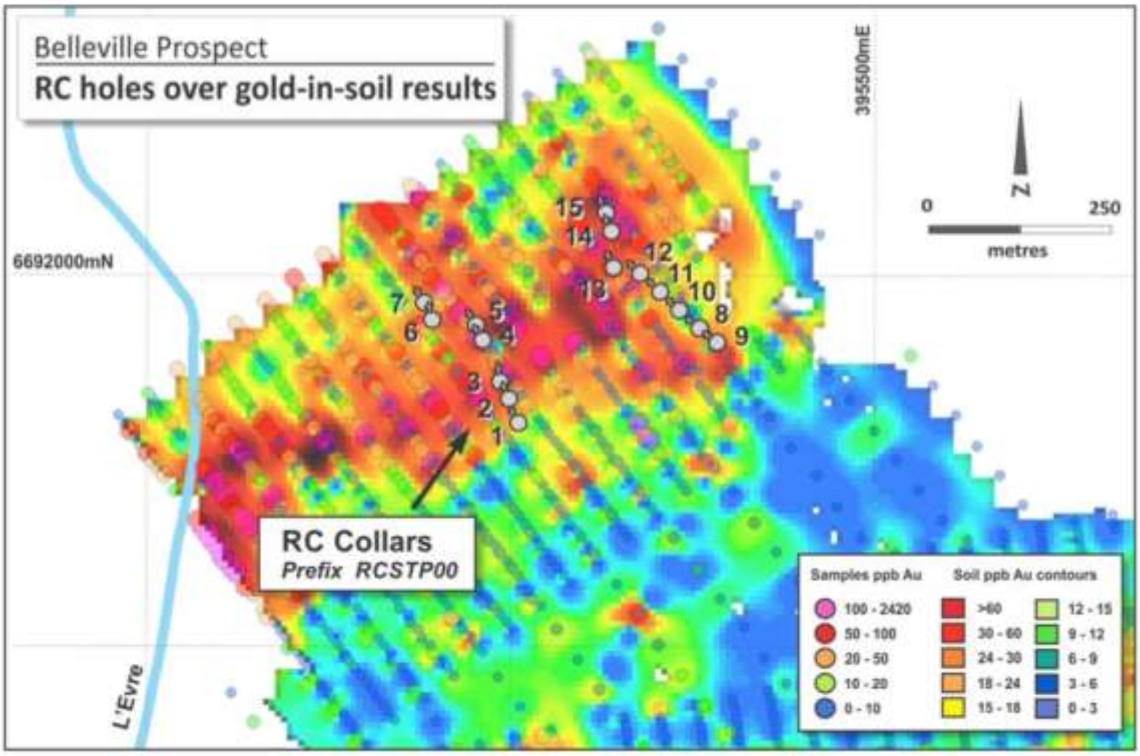
**Drilling Programme Objectives**

The objective of the RC drill programme was to define the hard rock source of a strong gold geochemical anomaly identified from previous rock chip and soil sampling. A total of 15 RC holes for 923 metres were successfully completed at Belleville during June.

**Outcomes**

The drilling at Belleville is believed to be the first RC drilling programme completed in France.

To date 450 gold assays have been received from ALS Geochemistry in Ireland which accounts for approximately 45% of the 15 drill holes, mainly from the eastern drill traverse.




*RC drill collar positions over the gold-in-soil anomaly at Belleville*

These holes intersected alternating greywackes and schists similar to those found at the La Belliere Gold Mine 750 metres to the north, with some samples recording quartz veining and sulphides, including pyrite, pyrrhotite and chalcopyrite, with minor arsenopyrite, galena and sphalerite which are commonly associated with high grade gold mineralization.

In addition, free gold was panned in some samples, indicating the coarse nature of gold within the mineralised system (and confirmed in the variable gold re-assays by ALS) and thus potential difficulty in obtaining reliable gold assays.

A spot high of 4.59 g/t gold (hole RCSTP004, 36-37 metres) over one metre (down-hole) confirms the potential for high grades at Belleville and warrants further analysis of the gold mineralisation. Evaluation of these results and comparison to geological observations is continuing.

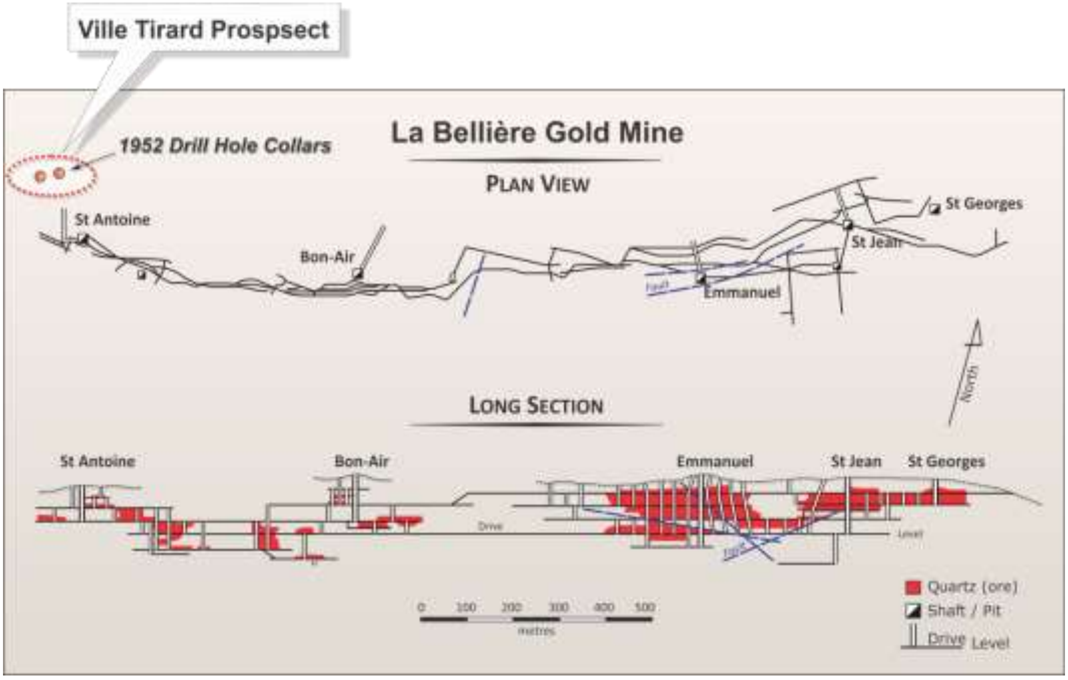
Samples from the majority of holes from the western traverse (the centre of the gold anomaly) as well as two holes from the centre of the eastern traverse (473 samples in total) have been sent to the sample preparation facility in southern France. These are in the process of being sent to ALS over the next few weeks for gold analysis.

Once a complete set of assay results is compiled and reviewed, Variscan will take a more informed decision on the future work and prospects for Belleville.

### Ville Tirard

During the final years of mining in the St Pierre region, two inclined drill holes (circa 1952) approximately 40 and 60 metres deep are recorded to have been drilled below outcropping mineralisation at the western end of the main La Bellière shear system approximately 200 metres north of the old St Antoine gold mine.

In reports held by the BRGM both holes are recorded to have intersected broad zones (estimated >15-20 metres true width) of gold mineralisation with individual assays between 0.5 to 33 g/t gold, averaging in the range of 3-4 g/t Au.




*Approximate location of Ville Tirard prospect and drill collars from 1952 drilling projected onto the plan view of La Bellière gold mine workings*

**Drilling Programme Objectives**

The objective of the diamond drilling was to attempt to locate and sample the mineralized zones as intersected in previous shallow drilling completed in 1952 at the western end of the La Belliere mine shear. Two core holes for a total of 244.5 metres were completed.


*Diamond drill core at Ville Tirard*

**Outcomes**

Assays received from ALS have confirmed the initial review of core from Ville Tirard as announced to the ASX on 31 May 2017, with no significant results recorded. Given the age of the former drilling, the precise position of the collars is uncertain and further drilling across the shear system will be required to locate the high grade mineralised zone as formerly defined in the historic work (1952).

## OTHER PROJECTS

During the reporting period field work on other projects was limited which is in line with the Company's approach to capital discipline and resource allocation.

## AUSTRALIA

A total of approximately A$1.1 million was spent by Variscan's joint venture partners in comparison to A$0.38 million from the previous year.

## INVESTMENTS

As a result of historical project generation activities, Variscan has held a diversified portfolio of investments within a number of ASX-listed resource companies.

Follwing a portfolio review in line with the Company's emphasis on project development and capital allocation, the Company has sold its holdings in Silver City Minerals Limited (ASX: SCI) and Eastern Iron Limited (ASX:EFE), which has resulted in the Company receiving non-dilutive cash inflow of approximately A$0.56M.

