16 March 2023

INTERIM FINANCIAL REPORT

Variscan Mines Limited ("**Variscan"** or the **"Company"**) encloses its interim financial report for the half-year ended 31 December 2022.

Yours faithfully

Mark Pitts

Company Secretary

This announcement has been approved for release by Mr Mark Pitts, Company Secretary, Variscan Mines Limited.

Interim Financial Report
for the half-year ended
31 December 2022

Contents

Corporate Information

Directors

Mr Anthony Wehby	*Non-executive Chairman*
Mr Stewart Dickson	*Managing Director & CEO*
Mr Michael Moore	*Non-executive Director*
Mr Nick Farr-Jones	*Non-executive Director*
Dr Frank Bierlein	Non-executive Director

Company Secretary

Mr Mark Pitts

Registered Office

Suite 8, 7 The Esplanade
Mount Pleasant WA 6153
Australia
P: +61 8 9316 9100
E: info@variscan.com.au

Share Registry

Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001
Australia
P: +61 2 9290 9600

Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000
Australia
+61 8 9227 7500

Securities Exchange Listing

Variscan Mines Limited's shares are listed on the Australian Securities Exchange (ASX: VAR)

Competent Persons Statements

The information in this document that relates to the Exploration Target, Exploration results and technical information about the Novales-Udias project is based on, and fairly represents information and supporting documentation reviewed by by Dr. Mike Mlynarczyk, Principal of Redstone Exploration Services, a geological consultancy acting as an external consultant for Variscan Mines. Dr. Mlynarczyk is a Professional Geologist (PGeo) of the Institute of Geologists of Ireland, and European Geologist (EurGeol) of the European Federation of Geologists, as well as Fellow of the Society of Economic Geologists (SEG). With over 10 years of full-time exploration experience in MVT-style zinc-lead systems in several of the world's leading MVT provinces, Dr. Mlynarczyk 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 December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ('JORC Code'). Dr. Mlynarczyk consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

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

Directors' Report

Your Directors of Variscan Mines Limited (the "Company") submit the Interim Financial Report of the Group, being the Company and its controlled entities ("Variscan" or the "Group"), for the half year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Mr Anthony Wehby	Non-executive Chairman	Appointed 20 October 2022 (Note 1)
Mr Stewart Dickson	Managing Director & CEO	
Mr Michael Moore	Non-executive Director	
Mr Nicholas (Nick) Farr-Jones	Non-executive Director	
Dr Frank Bierlein	Non-executive Director	Appointed 20 October 2022
Dr Foo Fatt Kah	Non-executive Chairman	Resigned 30 November 2022

Note 1 – Mr Wehby was appointed as a non-executive director on 20 October 2022, and assumed the role of Chairman upon the resignation of Dr Foo on 30 November 2022.

Review of operations

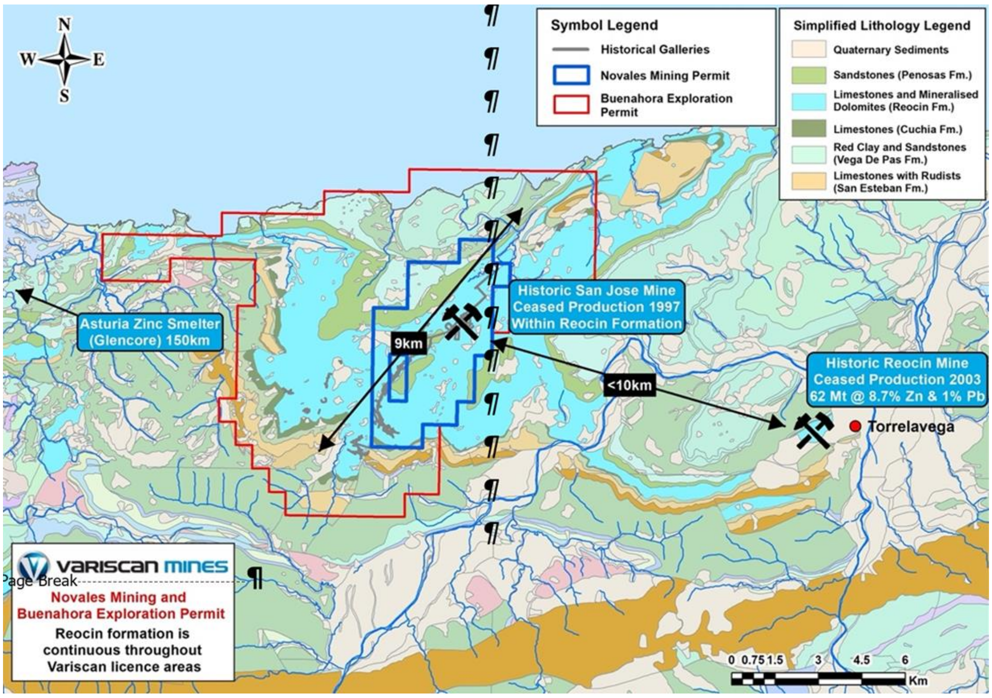
Spain – Novales-Udias Zinc Project

Project summary and strategy

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km southwest from the regional capital, Santander. The project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include a number of satellite underground and surface workings and areas of zinc anomalism identified from recent and historic geochemical surveys.

