12 March 2020

INTERIM FINANCIAL REPORT

Variscan Mines Limited ("**Variscan"** or the **"Company"**) encloses its interim financial report for the half-year ended 31 December 2019.

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 2019

Contents

Corporate Information

Directors

Dr Foo Fatt Kah	*Non-executive Chairman*
Mr Stewart Dickson	*Managing Director & CEO*
Mr Michael Moore	*Non-executive Director*
Mr Simon Fyfe	*Non-executive Director*

Company secretary

Mr Mark Pitts

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Share register

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Auditors

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Australia
+61 8 9227 7500

Securities Exchange Listing

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

Directors' Report

Your Directors of Variscan Mines Limited submit the Interim Report of the Group, being the Company and its controlled entities, for the half year ended 31 December 2019. 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.

Dr Foo Fatt Kah	Non-executive Chairman	
Mr Stewart Dickson	Managing Director & CEO	
Mr Michael Moore	Non-executive Director	
Mr Simon Fyfe	Non-executive Director	Appointed 30 January 2020
Mr Mark Pitts	Non-executive Director	Resigned 30 January 2020
Mr Kwan Chee Seng	Alternate Director	Resigned 30 January 2020

Review of operations

The half-year ended 31 December 2019 was a very busy one for the Company, culminating at the Company's Annual General Meeting with the approval by shareholders of the acquisition of two advanced zinc projects in Spain. The strategic transaction was concluded on 12 December 2019 with the acquisition of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, which respectively own the mineral licences over the Novales-Udias and Guajaraz zinc projects in Spain (together "the Spanish Zinc Assets"). The Company also completed the acquisition of a 10.4% working interest in its Rosario Copper project in Chile, through a renegotiation of the option agreement with the vendors.

Spain – Novales-Udias and Guajaraz Zinc Assets

The projects (Novales-Udias and Guajaraz) include granted mining tenements and are located in established mining jurisdictions in Spain. Spain is a desirable location for mining with increasing activity and in-bound investment, and this transformational acquisition provides shareholders of the Company with additional exposure to zinc. Full details of the transaction can be found in Note 9 to these Interim Financial Statements.

Directors' Report

The Company signed a Technical Memorandum and a Cooperation Agreement during the period with the University of Cantabria in Torrelavega in northern Spain. The School of Mines at the University of Cantabria is very well regarded with an established 65-year history and a deep understanding of mining and exploration activity in the Basque-Cantabrian Basin.

