Variscan Mines

Annual Report 2018

Contents

HIGHLIGHTS

Strategy

- A year of transition, re-organisation and necessary change
- Delivered the Company's objectives of re-balancing sovereign exposure
- Programme of change created a more efficient and stream-lined business
- Rationalisation of our French assets and potential injection of new assets gives the Company a new path towards growth and value realisation

Asset Portfolio

- Acquired option over the highly prospective Rosario copper project in Chile for up to $5m
- Sale of 20% interest in Couflens for up to $4.25m
- Pursue growth through the acquisition and development of further base and strategic metals projects in proven mining jurisdictions, especially in South America

Rosario

- Rosario project lies less than 20 kilometres north of the El Salvador mine (owned by Codelco) in the Atacama Region of northern Chile.
- It is one of the country's larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.
- 50% of rock chip and grab samples taken recorded copper grades 1%+ Cu, with multiple sample grades up to 4%+ Cu
- Sampling conducted by Variscan validates copper grades of up to 4.26% Cu recorded by tenement vendors
- Acquisition of the Salvadora licence on which small-scale mining has been conducted historically
- Successful upgrade of the Rosario 6 and Rosario 7 licences from exploration to exploitation status having been granted 'Mensura'

Corporate

- Leadership changes in Australia & France has resulted in lower costs and better information flows
- Reduction in board size and change of Company Secretary
- Fixed costs continue to fall especially following sale of French subsidiary, Variscan Mines SAS
- Successful $2m underwritten entitlement offering completed
- Supportive cornerstone investors

Chairman's Letter

Dear fellow Variscan shareholders

The past year

For all of us, as Variscan shareholders, the past year is a painful one that is best forgotten – but for lessons learned.

For the past 8 years, our strategy was based upon primarily targeting 'brownfields' minerals projects in France. We considered the geology as very attractive and there was apparent government support from successive French administrations. Unfortunately, the ongoing delays in being granted necessary approvals to undertake exploration work, created a situation that persisting in France was becoming too difficult and expensive for us.

This has been reflected in our disappointing share price underperformance, reflecting the issues we have faced with our investment in mineral exploration in France.

Your board considered our options carefully and decided that reducing our involvement in France was the prudent course of action. At that time, we formulated a new strategy to be focussed on strategic metals that can be expected to benefit from of the major trends such as the shift towards electric vehicles. A further lesson learned is to only operate in jurisdictions that are very "mining friendly" - where above-ground issues do not unduly delay exploration and development activity. We are also seeking opportunities where our board and management can bring some competitive edge and there are visible valuation upside catalysts. Our view remains that brownfields or known resources possibilities rather than greenfields exploration assets are to be much preferred.

Our first step in implementing this shift in strategy was the acquisition of an option over the Rosario copper exploration property in Chile, announced in January 2018. We undertook some initial field work which delivered some very encouraging results, confirming our exploration thesis about Rosario. The Rosario tenements cover two outcropping copper trends over a combined strike length of approximately 6 kilometres. The mineralisation style is consistent with Rosario being an iron-oxide-copper-gold ("IOCG") target. Further information on Rosario is included in the Managing Director's report.

We are actively reviewing a number of other possible exploration and development assets with a view to developing a portfolio of well credentialled and attractive exploration assets.

As part of the reduction of our involvement in France, we sold our French subsidiary, Variscan Mines SAS ("SAS") to Apollo Minerals but retained the beneficial ownership over the remaining exploration titles held by SAS other than the Couflens tungsten PER. The total consideration to be paid by Apollo is a maximum of A$4.25 million, including various contingent payments based on several milestones.

Subsequently, as part of the approvals required for the sale to Apollo Minerals, the French government inserted an unexpected condition that all of the exploration titles held by SAS, except Couflens, were to be surrendered or cancelled.

Investments

Variscan retains an 16.3% shareholding in Thomson Resources Ltd ("Thomson") with a current market value of A$633,500. Thomson has been generating some very encouraging exploration results from its tin and gold exploration drilling at Bygoo, near Ardlethan, NSW. We are anticipating further good results as Thomson conducts further drilling and extends its knowledge of the mineralising systems.

Capital and costs

During the year we undertook an underwritten rights issue which raised A$2.25 million. We are indebted to those shareholders who supported this capital raising to allow the company to implement the renewed strategy.

Mindful of the Company's limited cash resources, the Company's costs have been reduced markedly, whilst retaining the capability to implement our strategy. Our current costs of operation are running around A$150,000 per quarter excluding any final costs following upon the sale of SAS.

Outlook

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

- Exploration outcomes from the Rosario copper project in Chile;
- Acquisition of additional exploration assets, in line with our strategy;
- Results from further drilling by Thomson;

Chairman’s Letter

- Work undertaken by Apollo Minerals on Couflens that may trigger contingent payments to Variscan.

We remain positive on the overall background conditions for metal prices and mineral exploration investment.

Your board is working to deliver a significant improvement in the company’s valuation.

Yours sincerely,

Pat Elliott
Chairman

Review of Operations

Overview

This has been a year of significant change for Varsican as our business focus re-orientates from France to Chile. The rationalisation of our French assets and potential injection of new assets gives the Company a new path towards growth and value realisation having reduced our corporate costs and re-capitalised the Company. In short 2017/18 was a year of transition, re-organisation and necessary change to create a more efficient and stream-lined business.

Chile

Rosario

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

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

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

Figure 1. Location of the Rosario Project

Figure 2. El Salvador

Source: Codelco

Geology, Mineralization, and Deposit Types

Chile hosts the largest copper reserves globally. The two main copper deposit styles are porphyry copper (e.g. Escondido and Chuquicamata) and iron-oxide-copper-gold ("IOCG") (e.g. Candelaria).

Whilst in the early stages of exploration, it is believed that the mineralization found at Rosario is consistent with the IOCG type. In the general region around Rosario, IOCG deposits are very numerous and support a number of mines and prospects. Important IOCG mines of the region include Mantoverde (440 Mt @ 0.56 % Cu, 0.12 g/t Au) (Figure 1) and the Mantos Blancos copper-silver deposit.

The project area contains modest small-scale mining and shallow pits in areas of copper-stained outcrops within Zone A. There are also numerous indications of copper oxides in surface sampling and in trenching along strike in other parts of the concessions. Historic, selective rock chip and grab sampling generated copper bearing samples with numerous values above 1.0% Cu (up to 4.26% Cu) and highly anomalous silver results.

Mineralisation appears 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. Zone A (as well as Zone B) is partially covered by thin alluvium which masks the full extent of the mineralised trend and has hindered previous prospecting.