This project, which is highly prospective across multiple fronts, continued to be the major focus of Variscan's exploration activities over the six months to December 2022. Variscan has a clear strategy to execute the two-fold opportunity that the Novales-Udias project presents, namely to seek near-term zinc production opportunities at the San Jose–Novales Mine and define a regionally significant mineral resource.

Figure 1: Novales-Udias Project Opportunities



Directors' Report

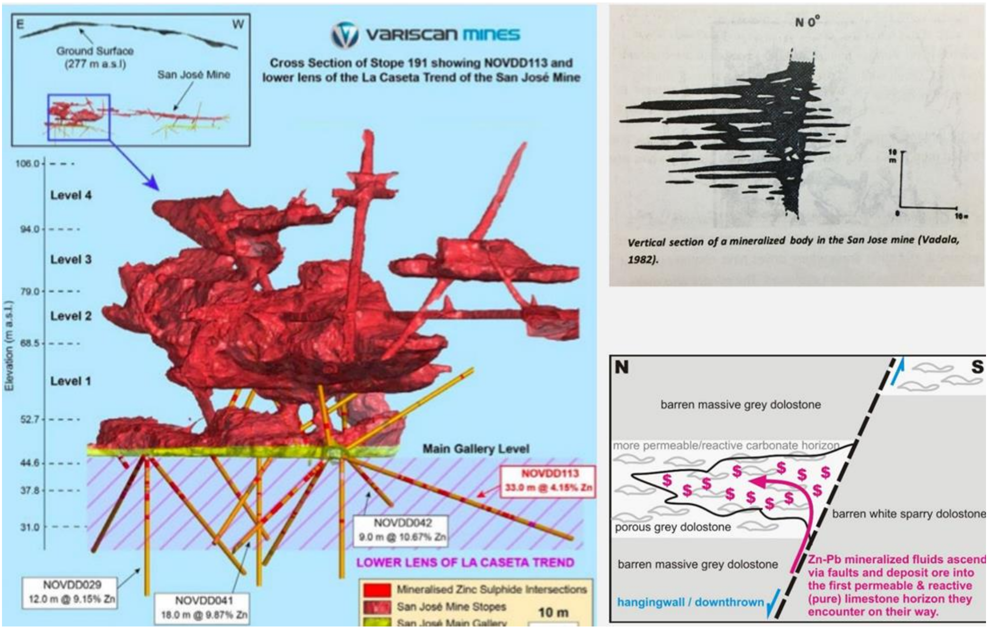
Over the past six months, excellent progress was made in executing the Company's plans to further prove up resource estimates at the San Jose Mine.

San Jose exploration activities ramp up

Early in the half year, Variscan announced an initial JORC-compliant Exploration Target for the Novales-Udias Project (see ASX announcement dated 28 July 2022).

Variscan further advanced the project over the balance of the half year, as the Company continued to work towards its stated intention to publish an initial modest, higher confidence Mineral Resource Estimate on the former producing San Jose Mine. Further assay results from Phase 2 underground drilling at San Jose were reported mid-way through the September 2022 quarter (see ASX announcement dated 25 August 2022). These results continued to expand and infill zones of high-grade zinc mineralisation in the La Caseta Trend within the Central Zone of the San Jose Mine. In addition, they linked new richly mineralised intersections in between known areas of workings (Stopes 200, 191 and 193) indicating continuity within and beyond the La Caseta Trend.

