Variscan Mines Limited

ABN 16 003 254 395

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2018

Dear Variscan Shareholder

Your Directors submit their report on the Consolidated Entity (the "Group") consisting of Variscan Mines Limited ("Variscan" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 (the "Half Year or the "Period').

Directors

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

Dr Foo Fatt Kah

Non-Executive Chairman (from 30 September 2018)

Non-Executive Director (to 30 September 2018)

Stewart Dickson

Managing Director

Mike Moore

Non-Executive Director

Mark Pitts

Non-Executive Director (appointed 30 September 2018)

Company Secretary

Kwan Chee Seng

Alternate Director to Dr Foo Fatt Kah (from 30 September 2018)

Non-Executive Director (to 30 September 2018)

Patrick Elliott

Non-Executive Chairman (resigned 30 September 2018)

Greg Jones

Executive Director (resigned 30 September 2018)

Review and results of operations

The net result of operations after applicable income tax expense for the Half Year was a Group loss of $6,235 (2017: loss of $2,082,102), which includes the gain from discontinued operations of $672,943 (2017: loss of $1,570,633).

CHILE - ROSARIO

Property Description

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is a proven mining jurisdiction and is the largest producer of copper globally (2016 copper production. Source: USGS).

The project lies about 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.

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

The project area has undergone historic modest informal mining and contains numerous shallow pits in areas of copper-stained outcrops. There are also indications of previous surface sampling and trenching. Site visit inspections also revealed 13 diamond drill holes within the adjacent licences to the Rosario project.

Geology

Last financial year, field work included an 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.

44 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. In addition, a number of samples recorded potentially significant silver assays up to 42g/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 and confirms the high-grade potential of the Rosario project overall.

FRANCE

Further to the completion of the sale of the Company's wholly owned French subsidiary, the remaining exploration licences (excluding the Couflens PER) were conditionally acquired by a new wholly owned subsidiary, Variscan Mines Europe Limited. The Ministry of

Economy and Finance had imposed the compulsory relinquishment of the remaining licences. During the period, the Company approved the submission of the relinquishment requests to the French Government. No response has been received and the timetable for completion of the relinquishment process is unknown. In the interim, the Company retains beneficial ownership of the licences.

Given the circumstances as set out above, there has been no significant exploration activity across the portfolio of licences in France during the reporting period.

AUSTRALIA

There has been no significant activity across the portfolio of joint venture interests in Australia during the reporting period.

Significant events after the balance date

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

Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Signed this 15th day of March 2019 in accordance with a resolution of the Directors.

Stewart Dickson
Managing Director

Competent Persons Statements

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $ (restated)
Income			
Interest income		12,864	1,384
Gain on settlement of share-based payments		97,641	-
Other income	4	250	181,069
Total Income		110,755	182,453
Expenses			
Corporate compliance		(36,068)	(55,605)
Professional services		(77,869)	(57,612)
Finance		(844)	(948)
Occupancy		(3,594)	(43,894)
Depreciation and amortisation		(1,721)	(758)
Directors' costs		(223,141)	(225,010)
Employee benefits		-	(144,304)
Travel		(36,504)	(17,142)
Exploration expenditure written-off		(90,268)	-
Exploration expenditure incurred		(134,715)	-
Share-based payments		(4,400)	(1,467)
Impairment of financial assets		-	(54,300)
Decrease in fair value of financial assets		(162,900)	-
Other expenses		(17,909)	(92,882)
Total Expenses		(789,933)	(693,922)
(Loss) before income tax from continuing operations		(679,178)	(511,469)
Income tax (expense) / benefit		-	-
(Loss) after income tax from continuing operations		(679,178)	(511,469)
Discontinued operations			
Gain/(Loss) from discontinued operations	13	672,943	(1,570,633)
Profit/(Loss) for the period		(6,235)	(2,082,102)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Recognition of net exchange differences on disposal of foreign operation		(527,210)	-
Exchange differences on translation of foreign operations		-	164,928
Other comprehensive income for the period, net of tax		(527,210)	164,928
Total comprehensive profit/(loss) for the period		(533,445)	(1,917,174)
Earnings per share			
Basic and Diluted earnings/(loss) per share (cents per share) from:			
- Continuing operations	11	(0.05)	(0.09)
- Discontinued operations	11	0.05	(0.28)
- Total		-	(0.37)