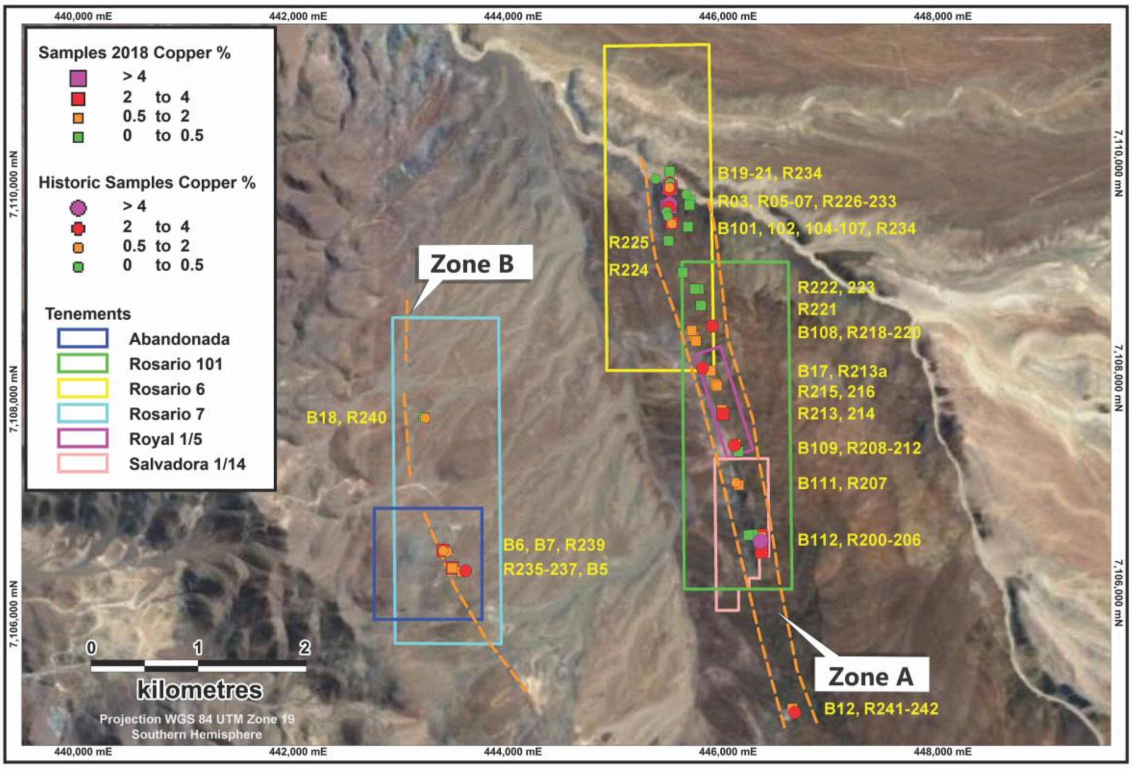
Rock chip and grab sampling

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

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

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

Figure 3. Plan of Rock Chip & Grab Sampling Results

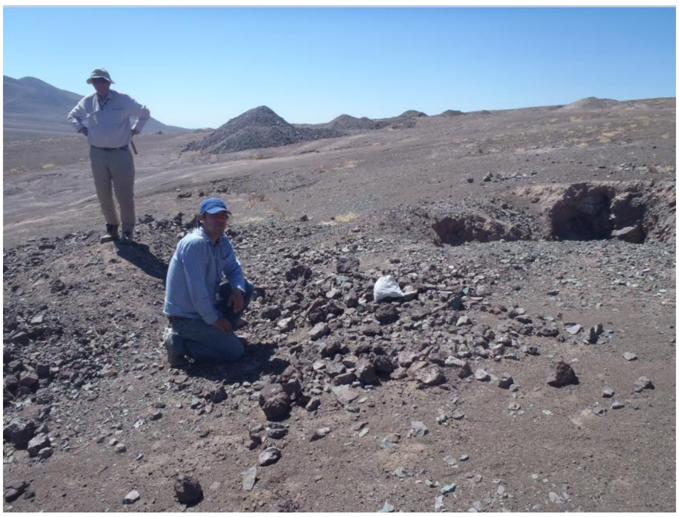


Next steps & future exploration activities

Further exploration activities to be conducted are expected to include:

- detailed geological mapping over Zone "A" of Rosario 6;
- auger or shallow RAB drilling geochemical survey traverses over alteration zones;
- a detailed ground magnetic survey;
- RC drilling on geochemical anomalies, copper-bearing structures and under existing workings;
- submission of large bulk samples from RC drill-holes for preliminary mineral process testing; and
- resource drilling using a combination of both RC and diamond drill holes.

Figure 4. Rock Chip & Grab Sampling at Rosario



Licences

Since the announcement of the Option there have been positive developments to expand and secure the tenement package.

During the second quarter of 2018, the acquisition of the Salvadora licence area was successfully completed. There has been small-scale mining activity on high grade copper lodes on this 60ha licence area.

Figure 5. Salvadora

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

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

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

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

Option Agreement

The original 6 month term of the Option Agreement was extended by mutual consent in June 2018 to run to 30 September 2018.

Variscan is completing title due diligence on the project and, subject to the results of that due diligence expects to exercise the option on or before the extended option expiration date.

France

Variscan entered France in 2011. It has been an active explorer and made significant investments in-country. Despite continued engagement with all levels of the French government, relevant authorities and stakeholders the past eighteen months have not yielded significant progress to conduct field work, which it is legally entitled to do, at its flagship project, Merleac. During 2017/18 field work on the non-Couflens projects was suspended whilst political clarity was sought and capital discipline was exercised.

Sale of Variscan Mines SAS and 20% interest in Couflens

On 8 March 2018, the Company announced that it had entered into a conditional Share Sale and Purchase Agreement ("SPA") for the sale of the entire issued share capital of the Company's wholly owned French subsidiary, Variscan Mines SAS, to Apollo for a total consideration of up to $4.25m payable in cash and deferred shares (the "Subsidiary Sale"). This transaction marked another important step in the delivery of our change programme and corporate re-organisation.

Benefits of the Transaction to Variscan Shareholders

The Directors believe that the Transaction provides a number of significant 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
- No longer have the funding requirement for the existing fixed cost of Varsican Mines SAS
- Delivery of the Company's stated strategy and allows appropriate capital allocation

On 25 June 2018 the Company announced that it had received approval from the French Ministry of Economy and Finance for the Subsidiary Sale. The approval, which was a Condition Precedent to the legal completion of the Subsidiary Sale, required the Ministry of Economy and Finance to confirm compatibility of the proposed transaction with decree 2006-648 of 2 June 2006 relating to mining titles.

Under the Share Sale and Purchase Agreement, the Couflens PER will be acquired by Apollo. The remaining exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) are to be subject to an Asset Sale and Purchase Agreement whereby a new wholly owned subsidiary, Variscan Mines Europe Limited, has purchased the licences and assumed beneficial ownership (the "Asset Transfer"). Pursuant to the approval for the Subsidiary Sale, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining licences owned by Variscan Mines SAS (excluding Couflens PER) within 4 months from 22 June 2018. The Company is liaising with the French authorities on this matter.

The details of the consideration payable and commercial terms of the transaction have been set out in ASX announcement made by Variscan.

The final steps to legal completion are being taken with transaction closing expected shortly.

New Projects

Variscan will continue to pursue growth through the acqusition and development of further base and strategic metals projects in proven mining jurisdictions, especially in South America.

Australia

A total of approximately A$0.84 million was spent by Variscan's joint venture partners in comparison to A$1.1 million from the previous year. A schedule and description of tenements is set out on pages 9 to 10.

Financial & Corporate

Underwritten Entitlement Offer

On 24 April 2018, the Company announced the launch of a 5 for 6 renounceable entitlement offer ("Rights Issue" or "Offer") to raise approximately A$2.25m (before costs). The offer was closed on 23 May 2018 with applications received for 362,377,339 ordinary shares representing an amount of $1,449,509. Eligible shareholders also received one free attaching New Option for every one New Share subscribed for under the offer.