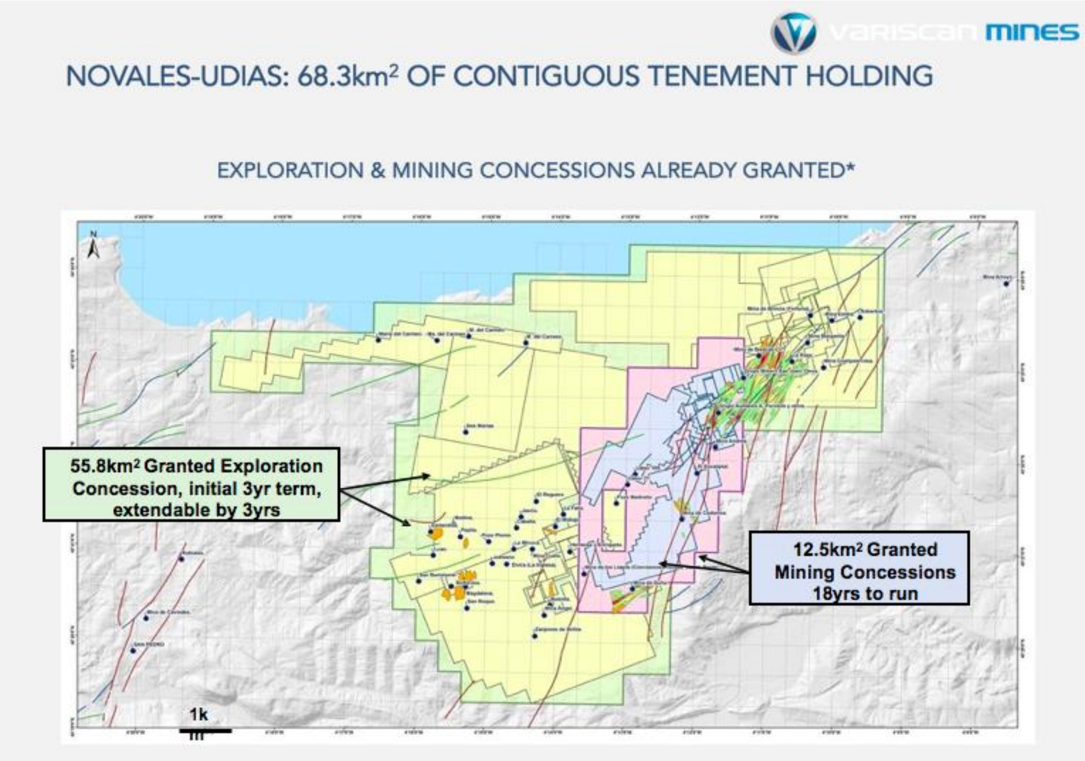
Project Summary

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km south west from the regional capital, Santander. The advanced zinc project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include zinc soil anomalies over 2km long and close to 1km wide and up to 17% Zn.

Significantly, the Novales-Udias Project includes a number of granted mining tenements (see ASX announcement dated 29 July 2019).

Novales-Udias Project Highlights

- Near term zinc production opportunity (subject to positive exploratory work)
- Large tenement holding of 68.3 km2 (including a number of granted mining tenements)
- Regional exploration potential for another discovery analogous to Reocín (total past production and remaining resource 62Mt @ 8.7% Zn and 1.0% Pb[1,2])
- Novales Mine is within trucking distance (~ 80km) from the Asturias zinc smelter
- Classic MVT carbonate hosted Zn-Pb deposits
- Historic production of high-grade zinc; average grade reported as ~7% Zn[3]
- Simple mineralogy of sphalerite – galena – calamine
- Ore is strata-bound, epigenetic, lenticular and sub-horizontal
- Reported historic production of super high grade 'bolsas' (ore bags) commonly 10-20% Zn and in some instances +30% Zn[4]
- Access and infrastructure all in place
- Local community and government support due to historic mining activity



1 - Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seebold, I. and Leach, D. 2003 - Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain: in Econ. Geol. v.98, pp. 1371-1396.

2 - Cautionary Statement: references in this document to the publicly quoted resource tonnes and grade of the Project are historical and foreign in nature and not reported in accordance with the JORC Code 2012, or the categories of mineralisation as defined in the JORC Code 2012. A competent person has not completed sufficient work to classify the resource estimate as mineral resources or ore reserves in accordance with the JORC Code 2012. It is uncertain that following evaluation and/or further exploration work that the foreign/historic resource estimates of mineralisation will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012.

3 - Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence supported with historical production data from the School of Mines in Torrelavega historical archives.

4 - Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence.