Variscan still holds a significant investment in Thomson Resources Ltd (ASX:TMZ) which has large landholdings for copper, gold and tin within the Thomson and Lachlan Fold Belts, NSW. The current value of Variscan's shareholdings in Thomson Resources is approximately A$0.85 million.

**Competent Persons Statement**

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

# Schedule of Tenements

As at 19 September 2017

| Tenement | Tenement No. | Interest | Joint Venture Details |
|---|---|---|---|
| **New South Wales** | | | |
| **Broken Hill** | | | |
| Yalcowinna | EL 8078 | 0% | Note 1 |
| Mundi Plains JV | EL 6404 | 14.4% | Teck 85.6%, Iluka earning |
| 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 |
| Achilles and Chiron | ELs 7746 and 7931 | 25% | Kidman 51% can earn 80%, Thomson 24% |
| **South Australia** | | | |
| Junction Dam | EL 5682 | 11.5% | Teck 85.6%, Eaglehawk 2.9%, Iluka earning, Marmota 100% in uranium rights only, Note 2 |
| Callabonna | EL 5360 | 100% | Red Metal can earn 70% |
| **France** | | | |
| Tennie | PER | 100% | |
| St Pierre | PER | 100% | |
| Merleac | PER | 100% | |
| Beaulieu | PER | 100% | |
| Loc Enrel | PER | 100% | |
| Silfiac | PER | 100% | |

EL = Exploration Licence

PER = Permis Exclusif de Recherche (France)

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

Note 2: Marmota has earned 100% of the uranium rights only in EL 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 2017.

# Summary of Joint Ventures

## Achilles and Chiron ELs 7764 and 7931, NSW

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

## Callabonna EL 5360, SA

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

## Hillston EL 6363, NSW

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

## Junction Dam EL 5682, SA

Variscan 11.5%, Teck 85.6% and Eaglehawk 2.9% in base and precious metal rights. Variscan can elect to participate at its interest rate current at the time of election, or dilute to a 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.

## Mundi Plains EL 6404, NSW

Variscan 14.4%, Teck Australia 85.6%, Iluka is earning. All parties to contribute to approved programs or dilute their interest. If Variscan's interest falls below 8% it may elect to revert to a 2% NSR interest.

## Woodlawn South ELs 7257 and 7469, NSW

Variscan holds a NSR royalty interest in both these tenements.

## Willyama, Yalcowinna and Native Dog, ELs 8075, EL 8078 and 8236 NSW

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

# Directors' Report

Your directors submit their report for the year ended 30 June 2017.

## Directors

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

### Patrick Elliott, BCom, MBA, CPA

#### Chairman

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

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

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

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

### Stewart Dickson, BA (Hons), MBA

#### Chief executive officer, Executive director

Stewart was appointed as Chief Executive Officer 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, he 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 a MBA from Henley Business School.

Appointed Non-Executive Director of Trans-Siberian Gold plc on 19 September 2017, a company listed on the AIM market of the London Stock Exchange.

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

### Gregory Jones, BSc (Hons), MAusIMM, MAIG

#### Executive technical director

Greg was appointed Executive Technical Director on 1 May 2017 after serving as Managing Director from 20 April 2009. Greg is a geologist with over 30 years of exploration and operational experience gained in a broad range of metalliferous commodities within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Mining Limited. His experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

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

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

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

## Kwan Chee Seng

### Non-executive director

Chee Seng was appointed a Director of the Company on 17 February 2009. 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 of 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 Mr Kwan has not served as a director of any other ASX listed company.

## Dr Foo Fatt Kah, MB, BCh, BAO, MBA

### Non-executive director

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

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

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

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

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

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

## Dr Jack Testard

### Executive director

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

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

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

## Directors' interests in shares and options

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

| Directors | Shares directly and indirectly held | Options directly and indirectly held |
|---|---|---|
| P Elliott | 10,502,246 | 2,000,000 |
| S Dickson | - | - |
| G Jones | 12,693,218 | 6,800,000 |
| C S Kwan | 197,780,846 | 2,500,000 |
| F K Foo | 29,049,259 | 2,000,000 |
| M Moore | - | 1,000,000 |
| J Testard | 200,000 | 3,400,000 |

## Company secretary

### Ivo Polovineo, FIPA

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

Ivo is currently also Company Secretary of Thomson Resources Ltd, Silver City Minerals Limited and Lynas Corporation Ltd. Ivo is also a Director of Moly Mines Limited.

## Principal activities

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

## Results

The net result of operations of the consolidated entity after applicable income tax was a loss of $3,914,121 (2016: $1,360,558) which includes the write-off of exploration expenditure during the year of $1,321,021 (2016: $31,845).

## Dividends

No dividends were paid or proposed during the year.

## Review of operations

A review of the operations of the Company during the financial period and the results of those operations commence on page 3 in 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 2017 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:

- In July 2017 the Group sold 100% of its two non-core investments, Eastern Iron Limited and Silver City Minerals Limited receiving a total of $0.56M.

## 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 Company's mineral projects are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is advancing with the identification of new opportunities outside of France. Simultaneously the Company will take all possible steps to ensure the preservation and enhancement of the economic value of its assets and investment made in France to date.

## 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 |
|---|---|---|---|
| 15,650,000 | Ord | $0.07 | 4 Dec 2017 |
| 29,347,830 | Ord | $0.05 | 29 Jan 2018 |
| 12,450,000 | Ord | $0.05 | 3 Dec 2018 |
| 57,447,830 | | | |

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

There were 126,277,319 shares issued during or since the end of the financial year as a result of exercise of listed options expired 4 May 2017 at $0.015 per share.

Refer to the Remuneration Report, Note 13 & 14 for further details of the options outstanding.

## Remuneration report (audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

## Details of key management personnel

Details of KMP including the top five remunerated executives of the Parent and Group are set out below.

| Directors | |
|---|---|
| Patrick Elliott | Chairman (Non-Executive) |
| Stewart Dickson | Executive Director/CEO (appointed 1 May 2017) |
| Gregory Jones | Executive Technical Director (Managing Director to 1 May 2017) |
| Kwan Chee Seng | Non-Executive Director |
| Dr Foo Fatt Kah | Non-Executive Director |
| Mike Moore | Non-Executive Director |
| Dr Jack Testard | Executive Director President of Subsidiary – Variscan Mines SAS |
| **Executives** | |
| Ivo Polovineo | Company Secretary |
| Wendy Corbett | Managing Geologist |
| Michelle Lilley | Financial Controller |
| Michel Bonnemaison | CEO of Subsidiary – Variscan Mines SAS |

## Remuneration philosophy

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

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; 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 NED's has been fixed at a maximum of $250,000 per annum to be apportioned among the NED's in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

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

The level of Directors fees is currently under review.

## Service agreements

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

### Executive Director/CEO – Stewart Dickson (appointed 1 May 2017)

- Contract term: No fixed term. Either party may terminate the letter of employment with six months' notice.
- Remuneration: £172,500 p.a. plus VAT (2016: Nil) as at 30 June 2017. Short term incentive of £25,000 (in aggregate) on the achievement of agreed Key Performance Indicators (KPI) for the 2017 calendar year. Long term incentive of 10,000,000 share options (or equivalent) at a price to be agreed on the achievement of further agreed KPI's.
- Termination payments: None.

### Executive Technical Director – Greg Jones (Managing Director to 1 May 2017 and Executive Technical Director from 1 May 2017)

- Contract term: No fixed term. Either party may terminate the letter of employment with one months' notice.
- Remuneration: $281,284 p.a. until 1 May 2017. From 1 May 2017 remuneration was calculated at hours worked by same hourly rate paid during the year. (2016: $281,284). A revised contract for services is current being reviewed.
- Termination payments: Mr Jones's previous contract to 1 May 2017 was subject to a 3 month severance pay with an additional 3 months after more than five years.

### Non-executive Director – Mike Moore

- Contract term: No contract or fixed term. Consulting fees paid as and when required.
- Remuneration: $1,200 per day plus statutory super (2016: $1,200) as at 30 June 2017
- Termination payments: Nil.

### Executive Director – Jack Testard

- Contract term: No fixed term.
- Remuneration: Annual salary equivalent to €63,084 (2016: €63,084) as at 30 June 2017, to be reviewed annually.
- Termination payments: Nil.

### Company Secretary – Ivo Polovineo

- Contract term: 12 month rolling contract. Either party may terminate the contract with one months' notice.
- Remuneration: $1,300 (2016: $1,300) per day plus GST as at 30 June 2017.
- Termination payments: Nil.

### Managing Geologist – Wendy Corbett

- Contract term: Rolling contract. Either party may terminate the agreement with one months' notice.
- Remuneration: $120.00 per hour (2016: $108.16) plus GST for consultancy services as at 30 June 2017.
- Termination payments: Nil.