The shortfall of 201,007,604 shares and 201,007,604 free attaching options were placed through Patersons Securities Limited, the Lead Manager and Underwriter of the offer.

The Company was very pleased with the support received from shareholders and the lead manager to the Offer.

Loan Repayment

On 19 June 2018 the Company announced that the loan provided by its major shareholders as announced on 18 December 2017 has been repaid in full.

Variscan has executed a Termination Certificate, cancelling the loan agreement and releasing the security which had been granted over a proportion of ordinary shares in Thompson Resources Ltd (ASX:TMZ) currently held by Variscan.

The Company is grateful for the support of its major shareholders and notes that they took up their full entitlements in the Rights Issue.

Receipt of CIR payment

On 29 May 2018, the Company announced the payment of approximately $0.23 million to the Company's wholly owned subsidiary, Variscan Mines SAS in France, following the successfully application under Crédit d'Impôt Recherche ("CIR") for fiscal year 2016.

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.

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$0.63 million.

Board & Company Secretary

On 2 March 2018, Mr Mark Pitts was appointed as Company Secretary following the retirement Mr Ivo Polovineo. The biography of Mr. Pitts is available on page 13.

During the year, Dr. Jack Testard retired from the Board of Variscan and its French subsidiaries. Having considered the sale of the Company's wholly owned French subsidiary, the Board decided not to seek a replacement.

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 and Summary of Joint Ventures

Schedule of Tenements, as at 6 September 2018

Tenement	Tenement No.	Interest	Joint Venture Details
New South Wales			
Broken Hill			
Mundi Plains JV	EL 6404	12.4%	Teck 87.6%
Willyama	EL 8075	0%	Note 1
Hillston	EL 6363	39.2%	Perilya can earn 80%, Eaglehawk 9.8%
Native Dog	EL 8236	0%	Note 1
Lachlan Fold Belt			
Woodlawn South	ELs 7257 and 7469	0%	Royalty interest only
South Australia			
Junction Dam	EL 5682	9.9%	Teck 87%, Eaglehawk 2.5%, Marmota 100% in uranium rights only, Note 2
Callabonna	EL 5360	49%	Red Metal 51%, can earn 70%
France (Note 3)			
St Pierre	PER	100%	
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 2018.

Note 3: There have been the following changes to the tenement holdings in France:

(a) Tennie PER expired in June 2018.

(b) 20% interest in Couflens PER conditionally sold to Apollo Minerals through the sale of the entire share capital of the Company's wholly owned subsidiary, Variscan France SAS (the "Subsidary Sale").

(c) The remaining PERs 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, has purchased the licences and assumed beneficial ownership. Pursuant to the approval for the Subsidiary Sale, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining PERs owned by Variscan Mines SAS (excluding Couflens PER) within 4 months from 22 June 2018. The Company is liaising with the French authorities on this matter.

Note 4: On 18 December 2017, Variscan announced that it has entered into an Option Agreement to acquire 100% interests in the following licences which together constitute the Rosario Project in the Atacama Region of northern Chile. The Company expects to exercise the Option to Rosario Project shortly.

Schedule of Tenements and Summary of Joint Ventures

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

Summary of Joint Ventures, as at 30 June 2018

Callabonna EL 5360, SA

Variscan 49%. Red Metal has earned a 51% interest by spending $1 million and can earn a 70% interest by spending $3 million. Variscan then can contribute with 30% or reduce to a 15% interest, carried to completion of a BFS and repayable from Variscan's share of net proceeds of mine production.

Hillston EL 6363, NSW

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

Junction Dam EL 5682, SA

Variscan 11.59.9%, Teck 87% and Eaglehawk 2.5% in base and precious metal rights. Variscan can elect to participate at its interest rate current at the time of election, or dilute to 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 12.4%, Teck Australia 87.6%. 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 and Native Dog, ELs 8075 and 8236 NSW

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

Your directors submit their report for the year ended 30 June 2018.

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 Global Geoscience Limited, Kirrama Resources 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

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, 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.

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

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

Gregory Jones, BSc (Hons), MAusIMM, MAIG
Executive technical director (resignation effective 30 September 2018)

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 Silver City Minerals Limited and Thomson Resources Ltd.

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

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

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 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 20 years operational and executive management experience across a diverse range of commodities in Australia, Indonesia, West Africa and Europe.

He has previously held senior and executive management roles with a number of companies including Rock Australia Mining & Civil Pty Ltd, Carnegie Minerals PLC and with ASX listed Montezuma Mining Company Ltd where he was CEO.

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

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

Dr Jack Testard

Executive director (resigned 29 March 2018)

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 was the President of Variscan Mines SAS, the wholly owned French subsidiary of Variscan Mines Limited until January 2018.

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	32,677,537	23,175,291
S Dickson	1,380,000	20,000,000
G Jones	13,053,218	2,800,000
C S Kwan	362,598,218	166,317,372
F K Foo	53,256,975	25,207,716
M Moore	-	1,000,000

Company secretary (appointed 2 March 2018)

Mark Pitts, FCA

Mark was appointed Company Secretary of the Company on 2 March 2018. Mark is a Fellow of the Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors. He has more than 30 years' experience in statutory reporting and business administration.

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

Company secretary (resigned 2 March 2018)

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.

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 $6,997,545 (2017: $3,914,121). This includes the write-off of exploration expenditure during the year of $85,253 (2017: Nil) and the loss from discontinued operations of $5,801,194 as a result of the subsequent sale of Variscan Mines SAS in September 2018, the wholly owned French subsidiary of Variscan Mines Limited of which $5,217,180 is exploration expenditure being written off.

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 2018 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 September 2018, legal completion of the sale of French subsidiary, Variscan Mines SAS and 20% interest in Couflens PER, to Apollo Minerals for total consideration in cash and shares of up to $4.25m occurred.

Indemnification and insurance of directors and officers

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

Insurance premiums

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

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

Environmental performance

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

Likely developments and expected results

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

The Group is advancing with the identification of new opportunities outside of France, notably with the the option over the Rosario Project in Chile. Th Group also retains a substantial shareholding in Thompson Resources and a number of Joint Ventures in Australia.

The exploration licences owned by Variscan Mines SAS (excluding the Couflens PER) have been conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. Pursuant to the approval for the sale of Variscan Mines SAS, the Ministry of Economy and Finance has imposed, without prior consultation, the compulsory relinquishment of the remaining licences. The Company expects this to be completed in the forthcoming reporting period.

The Group expects to increase its mineral asset portfolio over the coming period.

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
12,450,000	Ord	$0.05	3 Dec 2018
593,384,943	Ord	$0.008	31 May 2021
10,000,000	Ord	$0.03	20 Nov 2021
10,000,000	Ord	$0.05	20 Nov 2022
625,834,943			

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

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

Remuneration report (audited)

This remuneration report for the year ended 30 June 2018 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
Gregory 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 (resigned 29 March 2018)
Executives	
Mark Pitts	Company Secretary (appointed 2 March 2018)
Wendy Corbett	Managing Geologist
Michelle Lilley	Finance Manager
Ivo Polovineo	Company Secretary (resigned 2 March 2018)

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").