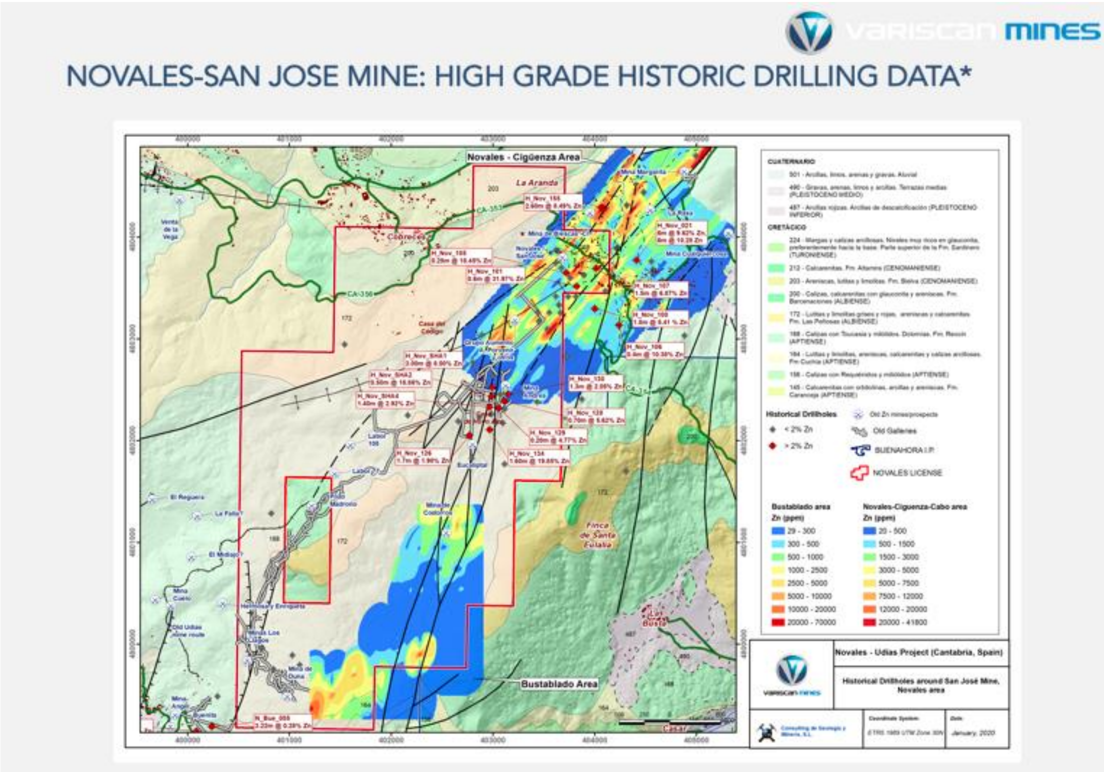
Directors' Report

Cooperation Agreement Signed with School of Mines – University of Cantabria

The School of Mines has been mandated to collate, digitise and analyse the relevant information contained within the Documentary and Bibliographic Funds of the Reocín Mine, known as "Fondo Documental Mina Reocín". It is a large historical archive composed of administrative, technical, cartographic, geological and mining documentation covering the exploration and mining activity of the first company to develop the Reocín Mine (Real Compañía Asturiana de Minas), and all of the mining exploration work that the Asturian company of Zinc S.A. carried out throughout the region from 1981 to 2003, the year of the mine's closure.

Review and analysis of historic geochemistry data carried out in conjunction with the School of Mines at the University of Cantabria has confirmed the potential of the Novales-Udias Project. The review highlights multiple, large geochemical anomalies identified at surface across the tenement area.

Subsequently the Company has been able to collate a significant and valuable digital database of historic drilling results (refer ASX Announcements of 3 February 2020 and 3 March 2020). The collation of the digital dataset provides an excellent and cost-effective tool to progress our exploration and development work.