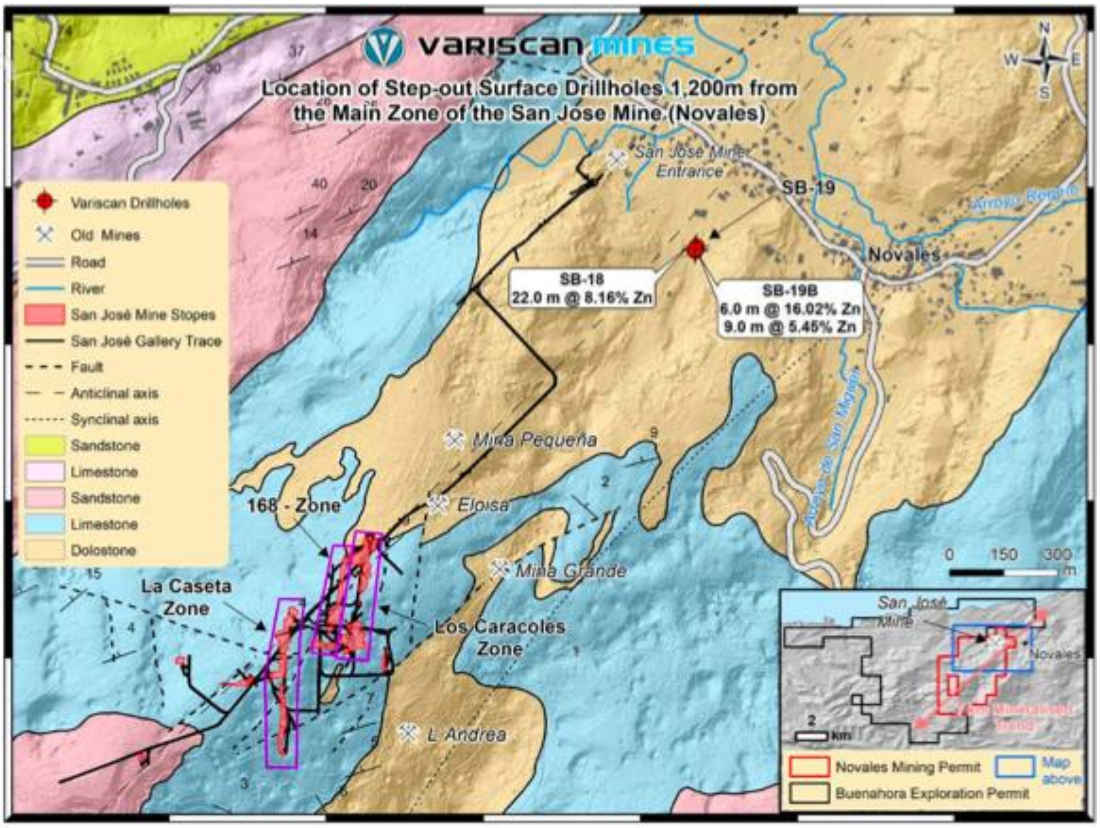
Figure 2: Continued underground drilling success over multiple horizons



In the wake of the successful Phase 2 underground drilling campaign at the San Jose Mine, Variscan readied for follow up surface and underground drilling campaigns. At the same time, the second phase of the Company's surface drilling campaign was also advanced.

Early in 2023, Variscan Mines announced that encouraging visual zinc mineralisation have been recorded in two surface, diamond drill holes located some 1,200m north-east along strike of the San Jose Mine Main Zone stopes (see ASX announcement dated 30 January 2023). Here, core logging indicated that the drilling had intersected major intervals in excess of 20m and contained continuous high-grade zinc mineralization. The Company subsequently published assay results from these drilling activities which confirmed thick, high-grade, sulfide zinc-mineralised lenses, representing the same style of mineralisation as the main zone of the underground San Jose Mine and along strike (see ASX announcement 1 March 2023).

Figure 3: Location of step-out surface drilling 1,200m north-east of the Main Zone of the San Jose Mine in Novales



Drilling programme at Buenahora Exploration Licence firms up its prospectivity

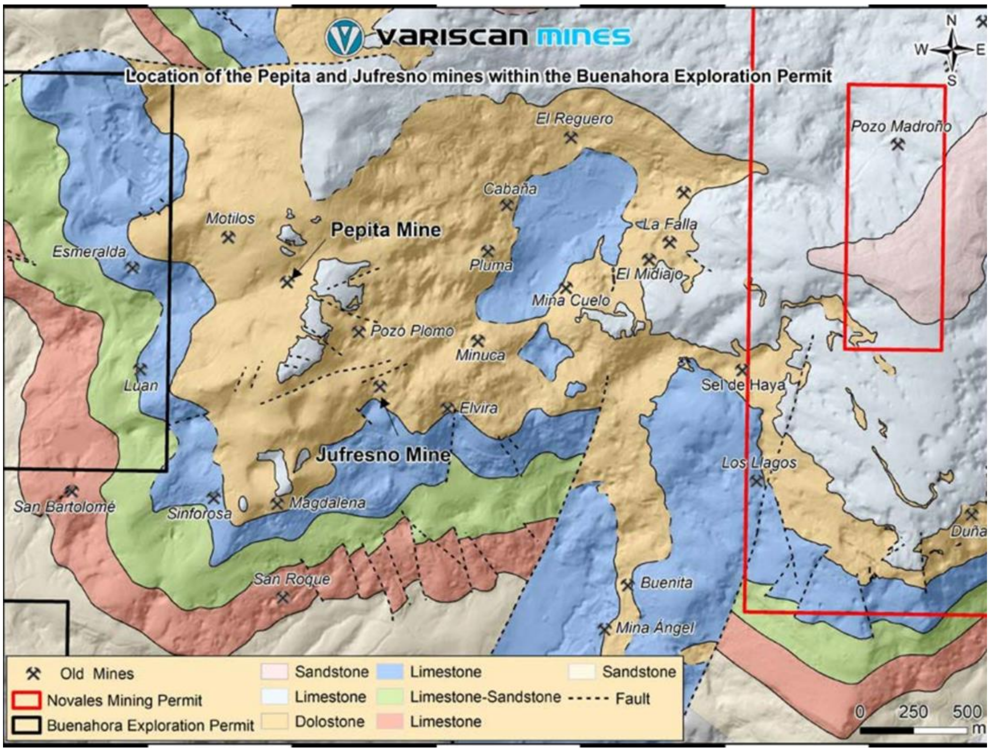
The Buenahora Licence area hosts part of the 9km Novales Trend and the 3km sub-parallel Udias Trend over Variscan's Novales-Udias Project area. The Udias area in the southwest of the Buenahora Exploration License area has multiple, highly prospective, yet untested, drill targets including Magdalena, Sinforosa, Motilos and Pepita. These are situated on strong geochemical anomalies and along extended trends which include former small-scale mines (operational in c. 1930s) and/or high-grade historical drilling intersections.

