

Variscan Mines Limited

ABN 16 003 254 395

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2017

Directors' Report

Dear Variscan Shareholder

Your Directors submit their report on the Consolidated Entity (the "Group") consisting of Variscan Mines Limited ("Variscan" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2017 (the "Half Year or the "Period").

Directors

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

Patrick Elliott	Non-Executive Chairman
Stewart Dickson	Chief Executive Officer, Executive Director
Greg Jones	Executive Technical Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Dr Jack Testard	Executive Director
Mike Moore	Non-Executive Director

Review and results of operations

The net result of operations after applicable income tax expense for the Half Year was a Group loss of \$2,082,102 (2016: loss of \$691,917), which includes the write-off of exploration and business development expenditure in the current half-year of \$1,282,037 (2016: \$8,974).

Operations

The Company has stated its intent to re-balance the Company's sovereign exposure and seek to acquire opportunities outside of France.

On 17 December 2017, the Company announced it had entered into a binding option agreement to acquire 100% of the Rosario copper project located in the Atacama region of northern Chile.

The low-cost, step-wise acquisition of the highly prospective Rosario Project, which is favourably located in a region well-known for copper resources and mining operations, is the first step in delivering the Company's strategy.

ROSARIO

Property Description

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is a proven mining jurisdiction and is the largest producer of copper globally¹.

The Rosario project comprises two large granted exploration concessions, Rosario 6 and Rosario 7, one exploitation concession (Salvadora) and an exploration concession (Rosario 101) under application. These cover two partially outcropping copper trends over a combined strike length of approximately 6 kilometres.

Geology

As previously advised, historic, selective rock chip and grab sampling has generated copper bearing samples with numerous values above 1.0% Cu (up to 4.26% Cu).

Mineralisation appears to be associated with two significant north-south striking copper bearing trends (probably wide fault zones with associated structurally disrupted and brecciated host volcanics) with combined strike lengths in excess of 6 kilometres within the licences. Both zones are partially covered by thin alluvium which masks the full extent of the mineralised trend and has hindered previous prospecting.

Provided that Variscan's early exploration work is sufficiently encouraging, it is envisaged that exploration work will accelerate and potentially include drilling within the main copper targets.

The concessions within the Rosario project are in the process of being upgraded to exploitation licences which gives the holder the right to explore as well as start production (up to 5,000 tons per month) with no additional approval required from the Mines Inspectorate.

Option Agreement

In consideration for a fee of US\$20,000 Variscan has the exclusive option to acquire 100% of the mining concessions located in Diego de Almagro district, Chanaral Province, Atacama Region, Chile (duly registered in the folio, number and year indicated in the Mining Registry of Diego de Almagro) known as "ROSARIO" (the "Option"). The Option may be exercised for a period of 6 months (the "Option Term") and includes

¹ 2016 copper production. Source: USGS

Directors' Report

additional projects which the counter-party is expected to acquire shortly. At time of exercising the Option, a fee of US\$80,000 is payable to the counter-party. At such time, the parties will negotiate and enter into the Unilateral Purchase Option Contract which envisages further conditional, milestone based payments up to a maximum of US\$5 million.

Variscan is undertaking legal, commercial and technical due diligence on the Rosario project with the objective of entering into the Unilateral Purchase Option Contract as soon as practicable.

MERLÉAC

Porte-aux-Moines

The Company's application to conduct exploration and confirmatory drilling at Merléac remains subject to the approval of the Côtes d'Armor préfecture.

Variscan has engaged extensively with all of the relevant interested parties and is continuing to maintain effective channels of communication with decision makers, at all levels, to establish the conditions for field work to re-commence.

ST PIERRE

The Company completed its first drilling campaign on the Saint-Pierre-PER in the summer of 2017. Targets were drilled with two core holes (Ville-Tirard) and 15 reverse circulation holes (Belleville).

Project geology

The shear-zone system around Saint-Pierre is estimated to be 2.5 kilometre wide and at least 5 kilometres long. Numerous gold anomalies have been prospected in this shear-zone since the Roman Era up to the present day. The former La Bellière gold mine exploited a large quartz vein system of 1.5 to 2 kilometres long under the village to a depth of up to 170 metres.

Belleville

The Belleville target is located about 750 metres south from the La Bellière Mine. This area was mined (small gold quarry) in the past and the BRGM drilled holes which produced positive gold values. 15 RC drill holes were drilled along two sections, testing a broad gold-in-soil anomaly defined by previous Variscan exploration work.

Additional and confirmatory samples have now been received. Of note was the intersection of 2 metres @ 2.61 g/t gold in RCSTP006 between 9 and 11 metres down-hole. Visible gold was present in several samples.