Consideration of Shareholder views

The Remuneration Committee, and the Board more widely, values the dialogue with Variscan's shareholders when setting out Variscan's remuneration policy and approach. We acknowledge that 45% of eligible shares were voted against the Remuneration Report at 2017 AGM and have listened to feedback from shareholders.

As a result, and in the context of the uncertain operating environment in France, a number of changes were made to husband our cash resources, further align interests with our shareholders and stream line the business. We conservatively estimate that these actions have resulted in or will result in a cash saving of approximately **$0.7 million**. These savings are in bold and underlined below.

The total remuneration for Directors and Key Management Personnel for the year ended 30 June 2018 fell 21% year-on-year of which short-term benefits paid in cash reduced by 43% year-on-year.

During the reporting period, the Directors of the Company elected not to receive cash payments for Directors fees and remuneration. Shareholder approval will be sought for the payment of certain unpaid fees and remuneration by the issue of Shares to the Directors as set out below. The equity based payments will result in approximately **$170,000** cash saving.

Directors	Shares proposed to be issued in lieu of fees
Pat Elliott	6,250,000
Stewart Dickson	5,621,043
Greg Jones	3,658,667
Foo Fat Kah	4,500,000
Kwan Chee Seng	4,500,000
Michael Moore	4,000,000

The Directors also draw your attention to the following points:

- Directors receiving equity based payments (subject to shareholder approval) further aligns their interests with shareholders
- Proposed Share Issue price of 6c represents a 200% premium to the share price as at the date of this report
- Greg Jones elected to waive cash entitlements due in connection with his resignation as Managing Director of approximately **$50,000**
- No bonus payments (either cash or equity-based) were made during the reporting period

- Following the 2017 AGM, no share-based incentives have been issued to Directors or Key Management Personnel

Following the closing of the Entitlement Offer in May 2018, the Executive Officers of Variscan have continued to elect to receive 20% of their fees in Shares (subject to shareholder approval).

Looking more widely at our business, during the past year we have effected substantial changes beyond the boardroom to reduce our corporate overheads and rationalise our organisational structure. A summary of key management actions is set out below:

Australia

- Reduced the size of the Board of Directors.
- Change of company secretarial arrangements results to costs saving of over **$14,000** per annum.
- No longer have responsibility for office lease commitments in Sydney.
- Have changed our staffing structures so that we no longer have employees in Sydney.
- Responsibility for accrued employment liabilities of Sydney-based staff with estimated value of $35,000 transferred to Moly Mines Limited on 01 February 2018.

France

- Termination of Dr. Michel Bonnemaison as the Directeur Général (CEO) of the Company's wholly owned French subsidiary and re-charge of his salary lead to an estimated saving of approximately **$300,000** (being the amount M Bonnemaison was paid for the 12 months prior to publication of this document.
- Following the retirement of the Président (Chairman) of the Company's wholly owned French subsidiary, the CEO assumed direct management control of Variscan Mines SAS, for no additional remuneration, leading to a cost saving of approximately **$135,000** (being the amount J Testard was paid for the 12 months prior to his retirement).
- Termination of rental property leases at project sites across France leading to a cost saving of approximately **$60,000**.
- The effect of the sale of Variscan Mines SAS to Apollo Minerals will be that Varican will no longer have fixed costs or employees in France. Under the terms of the transaction the employment termination costs will be met from the cash consideration that would have been payable to Variscan. The closure of the French operations will not draw on the current cash resources of the Company.

Other

There are no other fixed costs in other geographies in including Chile or the United Kingdom

We will continue to engage with our shareholders to ensure that our remuneration policies, corporate governance and organization structures are appropriate for the size and scale of our operations.

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

Executive Director/CEO – Stewart Dickson

- Contract term: No fixed term. Either party may terminate the letter of employment with six months' notice.
- Remuneration: £172,500 p.a. plus VAT as applicable (2017: 172,500 p.a. plus VAT) as at 30 June 2018. Long term incentive 20,000,000 share options (refer note 14) were issued to S Dickson and approved by shareholders at the Company's AGM held on 6 November 2017. The options will vest at the rate of 25% per year of each year of employment service by S Dickson.
- Termination payments: Nil.

Executive Technical Director – Greg Jones

- Contract term: No fixed term. Either party may terminate the letter of employment with one months' notice.
- Remuneration: $6,000 p.m. paid from July 2017 to October 2017 and $60,000 p.a. ($5,000 p.m.) paid from November 2017 to 30 June 2018 (2017: $281,284 p.a. until 1 May 2017. From 1 May 2017 to 30 June 2017 remuneration was calculated at hours worked by same hourly rate paid during the year).
- Termination payments: Nil. Following the relinquishment of his role as Managing Director in 2017, Mr Jones was entitled to receive $82,887 in annual leave and long service leave payments and agreed to be paid $37,500 in cash. There are no further claims or liabilities.

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 (2017: $1,200) as at 30 June 2018.
- Termination payments: Nil.

Executive Director – Jack Testard (resigned 29 March 2018)

- Contract term: No fixed term.
- Remuneration: Annual salary equivalent to €63,084 (2017: €63,084) until 8 January 2018.
- Termination payments: Nil.

Company Secretary – Mark Pitts (appointed 2 March 2018)

- Contract term: No fixed term. Either party may terminate the contract with one months' notice.
- Remuneration: $4,000 (2017: Nil) per month plus GST as at 30 June 2018.
- 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 (2017: $120.00) plus GST for consultancy services as at 30 June 2018.
- Termination payments: Nil.

Finance Manager– Michelle Lilley

- Contract term: No fixed term. Either party may terminate the agreement with one months' notice.
- Remuneration: M Lilley was paid as an employee at $92.98 per hour (2017: $92.98) until 31 January 2018. From 1 February 2018 to 30 June 2018 M Lilley's services were billed to Variscan through Moly Mines Limited at $120 per hour plus GST (2017: Nil)
- Termination payments: Nil.

  During the period of which, M Lilley was an employee of Variscan (1 July 2017 to 31 January 2018) her services totalling approximately $60,000 were on charged to a number of companies and are shown as consulting revenue in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Company Secretary – Ivo Polovineo (resigned 2 March 2018)

- Contract term: 12 month rolling contract. Either party may terminate the contract with one months' notice.
- Remuneration: $1,300 per day plus GST for the period 1 July 2017 to 30 September 2017, then $1,050 per day plus GST until resignation date 2 March 2018 (2017: $1,300 per day plus GST).
- Termination payments: Nil.

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

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

(a) Resigned 29 March 2018.

(b) Appointed 2 March 2018.

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

(d) Resigned 2 March 2018.

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

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

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

	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	-	-	-	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) A substantial portion of M Lilley's salary was on charged to other companies and is included in consulting income in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

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

The following options were granted during the financial year.

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

KMP	Grant date	Granted no.	Vested no.	Vest-ed %	Value of options granted at the grant date (Note 14) $	Options exerc-ised no.	Value of options exercis-ed at the exercise date $
S Dickson	6 Nov 2017	20,000,000	3,000,000	15	5,867	-	-

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

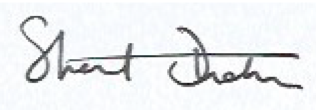
The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director.