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 $	30 Jun 2018 $
ASSETS			
Current assets			
Cash and cash equivalents	5	1,255,884	1,898,067
Receivables	6	5,133	43,157
Assets classified as held for sale	13	-	378,486
Total current assets		1,261,017	2,319,710
Non-current assets			
Financial assets – Investments in listed securities	7	506,800	669,700
Property, plant and equipment		-	1,721
Deferred exploration and evaluation expenditure	8	-	90,268
Total non-current assets		506,800	761,689
Total assets		1,767,817	3,081,399
LIABILITIES			
Current liabilities			
Trade and other payables		92,909	556,513
Liabilities directly associated with assets classified as held for sale	13	-	410,414
Total current liabilities		92,909	966,927
Total liabilities		92,909	966,927
Net assets		1,674,908	2,114,472
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	24,456,205	24,366,724
Reserves	10	133,522	891,632
Accumulated losses		(22,914,819)	(23,143,884)
Total equity		1,674,908	2,114,472

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

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

	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
At 1 July 2018 – as previously reported	24,366,724	(23,143,884)	891,632	2,114,472
Impact of adoption of AASB 9	-	235,300	(235,300)	-
Restated – at 1 July 2018	24,366,724	(22,908,584)	656,332	2,114,472
Loss for the period	-	(6,235)	-	(6,235)
Other comprehensive loss	-	-	(527,210)	(527,210)
Total comprehensive loss for the period	-	(6,235)	(527,210)	(533,445)
Transactions with owners in their capacity as owners:				
Share based payments	92,119	-	4,400	96,519
Share issue costs	(2,638)	-	-	(2,638)
At 31 December 2018	24,456,205	(22,914,819)	133,522	1,674,908

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Payment to suppliers and employees		(472,157)	(1,037,748)
Consultancy fees received and rental income		7,553	168,551
R&D tax credit		-	384,147
Interest received		15,610	1,507
Net cash flows used in operating activities		(448,994)	(483,543)
Cash flows from investing activities			
Purchase of plant and equipment		-	(840)
Exploration and business development expenditure		(134,715)	(739,010)
Rental bonds refunded		6,565	-
Cash disposed on sale of subsidiary	13	(64,157)	-
Sale of equity investments		-	567,055
Net cash flows used in investing activities		(192,307)	(172,795)
Cash flows from financing activities			
Share issue costs paid		(2,637)	-
Proceeds from secured loan	12	-	340,000
Net cash flows (used in)/from financing activities		(2,637)	340,000
Net decrease in cash and cash equivalents		(643,938)	(316,338)
Cash and cash equivalents at beginning of period		1,898,067	1,120,871
Net foreign exchange differences		1,755	6,258
Cash and cash equivalents at end of period	5	1,255,884	810,791

The Consolidated Statement of Cash Flows 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 half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 15th March 2019. Variscan Mines Limited (the parent) is a company incorporated in Australia as a Public company. Variscan shares are publicly traded on the Australia Securities Exchange under ASX Code VAR.

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

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

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

The half-year financial report should be read in conjunction with the annual financial report of Variscan for the year ended 30 June 2018.

It is also recommended that the half-year financial report be considered together with any public announcements made by Variscan during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

Basis of Preparation

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

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

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period beginning on or after 1 July 2018. As a result of this review, the Group has initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers* from 1 July 2018.

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

AASB 9 Financial Instruments

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

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

2. Basis of preparation of the half-year financial report (continued)

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated. The impact of the adoption of AASB 9, as compared to the previously applicable standard, AASB 139, is as follows:

EQUITY	**AASB 139 31 Dec 2018 $**	**Impact of change $**	**AASB 9 31 Dec 2018 $**
Equity attributable to equity holders of the parent			
Contributed equity	24,456,205	-	24,456,205
Reserves	368,822	(235,300)	133,522
Accumulated losses	(23,150,119)	235,300	(22,914,819)
Total equity	1,674,908	-	1,674,908

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

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

As material to the Group, an adjustment of $235,300 has been made to accumulated losses and the Investment Revaluation Reserve as at 1 July 2018 and has been recognised in the Statement of Changes in Equity for the six months ended 31 December 2018.

AASB 15 Revenue from Contracts with Customers

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

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

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

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

Other revenue

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

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

2. Basis of preparation of the half-year financial report (continued)

Other amending Accounting Standards and interpretations

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

Standards and Interpretations in issue not yet adopted

AASB 16 Leases

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The Directors have assessed the requirements of AASB 16 and do not consider there to be a material impact on the Group in relation to this standard. This new standard will apply to the Group from 1 January 2019.

The Directors have also reviewed all of the other new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there are no standards that have been issued but not yet adopted which may have a material effect on the application in future periods.