### Financial Controller – Michelle Lilley

- Contract term: No fixed term. Either party may terminate the agreement with one months' notice.
- Remuneration: $92.98 per hour (2016: $92.98) as at 30 June 2017.
- Termination payments: A 1 month severance pay with an additional 2 months after more than five years.

  Variscan provides a number of companies with technical accounting and administrative services and accordingly a substantial portion of Ms Lilley's remuneration is oncharged to those companies.

### CEO (Variscan Mines) – Michel Bonnemaison

- Contract term: Contract has been terminated post 30 June 2017.
- Remuneration: Annual salary equivalent to €160,188 (2016: €160,188) as at 30 June 2017.
- Termination payments: Statutory termination payments are currently being reviewed as per ASX announcement made on 1 August 2017.

## Directors and KMP remuneration (consolidated) for the year ended 30 June 2017

| | Short-term benefits | | Post employment | Share-based payments | | |
|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Consulting fees $ | Super-annuation $ | Options $ | Total $ | Consisting of options % |
| **Directors** | | | | | | |
| P Elliott | 50,000 | - | - | - | 50,000 | - |
| S Dickson | - | 60,047 | - | - | 60,047 | - |
| G Jones | 250,047 | - | 23,755 | - | 273,802 | - |
| C S Kwan | 36,000 | - | - | - | 36,000 | - |
| F K Foo | 36,000 | - | - | - | 36,000 | - |
| M Moore | 33,027 | - | 3,138 | - | 36,165 | - |
| J Testard | 91,173 | - | - | - | 91,173 | - |
| **Total Directors** | 496,247 | 60,047 | 26,893 | - | 583,187 | |
| **Other key management personnel** | | | | | | |
| I Polovineo | 69,300 | - | - | - | 69,300 | - |
| W Corbett | - | 4,743 | - | - | 4,743 | - |
| M Lilley (a) | 111,856 | - | 10,626 | - | 122,482 | - |
| M Bonnemaison | 231,514 | - | - | - | 231,514 | - |
| **Other KMP** | 412,670 | 4,743 | 10,626 | - | 428,039 | |
| **Totals** | 908,917 | 64,790 | 37,519 | - | 1,011,226 | |

(a) Variscan provides a number of companies with technical accounting and administrative services and accordingly a substantial portion of Ms Lilley's remuneration is oncharged to those companies.

## Directors and KMP remuneration (consolidated) for the year ended 30 June 2016

| | Short term benefits | | Post employment | Share-based payment | | |
|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Consulting fees $ | Super-annuation $ | Options $ | Total $ | Consisting of options % |
| **Directors** | | | | | | |
| P Elliott | 50,000 | - | - | 9,900 | 59,900 | 17% |
| G Jones | 256,881 | - | 24,403 | 27,720 | 309,004 | 9% |
| C S Kwan | 36,000 | - | - | 14,850 | 50,850 | 29% |
| F K Foo | 36,000 | - | - | 9,900 | 45,900 | 22% |
| M Moore | 30,275 | 33,600 | 6,068 | 9,900 | 79,843 | 12% |
| J Testard | 96,188 | - | - | 13,860 | 110,048 | 13% |
| **Total Directors** | 505,344 | 33,600 | 30,471 | 86,130 | 655,545 | |
| **Other key management personnel** | | | | | | |
| I Polovineo | 62,400 | - | - | 9,900 | 72,300 | 14% |
| W Corbett | - | 8,247 | - | 2,475 | 10,722 | 23% |
| M Lilley (a) | 96,859 | - | 9,202 | 6,435 | 112,496 | 6% |
| M Bonnemaison | 244,249 | - | - | 13,860 | 258,109 | 5% |
| **Other KMP** | 403,508 | 8,247 | 9,202 | 32,670 | 453,627 | |
| **Totals** | 908,852 | 41,847 | 39,673 | 118,800 | 1,109,172 | |

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

There were no share based payments granted to Directors and Key Management personal during the financial year.

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

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

## Directors' Benefits, Emoluments and Share Options

During its annual budget review the Board reviews the Directors' Emoluments. Remuneration levels, including participation in the Company's ESOP, are set to provide reasonable compensation in line with the Company's limited financial resources. During the year no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in Note 17 of the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

There is no retirement scheme for Non-Executive Directors.

End of Audited Remuneration report.

## Meetings of directors

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

| | Board of directors | | Remuneration committee | | Audit committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| **Directors** | | | | | | |
| P Elliott | 4 | 4 | 1 | 1 | 2 | 2 |
| S Dickson | 2 | 2 | - | - | - | - |
| G Jones | 4 | 4 | 1 | 1 | 2 | 2 |
| C S Kwan | 4 | 4 | 1 | 1 | - | - |
| F K Foo | 4 | 4 | - | - | 2 | 2 |
| M Moore | 4 | 4 | - | - | - | - |
| J Testard | 4 | 4 | - | - | - | - |

## Non-audit services

The Company’s primary auditor, HLB Mann Judd provided non-audit services totalling $33,500 during the year ended 30 June 2017 (2016: nil). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor’s imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed at Sydney this 25th day of September 2017 in accordance with a resolution of the Directors.

**Stewart Dickson**
Chief Executive Officer

HLB Mann Judd

Accountants | Business and Financial Advisers

**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 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

| | |
|---|---|
| **Sydney, NSW** | **A G Smith** |
| **25 September 2017** | **Partner** |

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**
Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Revenue and other income** | 3 | 394,519 | 2,230,228 |
| ASX and ASIC fees | | (36,229) | (53,715) |
| Auditors' remuneration | 5(a) | (56,592) | (56,570) |
| Contract admin/geological services | | (89,265) | (90,656) |
| Depreciation expense | 9 | (87,096) | (108,231) |
| Directors' fees | | (155,027) | (152,275) |
| Exploration expenditure written-off | 10 | (1,321,021) | (31,845) |
| Impairment of investment | | (61,304) | (574,111) |
| Insurance | | (29,046) | (36,327) |
| Operating lease rental expense | | (101,041) | (101,706) |
| Operating costs of subsidiary | | (22,463) | (49,221) |
| Preliminary AIM listing costs | | (253,214) | - |
| Marketing and media costs | | (85,179) | (93,170) |
| Employee costs net of on-costs recharged to exploration projects | | (1,137,544) | (1,179,507) |
| Motor vehicle expenses | | (43,262) | (49,466) |
| Recruitment costs | | (85,600) | - |
| Share of net losses of associate accounted for by the equity method | | - | (89,607) |
| Share based payments | | - | (123,255) |
| Travel and accommodation | | (84,916) | (37,392) |
| Write down of receivable | | (54,414) | - |
| Other expenses | | (387,326) | (337,789) |
| **(Loss) before income tax expense** | | (3,696,020) | (934,615) |
| Income tax (expense) | 4 | (218,101) | (425,943) |
| **(Loss) after tax** | | (3,914,121) | (1,360,558) |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net fair value gains/(losses) on available-for-sale financial assets | | 46,123 | 205,093 |
| Exchange differences on translation of foreign operations | | (1,733) | 24,923 |
| Income tax on items of other comprehensive income/(loss) | | - | (61,528) |
| Amounts transferred from reserves to income on sale | | - | (141,000) |
| Income tax on items of other comprehensive income/(loss) | | - | 42,300 |
| **Other comprehensive income/(loss) for the period, net of tax** | | 44,390 | 69,788 |
| **Total comprehensive (loss) for the period** | | (3,869,731) | (1,290,770) |
| | | | |
| **(Loss) per share** | | | |
| Basic (loss) per share (cents per share) | 16 | (0.70) | (0.38) |
| Diluted (loss) per share (cents per share) | 16 | (0.70) | (0.38) |

*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 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 1,120,871 | 2,452,774 |
| Receivables | 7 | 610,516 | 596,161 |
| **Total current assets** | | 1,731,387 | 3,048,935 |
| | | | |
| **Non-current assets** | | | |
| Investments – available for sale | 8 | 1,472,056 | 1,487,237 |
| Receivables | 7 | 28,134 | 26,813 |
| Property, plant and equipment | 9 | 116,989 | 200,408 |
| Deferred exploration and evaluation expenditure | 10 | 4,374,186 | 3,973,293 |
| Deferred tax asset | 4 | - | 411,149 |
| **Total non-current assets** | | 5,991,365 | 6,098,900 |
| **Total assets** | | 7,722,752 | 9,147,835 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 678,652 | 454,325 |
| Provisions | 12 | 158,246 | 135,962 |
| **Total current liabilities** | | 836,898 | 590,287 |
| | | | |
| **Non-current liabilities** | | | |
| Provisions | 12 | 65,030 | 56,226 |
| **Total non-current liabilities** | | 65,030 | 56,226 |
| **Total liabilities** | | 901,928 | 646,513 |
| **Net assets** | | 6,820,824 | 8,501,322 |
| | | | |
| **Equity** | | | |
| Contributed equity | 13 | 22,355,868 | 20,294,953 |
| Reserves | 15 | 829,117 | 723,199 |
| Accumulated losses | | (16,364,161) | (12,516,830) |
| **Total equity** | | 6,820,824 | 8,501,322 |