	Board of directors		Remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
P Elliott	8	8	1	1	2	2
S Dickson	8	8	-	-	-	-
G Jones	8	7	1	-	2	2
C S Kwan	8	7	1	1	-	-
F K Foo	8	8	-	-	2	2
M Moore	8	8	-	-	-	-
J Testard	6	2	-	-	-	-

Non-audit services

The Company's primary auditor, HLB Mann Judd provided non-audit services totalling Nil during the year ended 30 June 2018 (2017: $33,500). 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 26th day of September 2018 in accordance with a resolution of the Directors.



Stewart Dickson
Chief Executive Officer

HLB Mann Judd

Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED

ABN 16 003 254 395

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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 relation to Variscan Mines Limited and the entities it controlled during the year.

Sydney, NSW
26 September 2018

A G Smith
Partner

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	Reclassified (refer note 2 and 25) 2017 $
Revenue and other income	3	210,819	216,635
ASX and ASIC fees		(28,430)	(36,229)
Auditors' remuneration	5(a)	(48,300)	(46,000)
Contract admin/geological services		(80,646)	(72,067)
Depreciation expense	9	(1,435)	(1,957)
Directors' fees		(221,257)	(155,027)
Exploration expenditure written-off	10	(85,253)	-
Finance cost		(30,600)	-
Impairment of investment		(235,300)	(61,304)
Insurance		(15,023)	(14,918)
Operating lease rental expense		(49,358)	(77,925)
Preliminary AIM listing costs		(96,212)	(253,214)
Marketing and media costs		(3,000)	(36,586)
Employee costs net of on-costs recharged to exploration projects		(401,892)	(565,916)
Recruitment costs		-	(85,600)
Share based payments		(5,867)	-
Travel and accommodation		(18,479)	(54,907)
Other expenses		(86,118)	(156,917)
(Loss) from continuing operations before income tax expense		(1,196,351)	(1,401,932)
Income tax (expense)	4	-	(218,101)
(Loss) from continuing operations after income tax expense		(1,196,351)	(1,620,033)
Discontinued operations			
(Loss) from discontinued operations	25	(5,801,194)	(2,294,088)
(Loss) for the year		(6,997,545)	(3,914,121)
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
Exchange differences on translation of foreign operations		214,980	(1,733)
Other comprehensive income/(loss) for the period, net of tax		214,980	44,390
Total comprehensive (loss) for the period		(6,782,565)	(3,869,731)
(Loss) per share			
Basic (loss) per share (cents per share) – continuing operations	16	(0.17)	(0.29)
Basic (loss) per share (cents per share) – discontinued operations	16	(0.80)	(0.41)
		(0.97)	(0.70)
Diluted (loss) per share (cents per share) – continuing operations	16	(0.17)	(0.29)
Diluted (loss) per share (cents per share) – discontinued operations	16	(0.80)	(0.41)
		(0.97)	(0.70)

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 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	6	1,898,067	1,120,871
Receivables	7	43,157	610,516
Assets classified as held for sale	25	378,486	-
Total current assets		2,319,710	1,731,387
Non-current assets			
Investments – available for sale	8	669,700	1,472,056
Receivables	7	-	28,134
Property, plant and equipment	9	1,721	116,989
Deferred exploration and evaluation expenditure	10	90,268	4,374,186
Total non-current assets		761,689	5,991,365
Total assets		3,081,399	7,722,752
Liabilities			
Current liabilities			
Trade and other payables	11	556,513	678,652
Liabilities directly associated with assets classified as held for sale	25	410,414	-
Provisions	12	-	158,246
Total current liabilities		966,927	836,898
Non-current liabilities			
Provisions	12	-	65,030
Total non-current liabilities		-	65,030
Total liabilities		966,927	901,928
Net assets		2,114,472	6,820,824
Equity			
Contributed equity	13	24,366,724	22,355,868
Reserves	15	891,632	829,117
Accumulated losses		(23,143,884)	(16,364,161)
Total equity		2,114,472	6,820,824

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 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payment to suppliers and employees		(1,649,410)	(2,418,189)
Consultancy fees and rental income received		213,975	178,811
R&D tax offset		628,273	-
Management fee		-	180,658
Interest received		2,337	17,314
Net cash flows used in operating activities	22	(804,825)	(2,041,406)
Cash flows from investing activities			
Purchase of plant and equipment		(840)	(7,112)
Expenditure on mining interests (exploration)		(1,115,316)	(1,540,961)
Sale of available for sale assets		567,055	-
Deposit received for sale of subsidiary (discontinue operation)		200,000	-
Tenement security deposits & bank guarantees (paid)/recovered		-	(1,376)
Net cash flows used in investing activities		(349,101)	(1,549,449)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,122,693	2,414,159
Payment of share issue costs		(44,531)	(147,775)
Proceeds from borrowings		340,000	-
Payment for borrowing costs		(30,600)	-
Repayment of borrowings		(340,000)	-
Net cash flows from financing activities		2,047,562	2,266,384
Net increase/(decrease) in cash and cash equivalents		893,636	(1,324,471)
Net foreign exchange differences		5,352	(7,432)
Cash and cash equivalents at beginning of the year		1,120,871	2,452,774
Cash and cash equivalents at end of the year	22	2,019,859	1,120,871
Cash and cash equivalents at end of the year – continuing operations		1,898,067	1,061,863
Cash and cash equivalents at end of the year – discontinued operations		121,792	59,008
Cash and cash equivalents at end of the year		2,019,859	1,120,871

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 2018

		Consolidated			
	Note	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		-	(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 Accumulated losses		(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
At 1 July 2017		22,355,868	(16,364,161)	829,117	6,820,824
(Loss) for the period		-	(6,997,545)	-	(6,997,545)
Other comprehensive income/(loss)		-	-	214,980	214,980
Total comprehensive (loss) for the period		-	(6,997,545)	214,980	(6,782,565)
Transactions with owners in their capacity as owners:					
Issue of share capital (net of share issue costs)		2,086,264	-	-	2,086,264
Share based payments		-	-	5,867	5,867
Transfer expired options to Accumulated losses		(75,408)	217,823	(142,415)	-
Transferred to loss for year on sale of investments		-	(1)	(15,917)	(15,918)
At 30 June 2018		24,366,724	(23,143,884)	891,632	2,114,472

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 2018 was authorised for issue in accordance with a resolution of the Directors on 26 September 2018. 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 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 Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted, and estimates of volatility as detailed in Note 13.

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 Chief Executive Officer.

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

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the profit or loss. The Consolidated Statement of Profit and Loss and Other Comprehensive Income’s comparative figures at 30 June 2017 have been restated to reflect the reclassification of the discontinued operation.

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 2018. 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 has decided to account for changes in the fair value of investments through the Profit and Loss.

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

	2018 $	2017 $
Revenue		
Interest received – other persons/corporations	4,864	15,620
Consulting fees	115,900	126,696
Rental income	72,855	63,180
Other Income		
Gain on sale of investments	15,917	-
Unrealised gain on foreign currency	1,283	11,139
	210,819	216,635

4. Income tax

	2018 $	2017 $
Prima facie income tax (credit) on operating (loss) at 27.5% (2017: 30%)	(1,924,325)	(1,108,806)
Deferred tax assets not recognised	1,924,325	1,108,806
Net deferred tax assets and liabilities written off	-	(218,101)
Other	-	-
Income tax expense	-	(218,101)

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2018.

The Group has a deferred income tax liability of Nil (2017: Nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. No recognition has been given to any deferred income tax asset which may arise from available tax losses. The Company has estimated its losses at $12,749,266 (2017: $11,692,328) as at 30 June 2018.