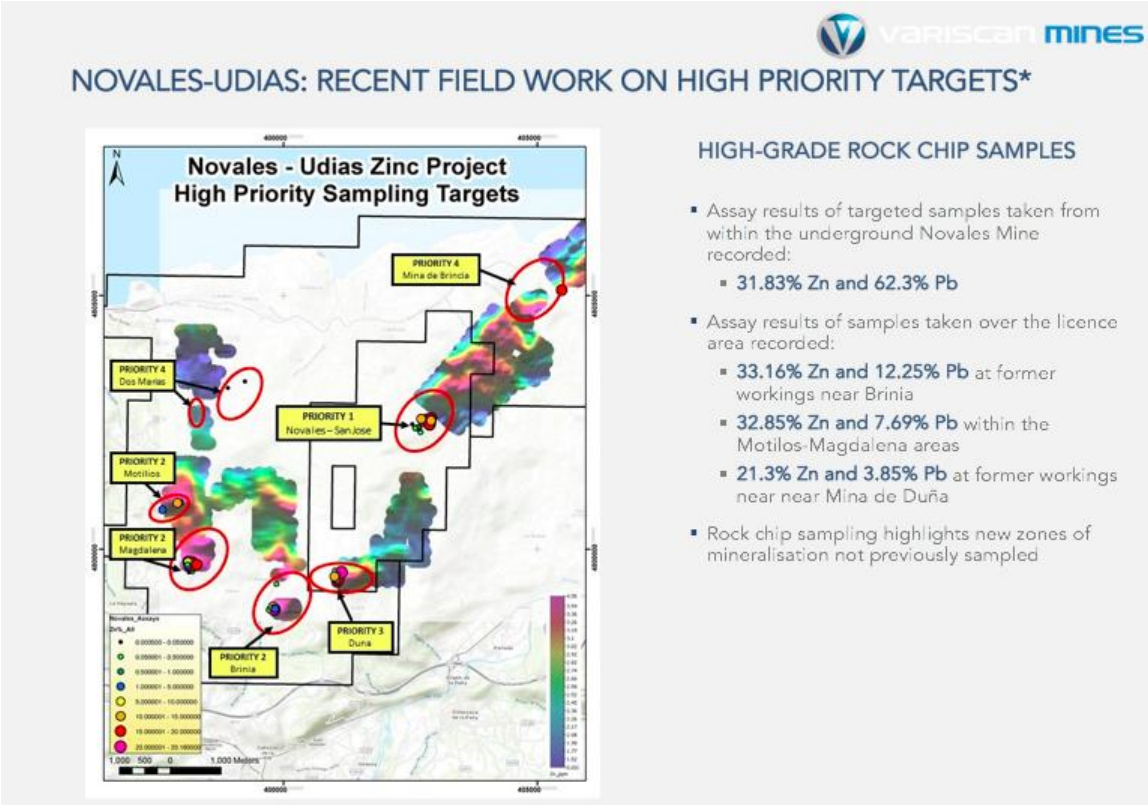
Initial Field Work

Initial focus has been on the Novales-Udias Project, where the Company reported the results of a selective grab sampling programme which was undertaken to assist with target definition and drill hole positioning. The grab sampling confirmed high grade zinc occurrences at Novales-Udias. Target samples recorded the following assay results: (Refer ASX announcement - 19 December 2019)

- Assay results of new targeted samples taken from within the underground Novales Mine recorded:
    - 31.83% Zn and 62.3% Pb
- Assay results of new samples taken over the licence area recorded:
    - 33.16% Zn and 12.25% Pb at former workings near Brinia
    - 32.85% Zn and 7.69% Pb within the Motilos-Magdalena areas
    - 21.3% Zn and 3.85% Pb at former workings near Mina de Duña

Of the 66 grab samples collected during the fieldwork:

- 42 samples recorded assays +0.5% Zn
- 37 samples recorded assays +1% Zn
- 31 samples recorded assays +5% Zn
- 29 samples recorded assays +10% Zn
- 20 samples recorded assays +15% Zn
- 4 samples recorded assays +30% Zn



There were a significant number of high-grade zinc-lead assay results returned from the sampling completed in the Novales – San Jose mine workings. The highest-grade assay results were obtained from the north eastern section of the mine workings, which was a focus of the historic mining operations. High zinc values from the regional target areas were also noted; the mapping and grab sampling confirmed the regional prospectivity of the project.

Chile – Rosario Copper Project

Project Summary

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). It 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.

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.

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. In July 2019, the Company completed the first payment under the earn-in agreement of US$25,000 and secured a 10.4% interest in the project.

Additionally, during the half-year, the company made a second payment of US$25,000 to the vendors under the agreement, which has entitled the Company to increase it's interest by an additional 1%.

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.

Directors' Report

Competent Persons Statement

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.

Significant events after balance date

On 7 January 2020, the Company completed a consolidation of its issued equity instruments on the basis of 1 consolidated instrument for every 20 consolidated instruments held. The exercise prices of convertible securities was also amended on the same basis. This resulted in the following change to the securities on issue:

	Number (pre-consolidation)	Number (pre-consolidation)
Ordinary Fully Paid Shares (ASX code: VAR)	4,121,866,320	206,093,316
Listed Option expiring 31 May 2021 (ASX code: VAROA)	593,384,943	29,669,247
Unlisted Options with various terms (ASX code: VARAC)	20,000,000	1,000,000

The exercise price of the listed options was changed as a result of the consolidation from $0.008 to $0.16.

On 30 January 2020, the Company announced the appointment of Mr Simon Fyfe as a non-executive director, the resignation of Mr Mark Pitts as a non-executive director and the resignation of Mr Kwan Chee Seng as an alternate director to Dr Foo Fatt Kah. Mr Pitts remains the Company Secretary.

Other than noted 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 2019.