Significant Accounting Policies

Other than noted above, the half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018.

Basis of Consolidation

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

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors believe that the Group will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report, and to the extent that is required, additional capital funding will be available to be raised by the Group. Should additional funding not be available, and the Group is unable to reduce it’s ongoing expenditure requirements, there exists a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern and, therefore, realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts specified in this interim financial report.

3. Segment information

The operating segments identified by management are as follows:

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

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

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

3. Segment information (continued)

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

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

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

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

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

4. Revenue and other income

	31 Dec 2018 $	31 Dec 2017 $
Other income		
Rental income	-	31,590
Consulting fees recharge	-	133,562
Profit on disposal of asset	-	15,917
Miscellaneous income	250	-
	250	181,069

5. Cash and cash equivalents

	31 Dec 2018 $	30 Jun 2018 $
Cash at bank and in hand	1,255,884	97,923
Short-term deposits	-	1,800,144
	1,255,884	1,898,067

6. Receivables

	31 Dec 2018 $	30 Jun 2018 $
Current		
Trade debtors	-	7,303
GST and VAT receivable	-	13,290
Interest receivable	-	2,746
Prepayments	5,133	12,834
Other debtors	-	6,984
Total current receivables	5,133	43,157

7. Financial assets – investments in listed securities

		31 Dec 2018 $	30 Jun 2018 $
Investments – Thompson Resources Limited (ASX:TMZ)	(a)	506,800	669,700
		506,800	669,700

(a) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Limited (TMZ) at 31 December 2018 was $506,800 ($0.028 per share). Prior to the adoption of AASB 9 *Financial Instruments* these assets were classified as Available for Sale. Since 1 July 2018, the assets have been classified as Fair Value Through Profit or Loss ("FVTPL"). In accordance with the transitional requirements of adoption of this new standard, the previously recognised amount in the Investment Revaluation Reserve was reclassified to Accumulated Losses at the commencement of the current financial period.

8. Deferred exploration and evaluation expenditure

	31 Dec 2018 $	30 Jun 2018 $
Costs brought forward	90,268	4,374,186
Expenditure incurred during the period	-	86,753
Expenditure written off during the period	(90,268)	(85,253)
Held for sale – costs incurred during the period	-	1,024,413
Held for sale – expenditure written off during the period	-	(5,217,180)
Held for sale – deferred exploration balance transferred	-	(92,651)
Costs carried forward	-	90,268

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

The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependant 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.

9. Contributed equity

	31 Dec 2018 $	30 Jun 2018 $
Share capital		
1,271,073,585 ordinary shares fully paid (30 June 2018: 1,239,446,875)	25,061,842	24,969,723
Option issue consideration		
593,384,943 listed options (30 June 2018: 593,384,943)	528,604	528,604
Share issue costs	(1,134,241)	(1,131,603)
	24,456,205	24,366,724

		Number	$
(a) Movements in ordinary shares on issue			
At 31 December 2017		676,061,932	23,218,152
Shares issued	(i)	362,377,339	1,449,508
Shares issued	(ii)	201,007,604	804,030
Transfer to options issue consideration	(iii)	-	(501,967)
At 30 June 2018		1,239,446,875	24,969,723
Shares issued in lieu of directors fees	(iv)	31,626,710	92,119
At 31 December 2018		1,271,073,585	25,061,842

(i) 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.

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

(iii) Value of the options in (i) and (ii) transferred to Option Issue Consideration.

(iv) The Company issued 24,410,210 shares at $0.002 per share and 7,216,500 shares at $0.006 per share in December 2018 to Directors in lieu of a proportion of the Directors' cash remuneration payable by the Company for the period from 1 July 2017 to 30 September 2018 which was approved by shareholders at the AGM held on 5 November 2018.

10. Reserves

		31 Dec 2018 $	30 Jun 2018 $
Share-based compensation reserve	(a)	133,522	129,122
Investment revaluation reserve	(b)	-	235,300
Foreign currency translation reserve	(c)	-	527,210
		133,522	891,632

10. Reserves (continued)

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

	31 Dec 2018 $	30 Jun 2018 $
Balance at beginning of period	129,122	265,670
Share-based payment	-	5,867
Additional vesting expense of previously-granted instruments	4,400	
Transfer expired options to accumulated losses	-	(142,415)
Balance at end of period	133,522	129,122

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

	31 Dec 2018 $	30 Jun 2018 $
Balance at beginning of period	235,300	251,217
Investment revaluation reserve adjustment on sale of investment	-	(15,917)
Amounts transferred from reserves to accumulated losses on initial application of AASB 9 *Financial Instruments*	(235,300)	-
Balance at end of period	-	235,300