The Company set in motion an exploration programme at Buenahora over the first half of the financial year, undertaking a Phase 1 underground drill campaign in this Licence area.

Variscan subsequently issued positive assay results from this surface and underground diamond drilling as well as findings from channel sampling programmes undertaken within the Buenahora Licence area, with these positive developments announced to the market in early 2023 (see ASX announcement dated 30 January 2023).

To date, the results coming out of the Buenahora campaign provide confirmation that the Pepita and Jufresno historic mines and their surrounds host high-grade zinc-dominant mineralisation, with true thicknesses attaining up to 20m.

Figure 4: Map of the Buenahora exploration permit, highlighting the location of the Pepita and Jufresno historic mines, where most of Phase 1 of exploration drilling was concentrated.



The next steps in Variscan's Novales-Udias project exploration programme

Looking ahead, the Company's immediate focus in its second half reporting period includes:

- Delivery of approvals to undertake further surface drilling in and around the San Jose Mine to test promising step-out targets
- Phase 3 underground infill and resource definition drilling at the San Jose Mine
- Finalizing the ongoing comprehensive 3D wireframe model of all historic and present-day drilling at and around the San Jose Mine
- Establishing and publishing an initial JORC-compliant Mineral Resource Estimate for the San Jose Mine
- Commencing a Mine Re-Start Concept Study for the San Jose Mine
- In support of the above activities, the delivery of associated environmental, social and governance ("ESG") initiatives

The steady flow of excellent results coming out of Variscan's exploration activities at Novales-Udias have the Company much closer to the delivery of development phase milestones at this project. An eventual restart of zinc production at the San Jose Mine would meet the demand for this metal from a range of existing and new industrial processes, many associated with the energy transition process occurring by virtue of the move to Net Zero. All this at a time when the global economy remains resilient despite a host of geopolitical and macro events.

Spain – Guajaraz Zinc Project

The Guajaraz Project is a prospective brown-field zinc-rich polymetallic opportunity with known mineral occurrences. The project is located in the highly mineralised Central Zone of the Iberian Massif, which ranks as one of the most mineralised geological units globally and represents the internal zone of the prolific European Variscan Orogenic belt.

With the main focus being the exploration and eventual development of the Novales-Udias project, limited activities were undertaken by the Company in connection with Guajaraz over the first half of the financial year. This said, with Variscan seeing the potential in the Guajaraz Project, the Company has submitted an application for a three-year extension of its exploration licence there.

Directors' Report

Chile – Rosario Copper Project

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is proven mining jurisdiction and is the largest producer of copper globally. The Rosario project lies about 20 kilometres north of the El Salvador mine (owned by Codelco), which is one of the country's larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.

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

No significant activities were conducted on the Rosario Copper project during the half-year.

Australia

The Company continues to hold minority interests in several areas of eastern and central Australia. No specific activities were undertaken by the Company on these areas during the half-year.

Changes to Variscan's Board of Directors as the Company evolves

Changes were made to the Variscan Board of Directors over the first half, as the Company continued to deliver key exploration activity milestones. Early in the December 2022 quarter, two new Non-executive Directors were appointed with immediate effect (see ASX announcement dated 21 October 2022). The first was Mr Anthony Wehby, a respected Corporate Finance Specialist and listed company director with over 50 years of executive and non-executive experience. He was subsequently appointed as Variscan's new Non-executive Chair in late November 2022. The second new Board appointment was Dr Frank Bierlein, a geologist with 30 years of experience as a consultant, researcher and lecturer and industry professional.

Significant events after balance date

On 9 March 2023, the Company announced that it had secured $1.85m in funding for the Company through a capital raise to a cornerstone investor, Zinc GroupCo Pty Ltd ("ZincCo"), and key existing shareholders. The Company will issue ZincCo 72,222,222 new shares at an issue price of $0.018 (1.8 cents) per share, raising $1.3 million before costs, with a further 30,555,556 shares to be issued to the key existing shareholders at the same issue price to raise $550,000. The Company will also issue free-attaching options to this placement on the basis of 1 option for every 2 shares subscribed for, which will have a 21-month term and will be exercisable at $0.0275 each. The Company intends to issue 51,388,889 shares under its existing placement capacity under ASX Listing Rules 7.1 and 7.1A, with the remaining shares and options subject to shareholder approval at an upcoming general meeting of shareholders.