However, gold assay grades were highly variable and not easily reconcilable with visual estimates.

The drilling results suggest that further work is required to understand the style and genesis of the gold deposits within the project area.

COUFLENS

Subsequent to the end of the Period the Company announced that it had entered into a conditional Share Sale and Purchase Agreement ("SPA") for the sale of the Company's wholly owned French subsidiary, Variscan Mines SAS, to Apollo Minerals (ASX:AON) ("Apollo") for a total consideration of up to \$4.25m payable in cash and deferred shares (the "Subsidiary Sale").

Under the SPA, the Couflens PER will be acquired by Apollo. The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) are subject to an Asset Sale and Purchase Agreement whereby a new wholly owned subsidiary, Variscan Mines Europe Limited, will purchase the licences and assume beneficial ownership (the "Asset Transfer").

The Company's wholly owned subsidiary, Variscan Mines SAS, is the registered title holder of seven exploration licences (permis exclusifs de recherche or "PER") in France. The licences are primarily situated in Brittany, western France whilst the Couflens project situated in the Midi-Pyrénées, southern France is in joint venture with Apollo.

In December 2017, Variscan Mines SAS applied to the French authorities for the transfer of Couflens PER to Mines du Salat SAS ("Mds") in which Variscan Mines SAS holds a 20% interest and Apollo holds the remaining 80% interest via its wholly owned subsidiary company Ariège Tungstene (the "Licence Transfer Application"). The French authorities have acknowledged receipt of the Licence Transfer Application and informed the Parties that the review process will complete no later than 22 March 2019.

The Transaction with Apollo is a further step to realise the Company's strategy in re-balancing its sovereign exposure.

The Directors believe that the Transaction provides the following key benefits to Variscan shareholders:

- Total consideration of up to \$4.25m payable in cash and the future issue of new shares in Apollo provides an appropriate blend of certainty of funds and upside potential through share price appreciation.

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- Restructuring of the French licences (excluding Couflens PER) retains optionality, beneficial and economic interests.
- No longer have the funding requirement for the existing fixed costs of Variscan Mines SAS.
- Delivery of the Company's stated strategy and allows appropriate capital allocation.

Outlook

In the coming months, Shareholders can look forward to

- Further corporate reorganisation;
- Benefiting from lower fixed costs in France;
- Improved capital allocation;
- Accelerating exploration work in Chile; and
- Potential exposure to new mineral resource assets

Competent Persons Statements

The information in this report that relates to all 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 deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 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:

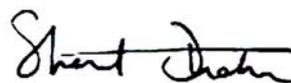
- The Company has entered into a conditional Share Sale and Purchase Agreement for the sale of the entire issued capital of the Company's wholly owned French subsidiary, Variscan Mines SAS and its remaining 20% interest in the Couflens PER, to Apollo Minerals for total consideration of up to \$4.25m payable in cash and deferred shares. Under the Agreement the Couflens PER will be 100% acquired by Apollo and the remaining exploration licences owned by Variscan Mines SAS are subject to an Agreement whereby a new wholly owned subsidiary of Variscan Mines Limited

(Variscan Mines Europe Limited) will purchase the licences and assume beneficial ownership. (for further information see ASX Announcement 8 March 2018).

Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Signed at Sydney this 16th day of March 2018 in accordance with a resolution of the Directors.



Stewart Dickson
Chief Executive Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue and other income	4	411,892	97,917
ASX and ASIC fees		(26,286)	(27,360)
Auditors' remuneration		(13,276)	(9,885)
Contract administration services		(55,151)	(54,944)
Depreciation expense		(47,011)	(59,324)
Directors' fees		(73,157)	(77,514)
Exploration and business development expenditure		(1,282,037)	(8,974)
Impairment of investment		(54,300)	-
Insurance		(21,278)	(13,476)
Marketing and media costs		(105,796)	(69,436)
Motor vehicle running costs		(10,318)	(23,793)
Operating lease rental expense		(57,369)	(50,627)
Operating costs of subsidiary		-	(22,463)
Employee costs net of on-costs recharged to exploration projects		(522,424)	(541,609)
Share-based compensation		(1,467)	-
Travel and accommodation		(27,624)	(39,762)
Other expenses from ordinary activities		(196,500)	(152,597)
(Loss) before income tax benefit		(2,082,102)	(1,053,847)
Income tax benefit		-	361,930
(Loss) after income tax benefit		(2,082,102)	(691,917)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net fair value gains/(losses) on available-for-sale financial assets		-	967,092
Exchange differences on transaction of foreign operations		164,928	(98,566)
Income tax (expense) on items of other comprehensive income		-	(290,128)
Other comprehensive income for the period, net of tax		164,928	578,398
Total comprehensive (loss) for the period		(1,917,174)	(113,519)
Earnings per share			
Basic (loss) per share (cents per share)	11	(0.37)	(0.13)
Diluted (loss) per share (cents per share)	11	(0.37)	(0.13)