*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 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payment to suppliers and employees | | (2,418,189) | (2,193,848) |
| Consultancy fees and rental income received | | 178,811 | 195,100 |
| Management fee | | 180,658 | - |
| Interest received | | 17,314 | 14,154 |
| Net cash flows used in operating activities | 22 | (2,041,406) | (1,984,594) |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (7,112) | (70,255) |
| Expenditure on mining interests (exploration) | | (1,540,961) | (1,871,943) |
| Purchase of equity investments | | - | (5,000) |
| Sale of equity investments | | - | 851,355 |
| Tenement security deposits & bank guarantees (paid)/recovered | | (1,376) | (2,741) |
| Net cash flows used in investing activities | | (1,549,449) | (1,098,584) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares and options | | 2,414,159 | 4,171,355 |
| Payment of share issue costs | | (147,775) | (332,470) |
| Net cash flows from financing activities | | 2,266,384 | 3,838,885 |
| **Net increase/(decrease) in cash and cash equivalents** | | (1,324,471) | 755,707 |
| Net foreign exchange differences | | (7,432) | (17,347) |
| Cash and cash equivalents at beginning of period | | 2,452,774 | 1,714,414 |
| **Cash and cash equivalents at end of period** | 22 | 1,120,871 | 2,452,774 |

*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 2017

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | Note | Contributed equity $ | Accumulated losses $ | Reserves $ | Total equity $ |
| **At 1 July 2015** | | 16,413,561 | (11,683,107) | 1,056,991 | 5,787,445 |
| (Loss) for the period | | - | (1,360,558) | - | (1,360,558) |
| Other comprehensive income/(loss) | | - | - | 69,788 | 69,788 |
| **Total comprehensive (loss) for the period** | | - | (1,360,558) | 69,788 | (1,290,770) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of share capital (net of share issue costs) | | 3,818,073 | - | - | 3,818,073 |
| Option issue consideration | | 63,319 | - | - | 63,319 |
| Transfer expired options to Retained Earnings | 15 | - | 526,835 | (526,835) | - |
| Share-based payments | 15 | - | - | 123,255 | 123,255 |
| **At 30 June 2016** | | 20,294,953 | (12,516,830) | 723,199 | 8,501,322 |
| | | | | | |
| **At 1 July 2016** | | 20,294,953 | (12,516,830) | 723,199 | 8,501,322 |
| (Loss) for the period | | - | (3,914,121) | - | (3,914,121) |
| Other comprehensive income/(loss) | | - | - | 44,390 | 44,390 |
| **Total comprehensive (loss) for the period** | | - | (3,914,121) | 44,390 | (3,869,731) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of share capital (net of share issue costs) | | 2,344,780 | - | - | 2,344,780 |
| Options issued during the year | | 37,500 | - | - | 37,500 |
| Transfer expired options to Retained Earnings | 13 | (66,790) | 66,790 | - | - |
| Deferred tax written off | | (254,575) | - | 61,528 | (193,047) |
| **At 30 June 2017** | | 22,355,868 | (16,364,161) | 829,117 | 6,820,824 |

*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 2017 was authorised for issue in accordance with a resolution of the Directors on 25 September 2017. 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).

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Variscan Mines Limited (Variscan or the Company) and its subsidiaries (collectively, the Group) as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. At this date, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate.

### Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors believe that the Group will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report. The Directors are investigating options to raise additional funds to allow the Group to pursue its project opportunities and reduce its working capital requirements with the intent that the consolidated group continues as a going concern.

If all of these options are unsuccessful, this may indicate there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

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

## Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

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

## Trade and other receivables

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

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

## Exploration, evaluation, development and restoration costs

### Exploration and evaluation

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

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.

### Development

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

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

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

### Restoration

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

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

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

## Investments and other financial assets

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

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

### Recognition and derecognition

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

### Loans and receivables

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

### Available for sale securities

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

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

## Interest in jointly controlled operations – joint ventures

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

## Plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, namely motor vehicles and plant and equipment – depreciated over 2 - 5 years (2016: 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.

## 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 the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### Rendering of services

Revenue from consulting services are recognised when provided.

### Interest

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

### Royalties

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

### Contract exploration

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

## Income tax

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

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

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

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

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

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

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

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

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

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

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

## Other taxes

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

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

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

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

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

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

## Currency

### Functional currency translation

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

### Transactions and balances

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

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

### Translation of Group Companies' functional currency to presentation currency

The results of the French subsidiary are translated into Australian Dollars (presentation currency). Income and expenses for each profit or loss item are translated at the average exchange rate, unless this is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions. Assets and liabilities are translated at exchange rates prevailing at reporting date. All resulting exchange differences are recognised in other comprehensive income.

## Impairment of assets

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

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

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

## Contributed equity

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

## Recoverable amount of assets

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

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

## Significant accounting judgements, estimates and assumptions

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

### Share-based payment transactions

The Company measures the cost of equity-settled share-based payments at fair value at the grant date using the Binomial formula taking into account the terms and conditions upon which the instruments were granted, and estimates of volatility as detailed in Note 15.

### 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 per share

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

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

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

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

## Segment reporting

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

## Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2017. 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 are yet to assess the full impact of AASB 16 and will apply the new standard from 1 January 2019.

***AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)***

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards which may impact on the Group include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

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

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows

- requirements for impairment of financial assets

The Group is yet to assess its full impact however initial indications are that it may affect the Group's accounting of its available-for-sale financial assets.

The director's assessment of the impact of all other new standards and interpretations is that they will not have a material impact on the financial report of the Company.

## 3. Revenue and other income

| | 2017 $ | 2016 $ |
|---|---|---|
| **Revenue** | | |
| Interest received – other persons/corporations | 15,666 | 11,851 |
| Consulting fees | 126,696 | 127,434 |
| Rental income | 63,180 | 66,780 |
| Management fee | 177,838 | - |
| **Other Income** | | |
| Gain on sale of investments | - | 679,811 |
| Gain on deemed disposal relating to an associate | - | 900,000 |
| Gain on associate investments | - | 195,321 |
| R&D tax concession offset / research tax credit | - | 248,675 |
| Unrealised gain on foreign currency | 11,139 | 345 |
| Other | - | 11 |
| | 394,519 | 2,230,228 |

## 4. Income tax

| | 2017 $ | 2016 $ |
|---|---|---|
| Prima facie income tax (credit) on operating (loss) at 30% | (1,108,806) | (280,384) |
| Deferred tax assets not recognised | 1,108,806 | - |
| Net deferred tax assets and liabilities written off | (218,101) | - |
| Other | - | (145,559) |
| Income tax expense | (218,101) | (425,943) |

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2017.

The Group has a deferred income tax liability of Nil (2016: Nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been offset by deferred tax assets attributed to available tax losses. 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 $12,949,024 (2016: $11,697,165) as at 30 June 2017.

A benefit of 30% of approximately $3,884,707 (2016: $3,509,150) associated with the tax losses carried forward will only be obtained if:

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

### Tax consolidation

Variscan Mines Limited and its 100% owned 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 (2016: 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 (2016: $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

| | 2017 $ | 2016 $ |
|---|---|---|
| **(a) Audit Services** | | |
| Amounts received or due and receivable by: **HLB Mann Judd**, for: | | |
| Audit and review of the financial report of Variscan Mines Limited | 46,000 | 46,000 |
| Amounts received or due and receivable by **SEFAC**, for: | | |
| Audit and review of the financial report of Variscan Mines SAS | 10,592 | 10,570 |
| Total remuneration for Audit Services | 56,592 | 56,570 |

## 5. Auditors' remuneration continued

| | 2017 $ | 2016 $ |
|---|---|---|
| Amounts received or due and receivable by: **HLB Mann Judd**, for: | | |
| Tax consulting and tax advice | 13,500 | - |
| Total remuneration for Taxation Services | 13,500 | - |
| | | |
| **(c) Other Services** | | |
| Amounts received or due and receivable by: **HLB Mann Judd**, for: | | |
| Other assurance services in relation to potential AIM listing | 20,000 | - |
| Total remuneration for Other Services | 20,000 | - |

## 6. Cash and cash equivalents

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank and in hand | 311,397 | 231,424 |
| Short-term deposits | 809,474 | 2,221,350 |
| Refer Note 22 | 1,120,871 | 2,452,774 |

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

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Trade Debtors | 29,716 | 15,866 |
| R&D and other tax refunds | 389,437 | 443,559 |
| GST/VAT receivable | 107,856 | 58,317 |
| Interest receivable | 176 | 1,822 |
| Prepayments | 72,373 | 71,596 |
| Other debtors | 10,958 | 5,001 |
| | 610,516 | 596,161 |
| **Non-current** | | |
| Rental bonds | 28,134 | 26,813 |

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

| | | 2017 $ | 2016 $ |
|---|---|---|---|
| Investment – available for sale – EFE | (a) | 444,000 | 475,714 |
| Investment – available for sale SCI | (b) | 123,056 | 341,823 |
| Investment – available for sale TMZ | (c) | 905,000 | 669,700 |
| | | 1,472,056 | 1,487,237 |

(a) The market value on ASX of the Group's 52,857,142 shares in Eastern Iron Limited (EFE) at 30 June 2017 was $444,000 ($0.0084 per share). Refer to subsequent events Note 25 for information on post balance date sale of investment.