A benefit of 27.5% (2017: 30%) of approximately $3,506,048 (2017: $3,507,698) 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 (2017: 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 (2017: $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

	2018 $	2017 $
(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	48,300	46,000
Total remuneration for Audit Services	48,300	46,000

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
(b) 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

	2018 $	2017 $
Cash at bank and in hand	97,923	311,397
Short-term deposits	1,800,144	809,474
	1,898,067	1,120,871

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

	2018 $	2017 $
Current		
Trade Debtors	7,303	29,716
R&D and other tax refunds	-	389,437
GST/VAT receivable	13,290	107,856
Interest receivable	2,746	176
Prepayments	12,834	72,373
Rental bonds	6,565	-
Other debtors	419	10,958
	43,157	610,516
Non-current		
Rental bonds	-	28,134

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

		2018 $	2017 $
Investment – available for sale – EFE	(a)	-	444,000
Investment – available for sale SCI	(b)	-	123,056
Investment – available for sale TMZ	(c)	669,700	905,000
		669,700	1,472,056

(a) The Group sold its 52,857,142 shares in Eastern Iron Limited (EFE) during the year.

(b) The Group sold its 6,836,449 shares in Silver City Minerals Limited (SCI) during the year.

(c) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Ltd (TMZ) at 30 June 2018 was $669,700 ($0.037 per share) and on 18 September 2018 it was $633,500 ($0.035 per share).

9. Property, plant and equipment

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

10. Deferred exploration and evaluation expenditure

	2018 $	2017 $
Costs brought forward	4,374,186	3,973,293
Costs incurred during the year	86,753	1,721,914
Expenditure written off during the year	(85,253)	(1,321,021)
Held for sale – costs incurred during the year	1,024,413	-
Held for sale – expenditure written off during the year (Note 25)	(5,217,180)	-
Held for sale – deferred exploration balance (Note 25)	(92,651)	-
Costs carried forward	90,268	4,374,186
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	90,268	88,498
Expenditure on non joint venture areas	-	4,285,688
Costs carried forward	90,268	4,374,186

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.

11. Current liabilities – payables

	2018 $	2017 $
Trade creditors *	130,292	407,442
Accrued expenses	210,161	54,974
GST payable	664	2,743
Apollo Minerals deposit for sale of French subsidiary **	200,000	-
Accrued payroll and payroll deductions	15,396	213,493
	556,513	678,652

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

** During the period the Company received $200,000 being the initial cash consideration for the sale of its French subsidiary. The $200,000 is part of the overall consideration payable by Apollo Minerals to Variscan totalling up to a maximum of $4.25m. In September 2018, legal completion of the sale of the French subsidiary occurred and accordingly the above $200,000 is not repayable to Apollo as it forms part of the sale consideration and therefore ceases to be a liability at the date of this report.

12. Liabilities – provisions

	2018 $	2017 $
Current		
Annual Leave	-	158,246
Non-current		
Long Service Leave	-	65,030

13. Contributed equity

	2018 $	2017 $
Share capital		
1,239,446,875 (2017: 674,088,999) ordinary shares fully paid	24,969,723	23,198,422
Option issue consideration reserve		
593,384,943 (2017: Nil) listed options on issue	528,604	-
Nil (2017: 29,347,830) unlisted options on issue *	-	75,408
Share issue costs	(1,131,603)	(917,962)
	24,366,724	22,355,868

*A further 32,450,000 (Director and employees) unlisted options are included under Share-based payments Note 14.

		Number	$
Movements in ordinary shares on issue			
At 30 June 2016		518,922,788	19,754,457
Shares issued	(a)	126,277,319	1,894,159
Shares issued	(b)	28,888,892	520,000
Transfer from options issue consideration reserve	(c)	-	1,029,806
At 30 June 2017		674,088,999	23,198,422
Shares issued	(d)	1,972,933	19,729
Shares issued	(e)	362,377,339	1,449,509
Shares issued	(f)	201,007,604	804,030
Transfer to options issue consideration reserve	(g)	-	(322,574)
Transfer to options issue consideration reserve	(h)	-	(179,393)
At 30 June 2018		1,239,446,875	24,969,723

(a) A total of 126,277,319 shares were issued in May 2017 on exercise of $0.015 listed options.

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

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

(d) 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.

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

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

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

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

		Number	$
Movements in options on issue			
At 30 June 2016		159,197,058	1,134,504
Listed options granted	(a)	12,500,000	37,500
Exercise of listed options	(b)	(126,277,319)	(1,029,806)
Expiry of listed options	(c)	(16,071,909)	(66,790)
At 30 June 2017		29,347,830	75,408
Expiry of unlisted options	(d)	(29,347,830)	(75,408)
Listed options granted	(e)	563,384,943	501,968
Listed options granted	(f)	30,000,000	26,636
At 30 June 2018		593,384,943	528,604

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

(b) A total of 126,277,319 shares were issued during the year ended 30 June 2017 on exercise of $0.015 listed options, expiring 4 May 2017.

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

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

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

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

An additional 32,450,000 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 2018 and 2017.

Summary of options granted by the parent entity

	2018 no.	2017 no.
Outstanding at the beginning of the year	28,100,000	28,100,000
Granted during the year	20,000,000	-
Expired during the year	(15,650,000)	-
Outstanding at the end of the year	32,450,000	28,100,000

The outstanding balance as at 30 June 2018 is represented by:

- 12,450,000 which expire on 3 December 2018 exercisable at $0.05 per share
- 10,000,000 which expire on 20 November 2021 exercisable at $0.03 per share
- 10,000,000 which expire on 20 November 2022 exercisable at $0.05 per share

There are an additional 593,384,943 listed options under Contributed Equity Note 13 which is represented by:

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

Weighted Average disclosures for options granted by the parent entity

	2018	2017
Weighted average exercise price of options at 1 July	$0.06	$0.06
Weighted average exercise price of options granted during period	$0.04	-
Weighted average exercise price of options outstanding at 30 June	$0.04	$0.06
Weighted average exercise price of options exercisable at 30 June	$0.05	$0.06
Weighted average contractual life	2.56	0.87
Range of exercise price	$0.03 - $0.05	$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	Expect-ed volatility	Risk-free rate	Expect-ed life years	Estimat-ed fair value	Model used	
Nov 15	12,450,000	$0.05	3 Dec 18	66.46%	1.93%	3.0	$0.0099	Black Scholes	(a)
Nov 17	10,000,000	$0.03	20 Nov 21	80.00%	2.58%	4.0	$0.0020	Black Scholes	(b)
Nov 17	10,000,000	$0.05	20 Nov 22	80.00%	2.58%	5.0	$0.0019	Black Scholes	(b)
	32,450,000								

(a) 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 profit or loss.

(b) 20,000,000 options were issued to CEO of the Company S Dickson and approved by shareholders at the Company's AGM held on 6 November 2017. The options will vest at the rate of 25% per year of each year of employment service by Mr Dickson and will be expensed in the profit or loss at the same rate.