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 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	810,791	1,120,871
Receivables	6	290,326	610,516
Total current assets		1,101,117	1,731,387
Non-current assets			
Investments – available for sale	7	850,700	1,472,056
Receivables	6	25,651	28,134
Property, plant and equipment		94,897	116,989
Deferred exploration and evaluation expenditure	8	3,842,829	4,374,186
Total non-current assets		4,814,077	5,991,365
Total assets		5,915,194	7,722,752
LIABILITIES			
Current liabilities			
Trade and other payables		455,674	678,652
Secured loan	12	340,000	-
Provisions		144,112	158,246
Total current liabilities		939,786	836,898
Non-current liabilities			
Provisions		66,480	65,030
Total non-current liabilities		66,480	65,030
Total liabilities		1,006,266	901,928
Net assets		4,908,928	6,820,824
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	22,375,598	22,355,868
Reserves	10	837,180	829,117
Accumulated losses		(18,303,850)	(16,364,161)
Total equity		4,908,928	6,820,824

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2017

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2016	20,294,953	(12,516,830)	723,199	8,501,322
(Loss) for the period	-	(691,917)	-	(691,917)
Other comprehensive loss	-	-	578,398	578,398
Total comprehensive loss for the period	-	(691,917)	578,398	(113,519)
At 31 December 2016	20,294,953	(13,208,747)	1,301,597	8,387,803

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2017	22,355,868	(16,364,161)	829,117	6,820,824
(Loss) for the period	-	(2,082,102)	-	(2,082,102)
Other comprehensive loss	-	-	164,928	164,928
Total comprehensive loss for the period	-	(2,082,102)	164,928	(1,917,174)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	19,730	-	-	19,730
Share based payments	-	-	1,467	1,467
Transfer expired options to accumulated losses	-	142,415	(142,415)	-
Transferred to loss for period on sale of investments	-	(2)	(15,917)	(15,919)
At 31 December 2017	22,375,598	(18,303,850)	837,180	4,908,928

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Cash flows from operating activities			
Payment to suppliers and employees		(1,037,748)	(1,250,997)
Consultancy fees received and rental income		168,551	88,318
R&D tax credit		384,147	-
Interest received		1,507	13,109
Net cash flows used in operating activities		(483,543)	(1,149,570)
Cash flows from investing activities			
Purchase of plant and equipment		(840)	(5,833)
Exploration and business development expenditure		(739,010)	(559,097)
Sale of equity investments		567,055	-
Net cash flows used in investing activities		(172,795)	(564,930)
Cash flows from financing activities			
Proceeds from secured loan	12	340,000	-
Share issue costs		-	(78,397)
Net cash flows (used in)/from financing activities		340,000	(78,397)
Net decrease in cash and cash equivalents		(316,338)	(1,792,897)
Cash and cash equivalents at beginning of period		1,120,871	2,452,774
Net foreign exchange differences		6,258	10,080
Cash and cash equivalents at end of period	5	810,791	669,957

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 16th March 2018. Variscan Mines Limited (the parent) is a company incorporated in Australia as a Public company. Variscan shares are publicly traded on the Australia Securities Exchange under ASX Code VAR.

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

2. Basis of preparation of the half-year financial report

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

The half-year financial report should be read in conjunction with the annual financial report of Variscan for the year ended 30 June 2017.

It is also recommended that the half-year financial report be considered together with any public announcements made by Variscan during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of Preparation

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

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

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

Basis of Consolidation

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

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 it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

3. Segment information

The operating segments identified by management are as follows:

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

Regarding the Exploration segment, the Chief Operating Decision Maker (the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in Note 8 of the half-year financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned.

Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 8.

Financial information about each of these tenements is reported to the Managing Director on an ongoing basis.

Regarding the Investing segment, the Chief Operating Decision Maker reviews the value of investments and derivatives held in other exploration companies. The changes in the value of investments and derivatives are disclosed in Note 7 of the half-year financial report. Segment profits/(losses) are disclosed in the statement of comprehensive income as Net fair value gains/(losses) on available-for-sale financial assets.