(b) The market value on ASX of the Group's 6,836,449 shares in Silver City Minerals Limited (SCI) at 30 June 2017 was $123,056 ($0.018 per share). Refer to subsequent events Note 25 for information on post balance date sale of investment.

(c) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Ltd (TMZ) at 30 June 2017 was $905,000 ($0.05 per share) and on 14 September 2017 it was $724,000 ($0.04 per share).

## 9. Property, plant and equipment

| | Motor vehicle $ | Plant and equipment $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2016** | | | |
| Opening net book amount | 28,168 | 204,104 | 232,272 |
| Additions | - | 69,175 | 69,175 |
| Depreciation expense | (8,979) | (99,252) | (108,231) |
| Foreign exchange differences | 864 | 6,328 | 7,192 |
| Closing net book amount | 20,053 | 180,355 | 200,408 |
| **At 30 June 2016** | | | |
| Cost | 43,779 | 587,657 | 631,436 |
| Accumulated depreciation | (23,726) | (407,302) | (431,028) |
| Net book amount | 20,053 | 180,355 | 200,408 |
| **Year ended 30 June 2017** | | | |
| Opening net book amount | 20,053 | 180,355 | 200,408 |
| Additions | - | 11,288 | 11,288 |
| Depreciation expense | (8,441) | (78,655) | (87,096) |
| Foreign exchange differences | (367) | (7,244) | (7,611) |
| Closing net book amount | 11,245 | 105,744 | 116,989 |
| **At 30 June 2017** | | | |
| Cost | 43,576 | 592,705 | 636,281 |
| Accumulated depreciation | (32,331) | (486,961) | (519,292) |
| Net book amount | 11,245 | 105,744 | 116,989 |

## 10. Deferred exploration and evaluation expenditure

| | 2017 $ | 2016 $ |
|---|---|---|
| Costs brought forward | 3,973,293 | 2,272,301 |
| Costs incurred during the year | 1,721,914 | 1,732,837 |
| Expenditure written off during the year | (1,321,021) | (31,845) |
| Costs carried forward | 4,374,186 | 3,973,293 |
| Exploration expenditure costs carried forward are made up of: | | |
| Expenditure on joint venture areas | 88,498 | 88,036 |
| Expenditure on non joint venture areas | 4,285,688 | 3,885,257 |
| Costs carried forward | 4,374,186 | 3,973,293 |

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 year, the Group performed drilling at the St Pierre tenement, drilling approximately 50% of the drill holes that the Group expects to drill. Following management's review of the drilling results performed to year end, management have impaired $1,321,021 of capitalised exploration costs in relation to the St Pierre tenement, representing approximately 50% of the capitalised expenditure to date (as 50% of the drill holes are still be drilled and, at year end, the exploration and evaluation activities in relation to these had not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in St Pierre are continuing).

## 11. Current liabilities – payables

| | 2017 $ | 2016 $ |
|---|---|---|
| Trade creditors * | 407,442 | 147,265 |
| Accrued expenses | 54,974 | 100,827 |
| GST payable | 2,743 | 1,576 |
| Accrued payroll and payroll deductions | 213,493 | 204,657 |
| | 678,652 | 454,325 |

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

## 12. Liabilities – provisions

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Annual Leave | 158,246 | 135,962 |
| **Non-current** | | |
| Long Service Leave | 65,030 | 56,226 |

## 13. Contributed equity

| | 2017 $ | 2016 $ |
|---|---|---|
| **Share capital** | | |
| 674,088,999 (2016: 518,922,788) ordinary shares fully paid | 23,198,422 | 19,754,457 |
| **Option issue consideration reserve** | | |
| Nil (2016: 129,849,228) listed options on issue | - | 1,059,096 |
| 29,347,830 (2016: 29,347,830) unlisted options on issue * | 75,408 | 75,408 |
| **Deferred tax** | - | 254,580 |
| **Share issue costs** | (917,962) | (848,588) |
| | 22,355,868 | 20,294,953 |

*A further 28,100,000 (Director and employee) unlisted options are included under Share-based payments Note 14.

| | | Number | $ |
|---|---|---|---|
| **Movements in ordinary shares on issue** | | | |
| **At 1 July 2015** | | 306,447,930 | 15,646,422 |
| Shares issued | (i) | 58,695,652 | 1,274,592 |
| Shares issued | (ii) | 10,606,050 | 245,000 |
| Shares issued | (iii) | 324,675 | 7,500 |
| Shares issued | (iv) | 55,555,556 | 1,000,000 |
| Shares issued | (v) | 805,910 | 12,089 |
| Transfer value from options issue consideration reserve | (vi) | - | 12,089 |
| Shares issued | (vii) | 86,487,015 | 1,556,765 |
| **At 30 June 2016** | | 518,922,788 | 19,754,457 |
| Shares issued | (viii) | 126,277,319 | 1,894,159 |
| Shares issued | (ix) | 28,888,892 | 520,000 |
| Transfer from options issue consideration reserve | (x) | - | 1,029,806 |
| **At 30 June 2017** | | 674,088,999 | 23,198,422 |

(i) The Company issued 58,695,652 shares at $0.023 per share in December 2015 in a placement. One attaching unlisted option was issued for every two shares purchased. These options were valued at $75,408 leaving a value of $1,274,592 to be allocated to the share capital value.

(ii) The Company issued 10,606,050 shares at $0.0231 per share in December 2015 under a Share Purchase Plan announced on 25 November 2015.

(iii) The Company issued 324,675 shares at $0.0231 per share in January 2016 in a placement.

(iv) The Company issued 55,555,556 shares at $0.018 per share in May 2016 in a placement.

(v) A total of 805,910 shares were issued during the period on exercise of $0.015 listed options. The options were granted as per the Entitlement Offer mentioned in (i) above.

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

(vii) The Company issued 86,487,015 shares at $0.018 per share in June 2016 under a pro-rata renounceable Entitlement Offer.

(viii) A total of 126,277,319 shares were issued during the period on exercise of $0.015 listed options. The options were granted as per the Entitlement Offer mentioned in (i) above.

(ix) The Company issued 28,888,892 shares at $0.018 per share in March 2017 in a placement.

## 13. Contributed equity continued

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

| | | Number | $ |
|---|---|---|---|
| **Movements in options on issue** | | | |
| **At 1 July 2015** | | 130,655,138 | 1,071,184 |
| Exercise of listed options | (i) | (805,910) | (12,088) |
| Unlisted options granted | (ii) | 29,347,830 | 75,408 |
| **At 30 June 2016** | | 159,197,058 | 1,134,504 |
| Listed options granted | (iii) | 12,500,000 | 37,500 |
| Exercise of listed options | (iv) | (126,277,319) | (1,029,806) |
| Expiry of listed options | (v) | (16,071,909) | (66,790) |
| **At 30 June 2017** | | 29,347,830 | 75,408 |

(i) A total of 805,910 listed options were exercise at $0.015 during the year ended 30 June 2016.

(ii) The Company granted 29,347,830 unlisted options in January 2016 with an exercise price of $0.05 per share and expiry date of 29 January 2018. One option was granted for every two shares issued under a placement done in December 2015. These options were valued at $75,408 using a Black Scholes methodology with an expected volatility of 66.46% and a risk free rate of 1.93%, which led to an estimated value of $0.0026 per option.

(iii) The Company issued 12,500,000 listed options, exercisable at $0.015 and expiring 4 May 2017 as consideration for Corporate Advisory services.

(iv) A total of 126,277,319 shares were issued during the period on exercise of $0.015 listed options.

(v) A total of 16,071,909 listed options exercisable at $0.015 expired on 4 May 2017.

An additional 28,100,000 options are on issue under Share-based payments Note 14.