Signed in accordance with a resolution of the Directors.

Stewart Dickson
Managing Director
Dated this 12th day of March 2020

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 2019, 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	**N G Neill**
12 March 2020	**Partner**

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Condensed Statement of Profit or Loss and Other Comprehensive Income

		Consolidated	
		Six months to 31 December 2019	Six months to 31 December 2018
	Notes	$	$
Continuing operations			
Interest income		954	12,864
Gain on settlement of share-based payments		-	97,641
Other income		-	250
Total income		954	110,755
Compliance expenses		(61,169)	(36,068)
Professional services expenses		(198,156)	(77,869)
Finance expenses		(500)	(844)
Occupancy expenses		(372)	(3,594)
Depreciation and amortisation		-	(1,721)
Directors expenses		(301,967)	(223,141)
Travel and accommodation expenses		(38,630)	(36,504)
Exploration expenditure expensed and written off		(49,287)	(224,983)
Share based payments		(3,388)	(4,400)
Increase / (Decrease) in fair value of financial assets	*8*	181,000	(162,900)
Other expenses		(18,433)	(17,909)
Total expenses		(490,902)	(789,933)
Realised gain/(loss) on foreign exchange		(13,295)	-
Unrealised gain/(loss) on foreign exchange		(2)	-
Total foreign exchange gain/(loss)		(13,297)	-
(Loss) from continuing operations before income tax expense		(503,245)	(679,178)
Income tax expense		-	-
(Loss) from continuing operations after income tax expense		(503,245)	(679,178)
Discontinued operations			
Gain after tax from discontinued operation	*3*	-	672,943
Loss for the period		**(503,245)**	**(6,235)**

Condensed Statement of Profit or Loss and Other Comprehensive Income

		Consolidated	
		Six months to 31 December 2019	Six months to 31 December 2018
	Notes	$	$
Other comprehensive income, net of income tax			
Items that have been reclassified to profit or loss			
Recognition of net exchange differences on disposal of foreign operation		-	(527,210)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		584	-
Other comprehensive income/(loss) for the period, net of tax		584	(527,210)
Total comprehensive income/(loss) for the period		**(502,661)**	**(533,445)**
Loss per share from continuing and discontinued operations			
• Basic and diluted loss per share (cents per share)	*4*	(0.03)	-
Loss per share from continuing operations			
• Basic and diluted loss per share (cents per share)	*4*	(0.03)	(0.05)
(Gain/loss) per share from discontinued operations			
• Basic and diluted gain/(loss) per share (cents per share)	*4*	-	0.05

The accompanying notes form part of these financial statements

Condensed Statement of Financial Position

	Notes	Consolidated 31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents		2,643,687	948,358
Trade and other receivables		30,118	19,088
Total current assets		2,673,805	967,446
Non-current assets			
Other financial assets - at fair value	*8*	543,000	362,000
Deferred exploration and evaluation expenditure	*5*	3,087,672	37,908
Other non-current assets		128,944	-
Total non-current assets		3,759,616	399,908
Total assets		6,433,421	1,367,354
Liabilities			
Current liabilities			
Trade and other payables		137,526	117,620
Share consideration payable	*9*	160,000	-
Total current liabilities		297,526	117,620
Total liabilities		297,526	117,620
Net assets		**6,135,895**	**1,249,734**
Equity			
Issued capital	*6*	29,841,639	24,456,205
Reserves		157,794	153,822
Accumulated losses		(23,863,538)	(23,360,293)
Total equity		**6,135,895**	**1,249,734**