Fees for the placement totalling 5% of funds raised may be settled through the issue of shares at $0.018 each.

Finally, the directors of the Company have agreed to convert a total of $70,940 in unpaid directors' fees into ordinary shares which will also be subject to shareholder approval.

Other than the above, there has been no additional matter or circumstance that has arisen after balance date that has 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 periods.

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 9 and forms part of this Directors' Report for the half year ended 31 December 2022.

Signed in accordance with a resolution of the Directors.

Stewart Dickson

Managing Director

Dated this 15th day of March 2023

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Variscan Mines Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
15 March 2023

N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

		Consolidated	
		Six months to 31 December 2022	Six months to 31 December 2021
	Notes	$	$
Continuing operations			
Interest income		3,829	196
Total income		**3,829**	**196**
Compliance expenses		(40,495)	(52,734)
Professional services expenses		(143,439)	(105,806)
Finance expenses		(31)	(50)
Directors' expenses		(150,520)	(105,093)
Travel and accommodation expenses		-	(3,246)
Share based payments	6	(108,744)	(162,850)
Other expenses		(47,281)	(42,328)
Total expenses		**(490,510)**	**(472,107)**
Realised gain/(loss) on foreign exchange		1,619	(2,615)
Unrealised gain/(loss) on foreign exchange		46	(416)
Total foreign exchange gain/(loss)		**1,665**	**(3,031)**
Loss before income tax		**(485,016)**	**(474,942)**
Income tax expense		-	-
Loss for the period after income tax		**(485,016)**	**(474,942)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		20,183	14,560
Other comprehensive income for the period, net of tax		**20,183**	**14,560**
Total comprehensive loss for the period		**(464,833)**	**(460,382)**
Loss per share			
Basic and diluted loss per share (cents per share)	3	(0.18)	(0.18)

The accompanying notes form part of these financial statements

Condensed Statement of Financial Position

As at 31 December 2022

	Notes	Consolidated 31 December 2022 $	30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents		661,830	1,945,935
Trade and other receivables		313,522	258,707
Total current assets		**975,352**	**2,204,642**
Non-current assets			
Property, plant and equipment		66,777	67,351
Deferred exploration and evaluation expenditure	4	7,599,731	6,710,006
Other non-current assets		65,026	62,757
Total non-current assets		**7,731,534**	**6,840,114**
Total assets		**8,706,886**	**9,044,756**
Liabilities			
Current liabilities			
Trade and other payables		299,284	281,065
Total current liabilities		**299,284**	**281,065**
Total liabilities		**299,284**	**281,065**
Net assets		**8,407,602**	**8,763,691**
Equity			
Issued capital	5	34,018,303	34,018,303
Reserves		832,414	722,487
Accumulated losses		(26,443,115)	(25,977,099)
Total equity		**8,407,602**	**8,763,691**

The accompanying notes form part of these financial statements

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2022

	Consolidated				
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
1 July 2021	**33,968,303**	**465,663**	**7,311**	**(25,170,048)**	**9,271,229**
Loss for the period	-	-	-	(474,942)	**(474,942)**
Other comprehensive income, for the period, net of income tax	-	-	14,560	-	**14,560**
Total comprehensive loss for the period	**-**	**-**	**14,560**	**(474,942)**	**(460,382)**
Issue of share capital	50,000	-	-	-	**50,000**
Share based payments	-	162,850	-	-	**162,850**
Lapse of options	-	(20,000)	-	20,000	**-**
31 December 2021	**34,018,303**	**608,513**	**21,871**	**(25,624,990)**	**9,023,697**
1 July 2022	**34,018,303**	**636,838**	**85,649**	**(25,977,099)**	**8,763,691**
Loss for the period	-	-	-	(485,016)	**(485,016)**
Other comprehensive income, for the period, net of income tax	-	-	20,183	-	**20,183**
Total comprehensive loss for the period	**-**	**-**	**20,183**	**(485,016)**	**(464,833)**
Share based payments	-	108,744	-	-	**108,744**
Lapse of options	-	(19,000)	-	19,000	**-**
31 December 2022	**34,018,303**	**726,582**	**105,832**	**(26,443,115)**	**8,407,602**