### 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.

## 14. 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 2017 and 2016.

## 14. Share-based payments continued

### Summary of options granted by the parent entity

| | 2017 no. | 2016 no. |
|---|---|---|
| Outstanding at the beginning of the year | 28,100,000 | 28,850,000 |
| Granted during the year | - | 12,450,000 |
| Expired during the year | - | (13,200,000) |
| Outstanding at the end of the year | 28,100,000 | 28,100,000 |

The outstanding balance as at 30 June 2017 is represented by:

- 15,650,000 which expire on 4 December 2017 exercisable at $0.07 per share
- 12,450,000 which expire on 3 December 2018 exercisable at $0.05 per share

There are an additional 29,347,830 options under Contributed Equity Note 13 which is represented by:

- 29,347,830 which expire on 29 January 2018 exercisable at $0.05 per share

### Weighted Average disclosures for options granted by the parent entity

| | 2017 | 2016 |
|---|---|---|
| Weighted average exercise price of options at 1 July | $0.06 | $0.16 |
| Weighted average exercise price of options granted during period | - | $0.05 |
| Weighted average exercise price of options outstanding at 30 June | $0.06 | $0.06 |
| Weighted average exercise price of options exercisable at 30 June | $0.06 | $0.06 |
| Weighted average contractual life | 0.87 | 1.87 |
| Range of exercise price | $0.05 - $0.07 | $0.05 - $0.07 |

### 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 | Expected volatility | Risk-free rate | Expect-ed life years | Estimat-ed fair value | Model used | |
|---|---|---|---|---|---|---|---|---|---|
| Nov 14 | 15,650,000 | $0.07 | 4 Dec 17 | 60.16% | 2.52% | 3.0 | $0.0091 | Binomial | (a) |
| Nov 15 | 12,450,000 | $0.05 | 3 Dec 18 | 66.46% | 1.93% | 3.0 | $0.0099 | Black Scholes | (b) |
| | 28,100,000 | | | | | | | | |

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

(b) 8,700,000 options were issued to Directors of the Company and approved by shareholders at the Company's AGM held on 25 November 2015. 3,750,000 options were issued to employees/consultants under the Company's ESOP. The options vested immediately and were expensed in the statement of comprehensive income.

## 15. Reserves

| | 2017 $ | 2016 $ |
|---|---|---|
| Share-based compensation reserve | 265,670 | 265,670 |
| Investment revaluation reserve | 251,217 | 143,565 |
| Foreign currency translation reserve | 312,230 | 313,964 |
| | 829,117 | 723,199 |

| | | 2017 $ | 2016 $ |
|---|---|---|---|
| **Share-based compensation reserve** | (i) | | |
| Balance at the beginning of financial year | | 265,670 | 669,250 |
| Share-based payment expense | | - | 123,255 |
| Transfer expired options to Retained Earnings | | - | (526,835) |
| Balance at end of financial year | | 265,670 | 265,670 |
| **Investment revaluation reserve** | (ii) | | |
| Balance at the beginning of financial year | | 143,565 | 98,700 |
| Change in fair value of investments available for sale | | 46,123 | 143,565 |
| Deferred tax written off | | 61,529 | - |
| Investment revaluation reserve adjustment on sale of investment | | - | (98,700) |
| Balance at end of financial year | | 251,217 | 143,565 |
| **Foreign currency translation reserve** | (iii) | | |
| Balance at the beginning of financial year | | 313,964 | 289,041 |
| Effect of exchange rate fluctuation | | (1,734) | 24,923 |
| Balance at end of financial year | | 312,230 | 313,964 |

(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 14.

(ii) **Investment revaluation reserve**

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

(iii) **Foreign currency translation reserve**

The foreign currency translation reserve arises from the translation of foreign currency subsidiaries.

## 16. (Loss) per share

| | 2017 | 2016 |
|---|---|---|
| | **$** | **$** |
| (Loss) used in calculating basic and diluted (loss) per share | (3,914,121) | (1,360,558) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 556,340,783 | 355,577,175 |
| | **Cents per share** | **Cents per share** |
| Basic (loss) per share | (0.70) | (0.38) |
| Diluted (loss) per share | (0.70) | (0.38) |

## 16. (Loss) per share continued

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2016: nil) relating to share options issued. There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for all of the periods presented.

Conversion, call, subscription or issue after 30 June 2017: Since the end of the financial year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

## 17. Key management personnel

### Key management personnel (KMP) remuneration, shares and options

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Compensation for key management personnel** | | |
| Short-term employee benefits | 973,707 | 950,699 |
| Post-employment benefits | 37,519 | 39,673 |
| Share-based payments | - | 118,800 |
| Total compensation | 1,011,226 | 1,109,172 |

### Shareholdings of key management personnel

**Fully paid ordinary shares held in Variscan Mines Limited**

| | Balance at 1 July no. | Granted as remuneration no. | Received on exercise of options no. | Net change other * no. | Balance at 30 June no. |
|---|---|---|---|---|---|
| **2017** | | | | | |
| P Elliott | 7,365,786 | - | 3,136,460 | - | 10,502,246 |
| S Dickson | - | - | - | - | - |
| G Jones | 9,353,219 | - | 3,339,999 | - | 12,693,218 |
| C S Kwan | 154,080,846 | - | 43,700,000 | - | 197,780,846 |
| F K Foo | 19,930,911 | - | 9,118,348 | - | 29,049,259 |
| I Polovineo | 885,609 | - | 93,333 | - | 978,942 |
| J Testard | 200,000 | - | - | - | 200,000 |
| M Bonnemaison | 219,629 | - | - | - | 219,629 |
| Total | 192,036,000 | - | 59,388,140 | - | 251,424,140 |
| **2016** | | | | | |
| P Elliott | 5,488,805 | - | - | 1,876,981 | 7,365,786 |
| G Jones | 7,145,000 | - | - | 2,208,219 | 9,353,219 |
| C S Kwan | 122,561,894 | - | - | 31,518,952 | 154,080,846 |
| F K Foo | 12,606,999 | - | - | 7,323,912 | 19,930,911 |
| I Polovineo | 413,333 | - | - | 472,276 | 885,609 |
| J Testard | 200,000 | - | - | - | 200,000 |
| M Bonnemaison | 219,629 | - | - | - | 219,629 |
| Total | 148,635,660 | - | - | 43,400,340 | 192,036,000 |

* Net change other consists of shares purchased by KMP on market during the period and shares issued under the Entitlement Offer in June 2016.

# Consolidated Notes to the Financial Statements

For the year ended 30 June 2017

## 17. Key management personnel continued

### Option holdings of key management personnel

**Share options held in Variscan Mines Limited**

| | Balance at 1 July no. | Granted as remuner-ation no. | Options exercised no. | Net change other * no. | Balance at 30 June no. | Balance vested at 30 June no. | Vested and exercisable no. |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| P Elliott | 5,136,460 | - | (3,136,460) | - | 2,000,000 | 2,000,000 | 2,000,000 |
| S Dickson | - | - | - | - | - | - | - |
| G Jones | 10,139,999 | - | (3,339,999) | - | 6,800,000 | 6,800,000 | 6,800,000 |
| C S Kwan | 72,535,368 | - | (43,700,000) | (26,335,368) | 2,500,000 | 2,500,000 | 2,500,000 |
| F K Foo | 11,118,348 | - | (9,118,348) | - | 2,000,000 | 2,000,000 | 2,000,000 |
| M Moore | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| I Polovineo | 2,843,333 | - | (93,333) | - | 2,750,000 | 2,750,000 | 2,750,000 |
| W Corbett | 600,000 | - | - | - | 600,000 | 600,000 | 600,000 |
| M Lilley | 900,000 | - | - | - | 900,000 | 900,000 | 900,000 |
| J Testard | 3,400,000 | - | - | - | 3,400,000 | 3,400,000 | 3,400,000 |
| M Bonnemaison | 3,400,000 | - | - | - | 3,400,000 | 3,400,000 | 3,400,000 |
| Total | 111,073,508 | - | (59,388,140) | (26,335,368) | 25,350,000 | 25,350,000 | 25,350,000 |
| **2016** | | | | | | | |
| P Elliott | 4,736,460 | 1,000,000 | - | (600,000) | 5,136,460 | 5,136,460 | 5,136,460 |
| G Jones | 9,639,999 | 2,800,000 | - | (2,300,000) | 10,139,999 | 10,139,999 | 10,139,999 |
| C S Kwan | 72,035,368 | 1,500,000 | - | (1,000,000) | 72,535,368 | 72,535,368 | 72,535,368 |
| F K Foo | 8,803,999 | 1,000,000 | - | 1,314,349 | 11,118,348 | 11,118,348 | 11,118,348 |
| M Moore | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| I Polovineo | 3,093,333 | 1,000,000 | - | (1,250,000) | 2,843,333 | 2,843,333 | 2,843,333 |
| W Corbett | 1,000,000 | 250,000 | - | (650,000) | 600,000 | 600,000 | 600,000 |
| M Lilley | 900,000 | 650,000 | - | (650,000) | 900,000 | 900,000 | 900,000 |
| J Testard | 3,500,000 | 1,400,000 | - | (1,500,000) | 3,400,000 | 3,400,000 | 3,400,000 |
| M Bonnemaison | 3,500,000 | 1,400,000 | - | (1,500,000) | 3,400,000 | 3,400,000 | 3,400,000 |
| Total | 107,209,159 | 12,000,000 | - | (8,135,651) | 111,073,508 | 111,073,508 | 111,073,508 |

* Net change other consists of options sold on market (2016: purchased by KMP on market, less options expired during the period).