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

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

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

4. Revenue and other income

	31 Dec 2017 \$	31 Dec 2016 \$
Revenue		
Interest received – other persons/corporations	1,384	11,329
Rental and consulting income	165,152	86,588
Other Income		
R&D tax offset/research tax credit	229,439	-
Gain on sale of investment	15,917	-
	411,892	97,917

5. Cash and cash equivalents

	31 Dec 2017 \$	30 Jun 2017 \$
Cash at bank and in hand	810,791	311,397
Short-term deposits	-	809,474
	810,791	1,120,871

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

6. Receivables

	31 Dec 2017 \$	30 Jun 2017 \$
Current		
Trade debtors	25,279	29,716
R&D tax offset/research tax credit	237,761	389,437
GST and VAT receivable	12,649	107,856
Interest receivable	53	176
Prepayments	11,476	72,373
Other debtors	3,108	10,958
Total current receivables	290,326	610,516
Non-current		
Rental bonds	25,651	28,134

7. Investments – available for sale

	31 Dec 2017 \$	30 Jun 2017 \$
Investments – EFE (a)	-	444,000
Investments – SCI (b)	-	123,056
Investments – TMZ (c)	850,700	905,000
	850,700	1,472,056

- (a) The Group sold its 52,857,142 shares in Eastern Iron Limited (EFE) during the period.
- (b) The Group sold its 6,836,449 shares in Silver City Minerals Limited (SCI) during the period.
- (c) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Limited (TMZ) at 31 December 2017 was \$850,700 (\$0.047 per share) and on 5 March 2018 it was \$814,500 (\$0.045 per share). As per the ASX announcement made on 18 December 2017, the Company has pledged security over a portion of the shares in TMZ equal to the value of a loan made to Directors (refer Note 12).

8. Deferred exploration and evaluation expenditure

	31 Dec 2017 \$	30 Jun 2017 \$
Costs brought forward	4,374,186	3,973,293
Expenditure incurred during the period	750,680	1,721,914
Expenditure written off during the period	(1,282,037)	(1,321,021)
Costs carried forward	3,842,829	4,374,186

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.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

9. Contributed equity

	31 Dec 2017 \$	30 Jun 2017 \$
Share capital		
676,061,932 ordinary shares fully paid (30 June 2017: 674,088,999) (a)	23,218,152	23,198,422
Option issue consideration		
29,347,830 (30 June 2017: 29,347,830) options relating to 2016 placement	75,408	75,408
Share issue costs	(917,962)	(917,962)
	22,375,598	22,355,868

	Number	\$
(a) Movements in ordinary shares on issue		
At 31 December 2016	518,922,788	19,754,457
Shares issued (i)	126,277,319	1,894,159
Shares issued (ii)	28,888,892	520,000
Transfer from options issue consideration reserve (iii)	-	1,029,806
At 30 June 2017	674,088,999	23,198,422
Shares issued (iv)	1,972,933	19,730
At 31 December 2017	676,061,932	23,218,152

- (i) A total of 126,277,319 shares were issued during the period on exercised of \$0.015 listed options.
- (ii) The Company issued 28,888,892 shares at \$0.018 per share in March 2017 in a placement.
- (iii) Transfer the value of options exercised during the period from options issue consideration reserve to share capital.
- (iv) The Company issued 1,972,933 shares at \$0.010 per share in December 2017 to Directors in lieu of a proportion of the Directors' cash remuneration payable by the Company for the quarter commencing 1 October 2017 which was approved by shareholders at the AGM held on 6 November 2017.

10. Reserves

	31 Dec 2017 \$	30 Jun 2017 \$
Share-based compensation reserve (a)	124,722	265,670
Investment revaluation reserve (b)	235,300	251,217
Foreign currency translation reserve (c)	477,158	312,230
	837,180	829,117

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

	31 Dec 2017 \$	30 Jun 2017 \$
Balance at beginning of period	265,670	265,670
Share-based payment	1,467	-
Transfer expired options to accumulated losses	(142,415)	-
Balance at end of period	124,722	265,670

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

10. Reserves (continued)

- (b) The investment revaluation reserve arises in connection with the accounting for investments. The movement during the period is as follows:

	31 Dec 2017 \$	30 Jun 2017 \$
Balance at beginning of period	251,217	143,565
Change in fair value of investments available for sale	-	46,123
Transferred to loss for period on sale of investments	(15,917)	-
Deferred tax written off	-	61,529
Balance at end of period	235,300	251,217

- (c) The foreign currency translation reserve arises from the translation of the financial statements of foreign currency subsidiaries.