The accompanying notes form part of these financial statements

Condensed Statement of Cash Flows

For the half-year ended 31 December 2022

		Consolidated	
	Notes	Six months to 31 December 2022 $	Six months to 31 December 2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(361,349)	(269,937)
Interest received		3,829	196
Finance costs		(31)	(50)
Net cash outflow from operating activities		**(357,551)**	**(269,791)**
Cash flows from investing activities			
Exploration and evaluation expenditure	4	(933,320)	(566,893)
Purchase of property, plant and equipment		(2,997)	(7,646)
Net cash outflow from investing activities		**(936,317)**	**(574,539)**
Cash flows from financing activities			
Proceeds from issue of shares	5	-	50,000
Payments for share issue costs	5	-	(55,550)
Net cash outflow from financing activities		**-**	**(5,550)**
Net (decrease)/increase in cash and cash equivalents		**(1,293,868)**	**(849,880)**
Cash and cash equivalents at the beginning of the period		1,945,935	4,436,385
Effect of foreign exchange rate fluctuations on cash held		9,763	(1,172)
Cash and cash equivalents at the end of the period		**661,830**	**3,585,333**

The accompanying notes form part of these financial statements

Notes to the Condensed Interim Financial Statements

Note 1: Basis of Preparation

These condensed interim financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated condensed interim financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. The interim financial statements do not include full disclosures of the type normally included in the annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the annual financial report. It is recommended these interim financial statements be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Variscan Mines Limited and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The financial statements have been prepared on a historical cost basis, except for financial assets carried at fair value. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(a) Statement of compliance

The financial report was authorised for issue on 15 March 2023.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

New Standards and Interpretations applicable for the half year ended 31 December 2022

In the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted for the period ended 31 December 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

(b) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. For the half-year ended 31 December 2022, the Group recorded a net loss after tax of $485,016 (2021: $474,942), and net cash outflows from operating and investment activities of $1,293,868 (2020: $844,330). At 31 December 2022, the Group had $661,830 in cash and cash equivalents (30 June 2022: $1,945,935) and net working capital of $676,068 (30 June 2022: $1,923,577). Furthermore, as set out in Note 9 below, on 9 March 2023 the Company announced that it had secured a placement of ordinary securities to sophisticated investors of $1.85m (before costs).

Notwithstanding the above, and whilst not immediately required, the Group will need to raise further funds into the future to meet its budgeted and planned exploration expenditure as well as corporate overheads. The Group's ability to raise additional funds into the future will be impacted by the success of exploration activities and market conditions. The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least 12 months to achieve its objectives and noting that it will be able to raise further funding or reduce or delay expenditures. Should these planned activities to raise or conserve capital not be successful, there exists a material uncertainty surrounding the Group's ability to continue as a going concern and, therefore, to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notes to the Condensed Interim Financial Statements

Note 2: Segment Reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there are currently two geographical segments, being Australia and Spain, which are considered for management purposes to form part of the single reportable segment of mineral exploration.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments:

	As at	Australia $	Spain $	Total $
Segment assets	31 December 2022	637,871	8,069,015	8,706,886
	30 June 2022	1,802,302	7,242,454	9,044,756
Segment liabilities	31 December 2022	(201,217)	(98,067)	(299,284)
	30 June 2022	(226,122)	(54,943)	(281,065)

	For the half year ended	Australia $	Spain $	Total $
Segment income	31 December 2022	3,829	-	3,829
	31 December 2021	196	-	196
Segment loss before income tax expense	31 December 2022	(495,356)	10,340	(485,016)
	31 December 2021	(474,942)	-	(474,942)

Notes to the Condensed Interim Financial Statements

Note 3: Loss Per Share

Basic and diluted loss per share

	Consolidated	
	Six months to 31 December 2022	Six months to 31 December 2021
Basic and Diluted loss per share (cents per share)	(0.18)	(0.18)

Gain/(Loss)

The Gain or (Loss) used in the calculation of basic and diluted gain/(loss) per share is as follows:

	Consolidated	
	Six months to 31 December 2022 $	Six months to 31 December 2021 $
Loss used in the calculation of basic loss per share	(485,016)	(474,942)

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	Consolidated	
	Six months to 31 December 2022 Number	Six months to 31 December 2021 Number[1]
Weighted average number of ordinary shares for the purpose of basic earnings per share	266,732,024	264,983,480
There is no impact of potential ordinary shares as they are considered anti-dilutive	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**266,732,024**	**264,983,480**

Notes to the Condensed Interim Financial Statements

Note 4: Deferred Exploration and Evaluation Expenditure

Carrying value

	Consolidated	
	31 December 2022 $	30 June 2022 $
Exploration and evaluation costs	7,599,731	6,710,006

Reconciliation

	Consolidated	
	Six months to 31 December 2022 $	Year to 30 June 2022 $
Opening balance	6,710,006	4,755,448
Expenditure incurred	859,176	1,978,666
Depreciation capitalised	8,153	2,247
Impact of foreign currency exchange differences	22,396	(26,355)
Closing balance	**7,599,731**	**6,710,006**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Contributed Equity

	31 December 2022 $	30 June 2022 $
Share capital		
266,732,024 ordinary shares fully paid (30 June 2022: 266,732,024)	35,816,600	35,816,600
Share issue costs	(1,798,297)	(1,798,297)
	34,018,303	**34,018,303**