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

## 18. 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 | 2017 | 2016 | 2017 | 2016 |
| Bluestone 23 Pty Ltd | Australia | 100 | 100 | 5,000 | 5,000 |
| PlatSearch Australia Pty Ltd | Australia | 100 | 100 | 5 | 5 |
| Variscan Mines SAS | France | 100 | 100 | 2,461,379 | 2,461,379 |

### Transactions with directors and key management personnel

Variscan Mines SAS signed an agreement in January 2013 with E-Mines of which Michel Bonnemaison is a Director. The agreement is for E-Mines to provide geological services, sample preparation, analytical services and geological software to Variscan Mines SAS. A total of $396,707 was paid to E-Mines during the year ended 30 June 2017 (2016: $574,543). Notice has been given on the E-Mines agreement which will end on 31 December 2017.

Consulting services are provided by Director Michael Moore at $1,200 per day plus statutory superannuation. No payments were made to Michael Moore for consulting fees during the year ended 30 June 2017 (2016: $36,762).

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

## 19. Joint ventures

The Company is a party to a number of exploration joint venture agreements to explore for copper, gold, zinc, lead and uranium. Under the terms of the agreements the Company may be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to Variscan at reporting date resulting from these joint ventures, other than exploration expenditure costs carried forward as detailed in Note 10. Costs are accounted for in accordance with the terms of joint venture agreements and in accordance with Note 2. Percentage equity interests in joint ventures at 30 June 2017 were as follows:

| Variscan Mines Limited (New South Wales – gold, base metals and iron) | % interest 2017 | % interest 2016 |
|---|---|---|
| Hillston – diluting to 16% | 39.2% | 39.2% |
| Mundi Plains | 14.4% | 15.9% |
| Achilles and Chiron | 25% | 49% |
| Callabonna – diluting to 30% | 100% | 100% |
| Junction Dam –base and precious metals rights | 11.5% | 12.7% |
| Junction Dam – uranium rights* | 0% | 0% |

*Junction Dam – uranium rights. Variscan has retained a 3.75% net profits royalty on production from a uranium mine.

## 20. 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.

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

| | Geographical segments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Australia | | France | | Eliminations | | Consolidated | |
| | 2017 $’000 | 2016 $’000 | 2017 $’000 | 2016 $’000 | 2017 $’000 | 2016 $’000 | 2017 $’000 | 2016 $’000 |
| **Revenue** | | | | | | | | |
| Revenue from outside the group | 217 | 1,981 | 178 | 249 | - | - | 395 | 2,230 |
| **Results** | | | | | | | | |
| Segment results before income tax | (1,402) | (1,874) | (2,294) | 939 | - | - | (3,696) | (935) |
| Income tax expense | | | | | | | (218) | (426) |
| Profit/(loss) after income tax expense | | | | | | | (3,914) | (1,361) |
| **Assets** | | | | | | | | |
| Segment assets | 9,740 | 9,162 | 5,031 | 4,684 | (7,048) | (4,698) | 7,723 | 9,148 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 400 | 437 | 4,074 | 1,366 | (3,572) | (1,156) | 902 | 647 |
| **Other segment information** | | | | | | | | |
| Plant and equipment | 2 | 3 | 115 | 197 | - | - | 117 | 200 |
| Other non-current assets | 5,136 | 5,562 | 4,307 | 3,906 | (3,569) | (3,569) | 5,874 | 5,899 |
| Depreciation | 2 | 2 | 85 | 106 | - | - | 87 | 108 |

## 21. Commitments

### Lease commitments

The Company has obligations under the terms of lease agreements for office premises in Australia and France and premises rental exploration locations in France as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Payable not later than one year | 162,519 | 98,488 |
| Payable later than one year and not later than five years | 195,831 | 199,845 |
| | 358,350 | 298,333 |

Operating leases have been entered into for properties and equipment. Rental payments on equipment are fixed. Rental payments on properties are generally fixed, but with inflation escalation clauses. No purchase option exists in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

### 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 (2016: nil).

## 22. Cash flow statement

| | 2017 $ | 2016 $ |
|---|---|---|
| **Reconciliation of net cash outflow from operating activities to operating profit after income tax** | | |
| Operating loss after income tax | (3,914,121) | (1,360,558) |
| Depreciation | 87,096 | 108,231 |
| Exploration expenditure written-off | 1,321,021 | 31,845 |
| Share of associate's net losses | - | 89,607 |
| Share-based payment expense | - | 123,255 |
| Gain on deemed disposal relating to an associate | - | (900,000) |
| Gain on associate investments | - | (195,321) |
| Impairment of investments | 61,304 | 574,111 |
| Provisions for annual leave and long service leave | 34,427 | 12,118 |
| Tax expense/(benefit) | 218,101 | 425,943 |
| Foreign exchange variances | (37,401) | 162,866 |
| Exploration adjustments and differences in closing creditors/accruals | (184,050) | (81,321) |
| Non cash gain on sale of investment | - | (961,965) |
| Non cash movements from sale of investments | - | 289,291 |
| Other | 48,394 | 603 |
| **Change in assets and liabilities:** | | |
| (Increase)/decrease in receivables | 86,662 | (239,434) |
| (Decrease)/increase in trade and other creditors | 237,161 | (63,865) |
| **Net cash outflow from operating activities** | (2,041,406) | (1,984,594) |

## 22. Cash flow statement continued

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

| | 2017 $ | 2016 $ |
|---|---|---|
| **The balance at 30 June comprised:** | | |
| Cash and cash equivalents | 311,397 | 231,424 |
| Money market securities – bank deposits (Note 6) | 809,474 | 2,221,350 |
| Cash on hand | 1,120,871 | 2,452,774 |

## 23. Financial risk management objectives and policies

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

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

### Capital management

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

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

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

### Financial instrument risk exposure and management

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

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

### General objectives, policies and processes

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

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

**Liquidity risk**

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

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

## 23. Financial risk management objectives and policies continued

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

**Interest rate risk**

At reporting date, the Group is exposed to floating weighted average interest rates at 30 June 2017 for financial assets as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Weighted average rate of **cash** balances | 0.01% | 0.04% |
| Cash balances | $311,397 | $231,424 |
| Weighted average rate of **term deposits** | 1.5% | 2.52% |
| Term deposits | $809,474 | $2,221,350 |

All other financial assets and liabilities are non-interest bearing

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

| Risk exposure and responses | Pre tax loss | | Equity | |
|---|---|---|---|---|
| Judgements of reasonably possible movements: | Lower/ (higher) | | Lower/ (higher) | |
| Consolidated | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| +1% (100 basis points) | 8,095 | 22,214 | 8,095 | 22,214 |
| -1% (100 basis points) | (8,095) | (22,214) | (8,095) | (22,214) |

**Share market risk**

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

**Credit risk**

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

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

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

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

**Foreign currency risk**

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The Group does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency. The Group is primarily exposed to change in EURO/$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro expenditure in the Group's French operation and the impact on other components of equity arises from foreign currency translations.

## 23. Financial risk management objectives and policies continued

***Sensitivity***

| | Impact on post tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| EURO/$ exchange rate – increase 10% | (228,193) | 95,554 | (27,439) | (17,515) |
| EURO/$ exchange rate – decrease 10% | 228,193 | (95,554) | 27,439 | 17,515 |

***Exposure***

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | EURO | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Trade receivables | 389,437 | 443,559 |
| Trade payables | 272,714 | 51,535 |
| Exploration asset | 4,285,418 | 3,885,257 |

**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 | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| +20% | - | - | 294,411 | 297,447 |
| -20% | - | - | (294,411) | (297,447) |

### Accounting policies

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

### Fair value of financial assets and liabilities

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

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

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

## 23. 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.

| 2017 | Quoted market price (Level 1) | Valuation technique – market observable inputs (Level 2) | Valuation technique – non market observable inputs (Level 3) | Total |
|---|---|---|---|---|
| **Financial assets** | **$** | **$** | **$** | **$** |
| Investments available for sale | 1,472,056 | - | - | 1,472,056 |
| Total financial assets | 1,472,056 | - | - | 1,472,056 |

| 2016 | Quoted market price (Level 1) | Valuation technique – market observable inputs (Level 2) | Valuation technique – non market observable inputs (Level 3) | Total |
|---|---|---|---|---|
| **Financial assets** | **$** | **$** | **$** | **$** |
| Investments available for sale | 1,487,237 | - | - | 1,487,237 |
| Total financial assets | 1,487,237 | - | - | 1,487,237 |

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.