15. Reserves

	2018 $	2017 $
Share-based compensation reserve	129,122	265,670
Investment revaluation reserve	235,300	251,217
Foreign currency translation reserve	527,210	312,230
	891,632	829,117

		2018 $	2017 $
Share-based compensation reserve	(i)		
Balance at the beginning of financial year		265,670	265,670
Share-based payment expense		5,867	-
Transfer expired options to Retained Earnings		(142,415)	-
Balance at end of financial year		129,122	265,670
Investment revaluation reserve	(ii)		
Balance at the beginning of financial year		251,217	143,565
Change in fair value of investments available for sale		-	46,123
Deferred tax written off		-	61,529
Investment revaluation reserve adjustment on sale of investment		(15,917)	-
Balance at end of financial year		235,300	251,217
Foreign currency translation reserve	(iii)		
Balance at the beginning of financial year		312,230	313,964
Effect of exchange rate fluctuation		214,980	(1,734)
Balance at end of financial year		527,210	312,230

(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

	2018 $	2017 $
(Loss) used in calculating basic and diluted (loss) per share:		
From continuing operations	(1,196,351)	(1,620,033)
From discontinued operations	(5,801,194)	(2,294,088)
	(6,997,545)	(3,914,121)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	721,193,122	556,340,783
	Cents per share	**Cents per share**
Basic (loss) per share:		
From continuing operations	(0.17)	(0.29)
From discontinued operations	(0.80)	(0.41)
	(0.97)	(0.70)
Diluted (loss) per share:		
From continuing operations	(0.17)	(0.29)
From discontinued operations	(0.80)	(0.41)
	(0.97)	(0.70)

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2017: 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 2018: 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

	2018 $	2017 $
Compensation for key management personnel		
Short-term employee benefits	724,170	973,707
Long-term employee benefits	37,500	-
Post-employment benefits	10,303	37,519
Share-based payments	25,596	-
Total compensation	797,569	1,011,226

Shareholdings of key management personnel

Fully paid ordinary shares held in Variscan Mines Limited

	Balance at 1 July no.	Granted in lieu of Directors fees no.	Received on exercise of options no.	Net change other * no.	Balance at 30 June no.
2018					
P Elliott	10,502,246	-	-	22,175,291	32,677,537
S Dickson	-	1,380,000	-	-	1,380,000
G Jones	12,693,218	360,000	-	-	13,053,218
C S Kwan	197,780,846	-	-	164,817,372	362,598,218
F K Foo	29,049,259	-	-	24,207,716	53,256,975
M Pitts (a)	-	-	-	-	-
J Testard (b)	200,000	232,933	-	-	432,933
I Polovineo (c)	978,942	-	-	-	978,942
Total	251,204,511	1,972,933	-	211,200,379	464,377,823
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

* Net change other consists of shares purchased by KMP in the Company's underwritten Entitlement Offer in May 2018.

(a) Mark Pitts appointed 2 March 2018

(b) Jack Testard resigned 29 March 2018

(c) Ivo Polovineo resigned 2 March 2018

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.
2018							
P Elliott	2,000,000	-	-	21,175,291	23,175,291	23,175,291	23,175,291
S Dickson	-	20,000,000	-	-	20,000,000	-	-
G Jones	6,800,000	-	-	(4,000,000)	2,800,000	2,800,000	2,800,000
C S Kwan	2,500,000	-	-	163,817,372	166,317,372	166,317,372	166,317,372
F K Foo	2,000,000	-	-	23,207,716	25,207,716	25,207,716	25,207,716
M Moore	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
M Pitts (a)	-	-	-	-	-	-	-
W Corbett	600,000	-	-	(350,000)	250,000	250,000	250,000
M Lilley	900,000	-	-	(250,000)	650,000	650,000	650,000
J Testard (b)	3,400,000	-	-	(2,000,000)	1,400,000	1,400,000	1,400,000
I Polovineo (c)	2,750,000	-	-	(1,750,000)	1,000,000	1,000,000	1,000,000
Total	21,950,000	20,000,000	-	199,850,379	241,800,379	221,800,379	221,800,379
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

* Net change other consists of options granted to KMP in the Company's underwritten Entitlement Offer in May 2018 sold on market less options expired during the period (2017: sold on market by KMP).

(a) Mark Pitts appointed 2 March 2018

(b) Jack Testard resigned 29 March 2018

(c) Ivo Polovineo resigned 2 March 2018

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	2018	2017	2018	2017
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
Variscan Mines Europe Limited *	UK	100	-	1	-

* Incorporated on 29 January 2018.

Transactions with directors and key management personnel

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

A total of $396,707 was paid to E-Mines during the year ended 30 June 2017, of which Michel Bonnemaison is a Director. Michel Bonnemaison is no longer considered a KMP of the Group from 1 July 2017 and the agreement with E-Mines was terminated during the year.

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 2018 (2017: $Nil).

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 2018 were as follows:

Variscan Mines Limited (New South Wales – gold, base metals and iron)	% interest 2018	% interest 2017
Hillston – diluting to 16%	39.2%	39.2%
Mundi Plains	12.4%	14.4%
Achilles and Chiron	0%	25%
Callabonna – diluting to 30%	49%	100%
Junction Dam –base and precious metals rights	9.9%	11.5%
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 Chief Executive Officer 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue								
Revenue from outside the group	211	217	229	178	-	-	440	395
Results								
Segment results before income tax	(1,197)	(1,402)	(5,801)	(2,294)	-	-	(6,998)	(3,696)
Income tax expense							-	(218)
Profit/(loss) after income tax expense							(6,998)	(3,914)
Assets								
Segment assets	5,405	9,740	378	5,031	(2,702)	(7,048)	3,081	7,723
Liabilities								
Segment liabilities	557	400	410	4,074	-	(3,572)	967	902
Other segment information								
Plant and equipment	2	2	58	115	-	-	60	117
Other non-current assets	3,521	5,136	93	4,307	(2,761)	(3,569)	853	5,874
Depreciation	1	2	53	85	-	-	54	87

21. Commitments

Lease commitments

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

	2018 $	2017 $
Payable not later than one year	39,057	142,905
Payable later than one year and not later than five years	27,754	150,362
	66,811 *	293,267

* The above amount forms part of the sale of the French subsidiary and will be netted off against the transaction consideration.

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 (2017: nil).

22. Cash flow statement

	2018 $	2017 $
Reconciliation of net cash outflow from operating activities to operating profit after income tax		
Operating loss after income tax	(6,997,545)	(3,914,121)
Depreciation	54,382	87,096
Exploration expenditure written-off	5,302,432	1,321,021
Share-based payment expense	5,867	-
Impairment of investments	235,300	61,304
Provisions for annual leave and long service leave	(72,853)	34,427
Tax expense/(benefit)	-	218,101
Foreign exchange variances	-	(37,401)
Exploration adjustments and differences in closing creditors/accruals	-	(184,050)
Non cash gain on sale of investment	(15,917)	-
Other	59,311	48,394
Change in assets and liabilities:		
(Increase)/decrease in receivables	489,520	86,662
(Decrease)/increase in trade and other creditors	134,678	237,161
Net cash outflow from operating activities	(804,825)	(2,041,406)

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.

	2018 $	2017 $
The balance at 30 June comprised:		
Cash and cash equivalents (including cash balance classified as held for sale)	219,715	311,397
Money market securities – bank deposits (Note 6)	1,800,144	809,474
Cash on hand	2,019,859	1,120,871

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 at the year end hence has a nil gearing ratio.