Movement in ordinary shares on issue

	Six months to 31 December 2022		Year to 30 June 2022	
	Number	$	Number	$
Balance at beginning of period	266,732,024	35,816,600	266,107,024	35,766,600
Issued for cash	-	-	625,000	50,000
Balance at end of period	**266,732,024**	**35,816,600**	**266,732,024**	**35,816,600**

Reserves

	31 December 2022 $	30 June 2022 $
Share based payment reserve	726,582	636,838
Foreign currency translation reserve	105,832	85,649
Total Reserves	**832,414**	**722,487**

Movement in share based payment reserve

	Consolidated	
	Six months to 31 December 2022 $	Year to 30 June 2022 $
Opening balance	636,838	465,663
Additional vesting expense recognised for previously issued securities	23,944	73,759
Value of unlisted options issued during the period	84,800	85,500
Value of unlisted options lapsed during the period	(19,000)	(20,000)
Closing balance	**726,582**	**636,838**

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Movement in unlisted options on issue

	Six months to 31 December 2022		Year to 30 June 2022	
	Number	$	Number	$
Balance at beginning of period	19,500,000	574,135	13,000,000	434,876
Issue of incentive options (Note 6)	12,000,000	84,800	4,500,000	85,500
Issue of options to lead manager of placement, recognised during the previous financial year (a)	-	-	2,500,000	-
Lapse of incentive options	(500,000)	(19,000)	(500,000)	(20,000)
Additional vesting expense recognised for previously issued securities	-	16,647	-	73,759
Balance at end of period	**31,000,000**	**656,582**	**19,500,000**	**574,135**

(a) These options were issued during the year ended 30 June 2022, however as they related to a placement that was completed during the financial year ended 30 June 2021. Accordingly, the value of the share-based payment was recognised fully in the year ended 30 June 2021.

Movement in performance rights on issue

	Six months to 31 December 2022		Year to 30 June 2022	
	Number	$	Number	$
Balance at beginning of period	2,500,000	62,704	2,500,000	30,788
Additional vesting expense recognised for previously issued securities	-	7,296	-	31,916
Balance at end of period	**2,500,000**	**70,000**	**2,500,000**	**62,704**

Notes to the Condensed Interim Financial Statements

Note 6: Share-based Payments

The following share-based payment arrangements were in place during the period:

Unlisted options

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting terms
Managing Director – Tranche 2 (Note 1)	500,000[1]	6 Nov 2017	20 Nov 2022	$1.00	$0.0038	25% per year of service
Director Options – Tranche 1	4,000,000	26 Nov 2020	30 Nov 2023	$0.055	$0.0206	Note 2
Director Options – Tranche 2	4,000,000	26 Nov 2020	30 Nov 2023	$0.065	$0.0200	Note 2
Director Options – Tranche 3	4,000,000	26 Nov 2020	30 Nov 2023	$0.08	$0.0193	Note 2
Key Management Personnel Options – Tranche 1	1,500,000	25 Nov 2021	30 Nov 2023	$0.095	$0.0196	Immediately
Key Management Personnel Options – Tranche 2	1,500,000	25 Nov 2021	30 Nov 2023	$0.10	$0.0190	Immediately
Key Management Personnel Options – Tranche 3	1,500,000	25 Nov 2021	30 Nov 2023	$0.11	$0.0183	Immediately
Key Management Personnel Options – Tranche 4	4,000,000	30 Nov 2022	30 Nov 2024	$0.045	$0.0080	Immediately
Key Management Personnel Options – Tranche 5	4,000,000	30 Nov 2022	30 Nov 2024	$0.055	$0.0070	Immediately
Key Management Personnel Options – Tranche 6	4,000,000	30 Nov 2022	30 Nov 2024	$0.065	$0.0062	Immediately

1 – The *Managing Director – Tranche 2* options expired unexercised during the period and lapsed. Accordingly, the recognised fully-vested value of these options ($19,000) has been transferred during the period to accumulated losses.

2 – Each of the three tranches of Director Options vests as follows:

- 1/3 vests upon grant
- 1/3 vests after 12 months from the date of grant
- 1/3 vests after 24 months from the date of grant

The fair value of services rendered in return for unlisted options is based on the fair value of the unlisted options granted, measured using the Black-Scholes model. The following inputs were used in the measurement of the fair values at grant date of the share-based payments during the period, being the Key Management Personnel (KMP) options tranches 4 to 6:

	KMP Options – Tranche 4	KMP Options – Tranche 5	KMP Options – Tranche 6
Fair value (per security) at grant date	$0.0080	$0.0070	$0.0062
Share price at grant date	$0.022	$0.022	$0.022
Exercise price	$0.045	$0.55	$0.65
Expected volatility	100%	100%	100%
Option life	2 years	2 years	2 years
Expected dividends	-	-	-
Risk-free interest rate	3.11%	3.11%	3.11%
Number of options	4,000,000	4,000,000	4,000,000
Total fair value of securities granted	$32,000	$28,000	$24,800