## 24. Parent entity information

| Information relating to the parent entity Variscan Mines Limited: | 2017 AUD$'000 | 2016 AUD$'000 |
|---|---|---|
| Current assets | 4,606 | 3,554 |
| Total assets | 8,755 | 8,162 |
| Current liabilities | 242 | 249 |
| Total liabilities | 307 | 305 |
| Issued capital | 22,356 | 20,295 |
| Accumulated losses | (14,312) | (12,778) |
| Investment revaluation reserve | 138 | 74 |
| Share based payment reserve | 266 | 266 |
| Total shareholders' equity | 8,448 | 7,857 |
| Profit/(loss) of the parent entity | (1,601) | (2,546) |
| Total comprehensive income/(loss) of the parent entity | 32 | (2,473) |
| | (1,569) | (5,019) |

### Contractual commitments by the parent entity

The parent entity has lease commitments as stated in Note 21. The parent entity holds the lease commitment for its subsidiaries.

## 25. Events after the reporting date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2017 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:

- In July 2017 the Group sold 100% of its two non-core investments, Eastern Iron Limited and Silver City Minerals Limited receiving a total of $0.56M.

# Directors' Declaration

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

In the opinion of the directors:

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

  (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.

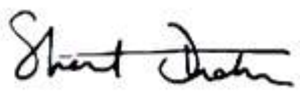
  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

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

(d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2017.

On behalf of the Board



**Stewart Dickson**

**Chief Executive Officer**
Sydney, 25 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

**VARISCAN MINES LIMITED**
**ACN 16 003 254 395**

**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 2017, 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 2017 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company on xx September 2017, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

**VARISCAN MINES LIMITED**
**ACN 16 003 254 395**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### Material Uncertainty Regarding Going Concern

We draw attention to the Going Concern Note included in note 2 in the financial report, which indicates that the Group's ability to continue as a going concern is dependent on it generating further equity funding. This condition, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, 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 |
|---|---|
| **Exploration Assets** | |
| In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition, and if a tenement area is relinquished or if no future value is identified, costs must be impaired to profit or loss.<br><br>Capitalised exploration assets at 30 June 2017 were $4.37m.<br><br>We have identified this as a key audit matter because exploration assets are the most significant asset on the Group's statement of financial position and the judgement involved in assessing whether to impair costs, which is based on assessment of results, various assumptions, and other factors such as historical experience, current and expected economic conditions. | • Discussed the basis on which costs have been capitalised and impaired to profit or loss with management and considered if consistent with AASB 6;<br>• Enquired with management, reviewed ASX announcements and minutes of Directors' meetings to assess if the Group had or had not decided to discontinue exploration and evaluation at its area of interest;<br>• Agreed a sample of capitalised costs to supporting invoices;<br>• Obtained confirmation for a sample of tenement holdings at year end to confirm that the Group has current rights to tenure;<br>• Examined the disclosures made in the financial report. |

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, 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.

**VARISCAN MINES LIMITED**
**ACN 16 003 254 395**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**VARISCAN MINES LIMITED**
**ACN 16 003 254 395**

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report (continued)**

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 in pages 27 to 31of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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

A Smith

**HLB Mann Judd**
**Chartered Accountants**

**A G Smith**
**Partner**

**Sydney, NSW**
**25 September 2017**

# Additional Information

## Shareholder Information

Information relating to shareholders at 12 September 2017.

**Ordinary fully paid shares**

There were a total of 674,088,999 fully paid ordinary shares on issue.

**Options**

There were a total of 57,447,830 unlisted options on issue.

| Substantial shareholders | Shareholding |
|---|---|
| Kwan Chee Seng | 197,780,846 |

At the prevailing market price of $0.01 per share, there were 901 shareholders with less than a marketable parcel of $500.

| Top 20 shareholders of ordinary shares | Number | % |
|---|---|---|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 208,499,867 | 30.93 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 50,707,200 | 7.52 |
| MR CHRIS CARR & MRS BETSY CARR | 30,000,000 | 4.45 |
| RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C> | 29,132,489 | 4.32 |
| WILDGLADE PTY LTD <THE RALSTON FAMILY A/C> | 14,386,958 | 2.13 |
| MR TRAVIS ROYCE SMITH <SMITH INVESTMENT FUND A/C> | 12,500,000 | 1.85 |
| CRESCENT NOMINEES LIMITED | 11,460,712 | 1.70 |
| PANSTYN INVESTMENTS PTY LTD | 10,502,246 | 1.56 |
| MR ALLAN EDWARD WATTS <WATTS FAMILY A/C> | 9,816,026 | 1.46 |
| MR GREGORY FRANCIS PATRICK JONES <JONES SUPER FUND A/C> | 8,111,550 | 1.20 |
| CITICORP NOMINEES PTY LIMITED | 7,635,144 | 1.13 |
| MR TRAVIS ROYCE SMITH & MS JAMIE ELIZABETH CATHCART <RETIRE | 7,000,000 | 1.04 |
| RECO HOLDINGS PTY LTD <RECO SUPER FUND A/C> | 6,957,077 | 1.03 |
| MR XIANGJUN ZHANG | 6,172,000 | 0.92 |
| DR FATT KAH FOO | 5,799,065 | 0.86 |
| BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP | 5,729,627 | 0.85 |
| MR BYRON SCHAMMER | 4,592,723 | 0.68 |
| ACEMAC PTY LIMITED <MAC SUPER A/C> | 4,575,637 | 0.68 |
| MACKAY CONSULTING PTY LIMITED <MACKAY CONSULTING P/L SF A/C> | 4,333,333 | 0.64 |
| MR ROCCO JOSEPH TASSONE | 4,219,516 | 0.63 |
| **Total of top 20 holdings** | **442,131,170** | **65.59** |
| Other holdings | 231,957,829 | 34.41 |
| **Total fully paid shares issued** | **674,088,999** | **100.00** |

| Distribution of shareholders | | |
|---|---|---|
| **Range** | **No of shareholders** | **Ordinary shares** |
| 1 – 1,000 | 339 | 133,080 |
| 1,001 – 5,000 | 179 | 475,924 |
| 5,001 – 10,000 | 139 | 1,136,525 |
| 10,001 – 100,000 | 371 | 15,216,090 |
| 100,001 – and over | 321 | 657,127,380 |
| | **1,349** | **674,088,999** |

# Additional Information

| Distribution of holders of unlisted options | | |
|---|---|---|
| **Range** | **Number of optionholders** | **Options** |
| 1 – 1,000 | 1 | 1 |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | 5 | 425,000 |
| 100,001 – and over | 41 | 57,022,829 |
| | **47** | **57,447,830** |

**Voting rights**

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

Optionholders have no voting rights until the options are exercised.

There is no current on-market buy-back.

## Corporate governance

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

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

# Corporate Directory

## BOARD OF DIRECTORS

Patrick Elliott
*Chairman*

Stewart Dickson
*Chief Executive Officer, Executive Director*

Gregory Jones
*Executive Technical Director*

Kwan Chee Seng
*Non-Executive Director*

Dr Foo Fatt Kah
*Non-Executive Director*

Michael Moore
*Non-Executive Director*

Jack Testard
*Executive Director*

## COMPANY SECRETARY

Ivo Polovineo

## REGISTERED OFFICE

Level 1, 80 Chandos Street
St Leonards, NSW 2065
PO Box 956, Crows Nest
NSW 1585

**Telephone:** +61 (0)2 9906 5220
**Email:** info@variscan.com.au
**Website:** www.variscan.com.au

## VARISCAN MINES FRANCE

10 rue Léonard de Vinci – CS 40053
45007 Orléans cedex 2 – France

**Telephone:** +33 (0)2 38 51 10 56
**Email:** variscan@variscan.fr

## SHARE REGISTRY

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

**Telephone:** (+61 2) 9290 9600
**Website:** www. boardroomlimited.com.au

## AUDITORS

HLB Mann Judd
Level 19, 207 Kent Street
Sydney, NSW 2000

## BANKERS

Bankwest
Commonwealth Bank

## SECURITIES EXCHANGE LISTING

Australian Securities Exchange
ASX code: **VAR**

## ACN

**ACN:** 003 254 395

Variscan Mines

ABN: 16 003 254 395
ASX Code: VAR