	31 Dec 2017 \$	30 Jun 2017 \$
Balance at beginning of period	312,230	313,964
Effect of exchange rate fluctuation	164,928	(1,734)
Balance at end of period	477,158	312,230

11. Loss per share

	31 Dec 2017	31 Dec 2016
	\$	\$
Net (loss) used in calculating basic and diluted gain per share	(2,082,102)	(691,917)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	556,631,871	518,922,788
	Cents per share	Cents per share
Basic (loss) per share	(0.37)	(0.13)
Diluted (loss) per share	(0.37)	(0.13)

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 31 December 2017: Since the end of the financial half-year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2017

12. Related party disclosures

Subsidiaries

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

Name	Country of incorporation	% Equity interest		\$ Investment	
		31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mine SAS	France	100	100	2,461,379	2,461,379
Platsearch Australia Pty Ltd	Australia	100	100	5	5

Transactions with Directors and key management personnel

Commercial transactions with M Bonnemaïson

Variscan Mines SAS signed an agreement in January 2013 with E-Mines of which Michel Bonnemaïson is a Director. The agreement is for E-Mines to provide geological services, sample preparation and analytical services to Variscan Mines SAS. A total of \$85,117 was paid to E-Mines during the period ended 31 December 2017 (31 December 2016: \$109,273).

Services provided by the above 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.

The contract between E-Mines and Variscan SAS, has been terminated.

Loan agreement with Directors

In December 2017 the Company entered into a loan agreement with two of its Directors Dr Foo Fatt Kah and Mr Kwan Chee Seng (the "Lenders"). The Loan Amount is \$340,000 and the Maturity Date of the loan is six months from the Draw Down Date (21 December 2017) being 21 June 2018. The Company has pledged security to the Lenders over a proportion of ordinary shares held in Thomson Resources Limited (refer Note 7) to the value of the Loan Amount. Interest is payable on the Maturity Date and will attract an interest rate of 18% per annum. Any part of the Loan Amount outstanding after the Maturity Date will attract an interest rate of 30% per annum. The Company can prepay all or part of the Loan Amount at any time before the Maturity Date without premium or penalty.

13. Significant events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 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:

- The Company has entered into a conditional Share Sale and Purchase Agreement for the sale of the entire issued capital of the Company's wholly owned French subsidiary, Variscan Mines SAS and its remaining 20% interest in the Couflens PER, to Apollo Minerals for total consideration of up to \$4.25m payable in cash and deferred shares. Under the Agreement the Couflens PER will be 100% acquired by Apollo and the remaining exploration licences owned by Variscan Mines SAS are subject to an Agreement whereby a new wholly owned subsidiary of Variscan Mines Limited (Variscan Mines Europe Limited) will purchase the licences and assume beneficial ownership. (for further information see ASX Announcement 8 March 2018).

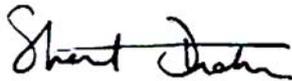
Directors' Declaration

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stewart Dickson
Chief Executive Officer

Sydney, 16th March 2018

Independent Auditor's Review Report



Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED

ABN 16 003 254 395

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Variscan Mines Limited

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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Independent Auditor's Review Report



VARISCAN MINES LIMITED

ABN 16 003 254 395

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

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

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

**HLB Mann Judd
Chartered Accountants**

**Sydney, NSW
16 March 2018**

A handwritten signature in black ink that reads 'A G Smith'.

**A G Smith
Partner**

Auditor's Independence Declaration



Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Variscan Mines Limited for the half-year ended 31 December 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'A G Smith'.

Sydney, NSW
16 March 2018

A G Smith
Partner

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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Corporate Directory

Variscan Mines Limited

ABN 16 003 254 395

Directors

Patrick Elliott	Non-Executive Chairman
Stewart Dickson	Chief Executive Officer/Executive Director
Greg Jones	Executive Technical Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Mike Moore	Non-Executive Director
Dr Jack Testard	Executive Director

Company Secretary

Mark Pitts

Registered and Administration Office

Level 1, 80 Chandos Street

St Leonards, NSW 2065

PO Box 956, Crows Nest

NSW 1585 Australia

Telephone: +61 2 9906 5220

E-mail: info@variscan.com.au

Website: www.variscan.com.au

Share Register

Boardroom Pty Limited

GPO Box 3993

Sydney, NSW 2001

Telephone: +61 2 9290 9600

Email: enquiries@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

Auditors

HLB Mann Judd

Level 19, 207 Kent St, Sydney, NSW 2000

Stock Exchange

Listed on the Australian Securities Exchange

ASX Code: VAR

Share Capital

At 31 December 2017, there were 676,061,932 fully paid ordinary shares and 61,797,830 unlisted options on issue.