Notes to the Condensed Interim Financial Statements

Note 6: Share-based Payments

Performance rights

	Number	Grant date	Expiry date	Fair value at grant date $	Vesting date
Managing Director Performance Rights – Tranche 1	1,250,000	26 Nov 2020	30 Nov 2023	$0.028	30 Nov 2021
Managing Director Performance Rights – Tranche 2	1,250,000	26 Nov 2020	30 Nov 2023	$0.028	30 Nov 2022

A total of 2,500,000 unquoted performance rights were granted to the Company's Managing Director in accordance with shareholder approval granted by at the Company's 2020 Annual General Meeting. The fair value of these securities is based on the market value of the underlying ordinary share on grant date, being $0.028.

These rights vest in two separate tranches after 12 and 24 months, respectively. Accordingly, the both tranches of performance rights have now fully vested and are exercisable at the election of the holder.

As at the date of this report, no performance rights have been exercised and converted into ordinary shares in the Company.

Notes to the Condensed Interim Financial Statements

Note 7: Financial Instruments

Fair value measurement

Measured at fair value on recurring basis

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets held at fair value were disposed of during the previous financial year.

Transfers

There have been no transfers between the levels of the fair value hierarchy during the half year ended 31 December 2022.

Not measured at fair value (but fair value disclosures are required)

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair values.

Notes to the Condensed Interim Financial Statements

Note 8: Contingencies and Commitments

Exploration expenditure commitments

On 1 July 2019, the Company announced it had agreed to material amendments to the Rosario Project Option Agreement with the vendors, resulting in the total unconditional cash payments due to the project vendors reducing by 94% from US$5.0M to US$0.3M, as well as granting the Company an earn-in right reflecting expenditures made to date and in the future. To date, the Group has made payments under the earn-in agreement totalling US$50,000 and secured a 10.4% interest in the project.

The Company can increase its interest up to 90% through total payments and expenditure on the project of approximately US$2.23M. Finally, certain milestone payments totalling an additional $2.0M may be payable upon the satisfaction of a number of milestones.

Contingencies

There has been no change in contingent liabilities since the last annual reporting date (30 June 2022: $nil).

Milestone consideration

In accordance with the acquisition agreements, the Company must issue additional shares upon the satisfaction of certain exploration milestones. These milestones are for the definition, in accordance with JORC 2012, of an Inferred Mineral Resource (or greater) of:

- Milestone 1: 4 million tonnes at 7% Zn
- Milestone 2: 8 million tonnes at 7% Zn

Upon satisfaction of each of these milestones, the Company must issue 27,500,000 ordinary shares to the vendors of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, and 2,426,471 shares to Hispanibal S.L. as the vendor of the "Hispanibal Option", for a total of 59,852,941 Ordinary Shares if both milestones are met.

As at the date of this report, the Directors are of the view that the work conducted on the projects to date is not of a sufficiently advanced stage to determine the probability of meeting these milestones and therefore no current obligation has been recorded in this interim financial report.

Note 9: Significant Events after Balance Date

On 9 March 2023, the Company announced that it had secured $1.85m in funding for the Company through a capital raise to a cornerstone investor, Zinc GroupCo Pty Ltd ("ZincCo"), and key existing shareholders. The Company will issue ZincCo 72,222,222 new shares at an issue price of $0.018 (1.8 cents) per share, raising $1.3 million before costs, with a further 30,555,556 shares to be issued to the key existing shareholders at the same issue price to raise $550,000. The Company will also issue free-attaching options to this placement on the basis of 1 option for every 2 shares subscribed for, which will have a 21 month term and will be exercisable at $0.0275 each. The Company intends to issue 51,388,889 shares under its existing placement capacity under ASX Listing Rules 7.1 and 7.1A, with the remaining shares and options subject to shareholder approval at an upcoming general meeting of shareholders.

Fees for the placement totalling 5% of funds raised may be settled through the issue of shares at $0.018 each.

Finally, the directors of the Company have agreed to convert a total of $70,940 in unpaid directors fees into ordinary shares which will also be subject to shareholder approval.

Other than the above, there has been no additional matter or circumstance that has arisen after balance date that has 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 periods.

Notes to the Condensed Interim Financial Statements

Note 10: Significant Accounting Estimates and Judgements

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022.

Directors' Declaration

Directors' Declaration

In the opinion of the Directors of Variscan Mines Limited (the 'Company'):

1. the accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:

    a. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year then ended; and

    b. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

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

3. the interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

4. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2022.

This declaration is signed in accordance with a resolution of the board of Directors.

Stewart Dickson
Managing Director
Dated this 15th day of March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Variscan Mines Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Variscan Mines Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1b in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
15 March 2023