The accompanying notes form part of these financial statements

Condensed Statement of Changes in Equity

	Consolidated					
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Investment revaluation reserve	Accumulated losses	Total
1 July 2018 – as previously reported	24,366,724	129,122	527,210	235,300	(23,143,884)	2,114,472
Initial impact of adoption of AASB 9	-	-	-	(235,300)	235,300	-
Balance at 1 July 2018 - restated	24,366,724	129,122	527,210	-	(22,908,584)	2,114,472
Loss for the period		-	-	-	(6,235)	(6,235)
Other comprehensive loss for the period, net of income tax		-	(527,210)	-	-	(527,210)
Total comprehensive loss for the period		**-**	**(527,210)**	**-**	**(6,235)**	**(533,445)**
Share based payments	92,119	4,400	-	-	-	96,519
Share issue costs	(2,638)	-	-	-	-	(2,638)
31 December 2018	**24,456,205**	**133,522**	**-**	**-**	**(22,914,819)**	**1,674,908**
1 July 2019	24,456,205	153,822	-	-	(23,360,293)	1,249,734
Loss for the period	-	-	-	-	(503,245)	(503,245)
Other comprehensive income, for the period, net of income tax	-	-	584	-	-	584
Total comprehensive loss for the period	**-**	**-**	**584**	**-**	**(503,245)**	**(502,661)**
Issue of share capital	5,701,585	-	-	-	-	5,701,585
Share based payments	-	3,388	-	-	-	3,388
Share issue costs	(316,151)	-	-	-	-	(316,151)
31 December 2019	**29,841,639**	**157,210**	**584**	**-**	**(23,863,538)**	**6,135,895**

The accompanying notes form part of these financial statements

Condensed Statement of Cash Flows

		Consolidated	
	Notes	Six months to 31 December 2019 $	Six months to 31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(525,578)	(472,157)
Interest received		954	15,610
Finance costs		(500)	-
Consultancy fees and rental income received		-	7,553
Net cash outflow from operating activities		(525,124)	(448,994)
Cash flows from investing activities			
Exploration and evaluation expenditure	*5*	(142,776)	(134,715)
Rental bonds refunded		-	6,565
Net cash disposed on sale of subsidiary	*3*	-	(64,157)
Payment for subsidiaries, net of cash acquired	*9*	(594,819)	-
Net cash outflow from investing activities		(737,595)	(192,307)
Cash flows from financing activities			
Proceeds from issue of shares	*6*	3,106,700	-
Payments for share issue costs	*6*	(148,652)	(2,637)
Net cash inflow/(outflow) from financing activities		2,958,048	(2,637)
Net increase/(decrease) in cash and cash equivalents		1,695,329	(643,938)
Cash and cash equivalents at the beginning of the period		948,358	1,898,067
Effect of exchange rate fluctuations on cash held		-	1,755
Cash and cash equivalents at the end of the period		**2,643,687**	**1,255,884**

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 full 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 full financial report. It is recommended these interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2019 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 11 March 2020.

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 2019

In the period ended 31 December 2019, 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 in issue not yet adopted for the period ended 31 December 2019. 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.

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 for the half year ended 31 December 2019.

	Australia	Spain	Total
31 December 2019	$	$	$
Segment income	954	-	954
Segment loss before income tax expense	(479,093)	(24,152)	(503,245)
Segment assets	3,291,825	3,141,596	6,433,421
Segment liabilities	(236,641)	(60,885)	(297,526)

During the half-year ended 31 December 2018, there was only one geographical and one reportable segment.

Notes to the Condensed Interim Financial Statements

Note 3: Discontinued Operation

Discontinued operation

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

Consideration received or receivable

	Consolidated 14 September 2018 $
Cash consideration received	200,000
Total disposal consideration	200,000
add: Net liabilities at date of disposal	367,410
Gain on disposal 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**

Net liabilities at date of sale

The carrying amount of assets and liabilities as at the date of sale were:

	Consolidated 14 September 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	**(367,410)**

Note 3: Discontinued Operation

Net cash inflow on disposal

The cash inflow on disposal is as follows:

	Consolidated 6 months to 31 December 2018 $
Cash and cash equivalents consideration received or receivable	200,000
Net cash and cash equivalents disposed of	(64,157)
Net cash inflow on disposal	**135,843**

Financial performance from discontinued operation

The financial performance from the discontinued operation is as follows:

	Consolidated 6 months to 31 December 2018 $
Employee costs net of on-charges to exploration projects	(349,227)
Other operating expenses	(72,450)
Loss from discontinued operation	(421,677)
Income tax expense	-
Loss after income tax from discontinued operation	(421,677)
Gain on disposal of subsidiary, after income tax	1,094,620
Net gain from discontinued operation	**672,943**

Cash flows

Cash flow information from the discontinued operation is as follows:

	Consolidated 6 months to 31 December 2018 $
Cash flows from operating activities	
Payments to suppliers and employees	(134,815)
Effects of exchange rate on cash	1,755
Net cash outflow from discontinued operation	**(133,060)**

Note 4: Gain/(Loss) Per Share

Basic and diluted gain/(loss) per share

	Consolidated	
	Six months to 31 December 2019	Six months to 31 December 2018
Basic and Diluted gain/(loss) per share from continuing operations	(0.03)	(0.05)
Basic and Diluted gain /(loss) per share from discontinued operations	-	0.05
Basic and Diluted gain/(loss) per share from continuing and discontinued operations	**(0.03)**	**-**

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 2019 $	Six months to 31 December 2018 $
Gain/(loss) from continuing operations used in the calculation of basic gain/(loss) per share	(503,245)	(679,178)
Gain/(loss) from discontinued operations used in the calculation of basic gain/(loss) per share	-	672,943
Gain/(loss) from continuing and discontinued operations used in the calculation of basic gain/(loss) per share	**(503,245)**	**(6,235)**

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 2019 Number	Six months to 31 December 2018 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,774,434,579	1,249,124,994
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	**1,774,434,579**	**1,249,124,994**

Note 5: Deferred Exploration and Evaluation Expenditure

Carrying value

	Consolidated	
	31 December 2019 $	30 June 2019 $
Exploration and evaluation costs	**3,087,672**	**37,908**

Reconciliation

		Consolidated	
	Notes	Six months to 31 December 2019 $	Year to 30 June 2019 $
Opening balance		37,908	90,268
Acquisitions of Spanish Zinc projects	*9*	2,994,183	-
Expenditure incurred		55,581	37,908
Expenditure written-off or impaired		-	(90,268)
Closing balance		**3,087,672**	**37,908**

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 6: Issued Capital

	31 December 2019	30 June 2019
	$	$
Share capital		
4,121,866,320 ordinary shares fully paid (30 June 2019: 1,271,073,585)	30,763,427	25,061,842
Option issue consideration		
593,384,943 listed options (30 June 2018: 593,384,943)	528,604	528,604
Share issue costs	(1,450,392)	(1,134,241)
	29,841,639	**24,456,205**

Movement in ordinary shares on issue

	Six months to 31 December 2019		Year to 30 June 2019	
	Number	$	Number	$
Balance at beginning of period	1,271,073,585	25,061,842	1,239,446,875	24,969,723
Issued in lieu of directors' fees	-	-	31,626,710	92,119
Placement for cash – 2 August 2019	287,500,000	575,000	-	-
Placement for cash – 12 December 2019	1,265,850,000	2,531,700	-	-
Issued to acquire Spanish zinc assets	1,165,588,235	2,331,176	-	-
Issued in lieu of share issue costs	83,750,000	167,500	-	-
Issued to director under terms of contract	48,104,500	96,209	-	-
Balance at end of period	**4,121,866,320**	**30,763,427**	**1,271,073,585**	**25,061,842**

Movement in listed options on issue

	Six months to 31 December 2019		Year to 30 June 2019	
	Number	$	Number	$
Balance at beginning of period	593,384,943	528,604	593,384,943	528,604
No movements during the period	-	-	-	-
Balance at end of period	**593,384,943**	**528,604**	**593,384,943**	**528,604**

Notes to the Condensed Interim Financial Statements

Note 7: Share-based Payments

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

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting terms
Managing Director – Tranche 1	10,000,000	6 Nov 2017	20 Nov 21	$0.03	$0.0020	25% per year of service
Managing Director – Tranche 2	10,000,000	6 Nov 2017	20 Nov 22	$0.05	$0.0019	25% per year of service

Notes to the Condensed Interim Financial Statements

Note 8: 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).

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis.

	Six months to 31 December 2019 Fair value $	Year to 30 June 2019 Fair value $	Fair value hierarchy	Valuation Technique
Equity investments designated at fair value through profit or loss	543,000	362,000	Level 1	Quoted market prices in an active markets.

Financial assets represent the market value of the Company's holding of 18,100,000 shares in Thompson Resources Limited (ASX:TMZ), valued at $0.03 per share.

Transfers

There have been no transfers between the levels of the fair value hierarchy during the half year ended 31 December 2019.