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

	31 Dec 2018 $	30 Jun 2018 $
Balance at beginning of period	527,210	312,230
Effect differences on translation of foreign operations	-	214,980
Recognition in the result for the period on disposal of foreign operation	(527,210)	-
Balance at end of period	-	527,210

11. Loss per share

	31 Dec 2018	31 Dec 2017
Net gain/(loss) used in calculating basic and diluted gain per share from:	$	$
- Continuing Operations	(679,179)	(511,469)
- Discontinued Operations	672,943	(1,570,633)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,249,124,994	556,631,871
	Cents per share	Cents per share
Basic and diluted gain/(loss) per share from:		
- Continuing Operations	(0.05)	(0.09)
- Discontinued Operations	0.05	(0.28)

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.

11. Loss per share (continued)

Conversion, call, subscription or issue after 31 December 2018: Since the end of the financial half-year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

12. 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	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mine SAS	France	-	100	-	2,461,379
Platsearch Australia Pty Ltd	Australia	100	100	5	5
Variscan Mines Europe Limited	France	100	100	1	1

Transactions with Directors and key management personnel

Loan agreement with Directors

During the previous period, the Company entered into a loan agreement with two of its Directors Dr Foo Fatt Kah and Mr Kwan Chee Seng (the "Lenders"). The Loan Amount was $340,000 and the Maturity Date of the loan was six months from the Draw Down Date (21 December 2017) being 21 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 (principal and interest) was repaid in full on maturity.

13. Discontinued operations

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

(a) Details of the sale of the subsidiary

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

13. Discontinued operations (continued)

Net liabilities at date of sale

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

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

The financial performance and cash flow information presented are for the period from 1 July 2018 to 14 September 2018 and the six month period to 31 December 2017 respectively.

	14 Sep 2018	31 Dec 2017
	$	**$**
Financial Performance		
CIR (R&D) refund	-	229,439
Exploration expenditure	-	(1,282,037)
Employee costs net of on-charges to exploration projects	(349,227)	(329,960)
Other operating expenses	(72,450)	(188,075)
Loss from discontinued operations	(421,677)	(1,570,633)
Income tax expense	-	-
Loss after income tax from discontinued operations	(421,677)	(1,570,633)
Gain on sale of subsidiary after income tax – refer (a)	1,094,620	-
Gain / (loss) from discontinued operations	672,943	(1,570,633)
Cash Flows		
Cash flows from operating activities		
Payments to suppliers and employees	(134,815)	(456,579)
CIR (R&D) refunds	-	229,439
Expenditure on mining interests (exploration)	-	(715,410)
Effects on exchange rate on cash	1,755	6,258
Net cash (outflows) from discontinued operations	(133,060)	(936,292)

13. Discontinued operations

(c) Assets and liabilities held for sale

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

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

14. Significant events after the balance sheet date

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

Directors' Declaration

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

In the opinion of the Directors:

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

  (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

  (ii) Complying with Accounting Standard AASB 134: Interim Financial Reporting; and

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

On behalf of the Board

Stewart Dickson
Managing Director

15 March 2019

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Variscan Mines Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Sydney, NSW
15 March 2019

A G Smith
Partner

hlb.com.au

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Auditor's Independent Review Report to the members of Variscan Mines Limited

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Regarding Going Concern

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 conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

hlb.com.au

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

Level 19, 207 Kent Street Sydney NSW 2000 Australia

T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Auditor's Responsibility (continued)

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

HLB Mann Judd
Chartered Accountants

Sydney, NSW
15 March 2019

A G Smith
Partner

Corporate Directory

Variscan Mines Limited

ABN 16 003 254 395

Directors

Dr Foo Fatt Kah	Non-Executive Chairman
Stewart Dickson	Managing Director
Mike Moore	Non-Executive Director
Mark Pitts	Non-Executive Director and Company Secretary
Kwan Chee Seng	Alternate Director to Dr Foo Fatt Kah

Company Secretary

Mark Pitts

Registered and Administration Office

Suite 8, 7 The Esplanade
Mt Pleasant WA 6153

Telephone:	+61 8 9316 9100
E-mail:	info@variscan.com.au
Website:	www.variscan.com.au

Share Register

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

Telephone:	+61 2 9290 9600
Email:	enquiries@boardroomlimited.com.au
Website:	www.boardroomlimited.com.au

Auditors

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

Securities Exchange

Listed on the Australian Securities Exchange
ASX Code: VAR