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

Financial instrument risk exposure and management

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

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

General objectives, policies and processes

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

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

Liquidity risk

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

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

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At 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 2018 for financial assets as follows:

	2018 $	2017 $
Weighted average rate of **cash** balances	0.02%	0.01%
Cash balances	$219,715	$311,397
Weighted average rate of **term deposits and at call accounts**	2.03%	1.5%
Term deposits and at call accounts	$1,800,144	$809,474

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	2018 $	2017 $	2018 $	2017 $
+1% (100 basis points)	18,001	8,095	18,001	8,095
-1% (100 basis points)	(18,001)	(8,095)	(18,001)	(8,095)

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.

Sensitivity

	Impact on post tax profit		Impact on other components of equity	
	2018 $	2017 $	2018 $	2017 $
EURO/$ exchange rate – increase 10%	(102,253)	(228,193)	66,886	(27,439)
EURO/$ exchange rate – decrease 10%	102,253	228,193	(66,886)	27,439

Exposure

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

	EURO converted to AUD	
	2018 $	2017 $
Trade receivables	35,154	389,437
Trade payables	116,441	272,714
Exploration asset	92,651	4,285,418

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	2018 $	2017 $	2018 $	2017 $
+20%	-	-	133,940	294,411
-20%	-	-	(133,940)	(294,411)

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 -

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.

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

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:	2018 AUD$'000	2017 AUD$'000
Current assets	1,880	4,606
Total assets	4,829	8,755
Current liabilities	556	242
Total liabilities	556	307
Issued capital	24,367	22,356
Accumulated losses	(20,543)	(14,312)
Investment revaluation reserve	138	138
Share based payment reserve	129	266
Total shareholders' equity	4,273	8,448
Profit/(loss) of the parent entity	(1,115)	(1,601)
Total comprehensive income/(loss) of the parent entity	182	32
	(933)	(1,569)

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. Discontinued operations

Details of discontinued operations

In September 2018, legal completion of the sale of the French subsidiary to Apollo Minerals occurred, for a total consideration of up to $4.25m.

	2018 $	2017 $
Financial performance		
CIR (R&D) refund	229,439	-
Management fee income	-	177,884
Exploration expenditure written-off	(5,217,180)	(1,321,021)
Employee costs net of on-charges to exploration projects	(470,837)	(571,627)
Other operating expenses	(342,616)	(579,324)
Loss from French discontinued operations for the year	(5,801,194)	(2,294,088)
Cash flows		
Cash flows from operating activities		
Payments to suppliers and employees	(660,221)	(998,407)
CIR (R&D) refunds	628,273	-
Management fee income	-	180,568
Expenditure on mining interests (exploration)	(1,028,563)	(1,539,688)
Effects of exchange rate on cash	5,349	(7,432)
Net cash (outflows) from discontinued operations	(1,055,162)	(2,364,869)

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

26. Events after the reporting date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2018 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 September 2018, legal completion of the sale of French subsidiary, Variscan Mines SAS and 20% interest in Couflens PER, to Apollo Minerals for total consideration in cash and shares of up to $4.25m occurred.

Directors' Declaration

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 22 to 54 are in accordance with the *Corporations Act 2001*, including:

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

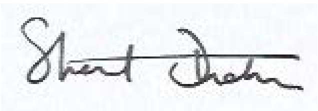
      (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

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

3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2018 required by section 295A of the *Corporations Act 2001*.

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



Stewart Dickson
Chief Executive Officer

26 September 2018

HLB Mann Judd
Accountants | Business and Financial Advisers

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

To the Members of Variscan Mines Limited:

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 2018, 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 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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 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.

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Accountants | Business and Financial Advisers

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

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 Regarding 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. Capitalised exploration assets at 30 June 2018 were $90,268. We have identified this as a key audit matter because of the judgement involved in assessing whether to impair exploration assets, 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; • 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; • Agreed a sample of capitalised costs to supporting invoices; • Obtained confirmation for a sample of tenement holdings at year end to confirm that the Group has current rights to tenure; • 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 2018, 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.

HLB Mann Judd

Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED
ABN 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.

HLB Mann Judd
Accountants | Business and Financial Advisers

VARISCAN MINES LIMITED
ABN 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 14 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2018 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
26 September 2018

Additional Information

Shareholder Information

Information relating to shareholders at 17 September 2018.

Ordinary fully paid shares

There were a total of 1,239,446,875 fully paid ordinary shares on issue.

Options

There were a total of 593,384,943 listed options and 32,450,000 unlisted options on issue.

Substantial shareholders	Shareholding
CITICORP NOMINEES PTY LIMITED	347,397,172

As at 17 September 2018, there were 1,080 shareholders with less than a marketable parcel of $500.

Top 20 shareholders of ordinary shares	Number	%
CITICORP NOMINEES PTY LIMITED	347,397,172	28.03
BNP PARIBAS NOMS PTY LTD	55,053,529	4.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,182,278	3.57
RHB SECURITIES SINGAPORE PTE LTD	40,054,075	3.23
MR TRAVIS ROYCE SMITH	30,000,000	2.42
MR CHRIS CARR & MRS BETSY CARR	27,000,000	2.18
RECO HOLDINGS PTY LTD	26,019,030	2.10
SYRACUSE CAPITAL PTY LTD	21,500,000	1.74
JAWAF ENTERPRISES PTY LTD	20,000,000	1.61
MR JOHN VIEIRA & MRS TRACEY LOIS VIEIRA	19,583,333	1.58
PANSTYN INVESTMENTS PTY LTD	19,254,117	1.55
SLAM CONSULTING PTY LTD	17,238,730	1.39
LAWRENCE CROWE CONSULTING PTY LTD	16,700,000	1.35
JETOSEA PTY LTD	16,662,190	1.34
WILDGLADE PTY LTD	14,386,958	1.16
MURDOCH CAPITAL PTY LTD	14,053,559	1.13
MR PATRICK JAMES DYMOCK ELLIOTT	13,423,421	1.08
KOBIA HOLDINGS PTY LTD	13,423,421	1.08
RAVEN INVESTMENT HOLDINGS PTY	12,500,000	1.01
SCHAMMER PTY LTD	12,500,000	1.01
Total of top 20 holdings	**780,931,813**	**63.00**
Other holdings	458,515,062	37.00
Total fully paid shares issued	**1,239,446,875**	**100.00**

Distribution of shareholders		
Range	**No of shareholders**	**Ordinary shares**
1 – 1,000	338	133,018
1,001 – 5,000	180	473,789
5,001 – 10,000	131	1,072,001
10,001 – 100,000	345	14,306,689
100,001 – and over	330	1,223,461,378
	1,324	**1,239,446,875**

Additional Information

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

Distribution of listed optionholders		
Range	**Number of optionholders**	**Options**
1 – 1,000	9	6,523
1,001 – 5,000	9	31,557
5,001 – 10,000	4	34,702
10,001 – 100,000	34	1,482,966
100,001 – and over	113	591,829,195
	169	**593,384,943**

Voting rights

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

Optionholders have no voting rights until the options are exercised.

There is no current on-market buy-back.

Additional Information

Governance Framework

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

The Corporate Governance Statement, dated 30 June 2018 and approved by the Board on 26 September 2018, sets out corporate governance practices of the Group which, taken as a whole, represents the system of governance.

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

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

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

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

COMPANY SECRETARY

Mark Pitts

REGISTERED OFFICE

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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