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 their fair values.

Note 9: Acquisition of Spanish Zinc Assets

Acquisition

On 12 December 2019, Variscan Mines Limited acquired 100% of the voting shares of Slipstream Resources Spain Pty Ltd and Slipstream Resources Spain 2 Pty Ltd, which combined form the Spanish Zinc Asset acquisition, comprising the Novales and Guajaraz exploration areas. This acquisition is considered an asset acquisition as the subsidiaries acquired do not meet the definition of a business.

The total cost of the acquisition was $3,090,279 and comprised an issue of equity instruments (of which a portion is due to be issued six months after settlement) and cash consideration.

The Group issued 1,165,588,235 ordinary shares with a fair value of $0.002 each, based on the quoted price of the shares of Variscan Mines Limited at the date of exchange.

Consideration transferred

Acquisition date fair value of the consideration transferred

	$
Shares issued, at fair value (1,165,588,235 Ordinary shares)	2,331,176
Shares to be issued (80,000,000 Ordinary shares)	160,000
Cash consideration	599,103
Total consideration	**3,090,279**

Assets acquired and liabilities assumed at the date of acquisition

The Group has recognised the fair values of the identifiable assets and liabilities of the acquired subsidiaries as follows:

	Acquiree's carrying amount before acquisition $	Fair value adjustment $	Fair value $
Cash and cash equivalents	4,284	-	4,284
Trade and other receivables (included VAT receivable)	65,419	-	65,419
Deposits	62,597	-	62,597
Deferred exploration and evaluation expenditure	174,271	2,819,912	2,994,183
Trade payables	(36,204)	-	(36,204)
Fair value of identifiable net assets			3,090,279
Total consideration paid			**3,090,279**

Net cash outflow arising on acquisition

	Six months to 31 December 2019 $
Cash paid	599,103
Less: Net cash acquired with the subsidiary	(4,284)
Net cash outflow	**594,819**

Impact of acquisition on the results of the Group

If the combination had taken place at the beginning of the period, there would have been no significant change in the net result for the period.

Note 9: Acquisition of Spanish Zinc Assets

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 550,000,000 ordinary shares to the vendors of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, and 48,529,412 shares to Hispanibal S.L. as the vendor of the “Hispanibal Option”, for a total of 1,197,058,824 Ordinary Shares if both milestones are met. All numbers noted are on a pre-consolidation basis.

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 10: 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. In July 2019, the Company completed the first payment under the earn-in agreement of US$25,000 and secured a 10.4% interest in the project.

Additionally, during the half-year, the company made a second payment of US$25,000 to the vendors under the agreement, which has entitled the Company to increase it's interest by an additional 1%.

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 2019: $nil).

Note 11: Significant Events after Balance Date

On 7 January 2020, the Company completed a consolidation of its issued equity instruments on the basis of 1 consolidated instrument for every 20 consolidated instruments held. The exercise prices of convertible securities was also amended on the same basis. This resulted in the following change to the securities on issue:

	Number (pre-consolidation)	Number (post-consolidation)
Ordinary Fully Paid Shares (ASX code: VAR)	4,121,866,320	206,093,316
Listed Option expiring 31 May 2021 (ASX code: VAROA)	593,384,943	29,669,247
Unlisted Options with various terms (ASX code: VARAC)	20,000,000	1,000,000

The exercise price of the listed options was changed as a result of the consolidation from $0.008 to $0.16.

On 30 January 2020, the Company announced the appointment of Mr Simon Fyfe as a non-executive director, the resignation of Mr Mark Pitts as a non-executive director and the resignation of Mr Kwan Chee Seng as an alternate director to Dr Foo Fatt Kah. Mr Pitts remains the Company Secretary.

Other than noted 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.

Note 12: 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 2019.

Directors' Declaration

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

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

      i. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half- year then ended; and

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

   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.

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

2. 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 2019.

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

Stewart Dickson
Managing Director
Dated this 12th day of March 2020

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 2019, 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 notes, and the directors' declaration, for the Group 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 is not 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 2019 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*.

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 Group's financial position as at 31 December 2019 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.

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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

Perth, Western Australia
12 March 2020

Norman Glad

N G Neill
Partner