



29 September 2020

FINANCIAL REPORT – YEAR ENDED 30 JUNE 2020

Variscan Mines Limited (“**Variscan**” or the “**Company**”) encloses its full year financial report for the year ended 30 June 2020.

Yours faithfully

Mark Pitts

Company Secretary

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



VARISCAN MINEs

**Financial Report
For the year ended
30 June 2020**

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Directors' Report

Directors

Dr Foo Fatt Kah	Non-executive Chairman
Mr Stewart Dickson	Managing Director & CEO
Mr Michael Moore	Non-executive Director
Dr Susan Vearncombe	Non-executive Director

Company secretary

Mr Mark Pitts

Registered office

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Share register

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Auditors

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Securities Exchange Listing

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



Directors' Report

Your directors submit their report for the year ended 30 June 2020.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr Foo Fatt Kah, MB, BCh, BAO, MBA

Non-Executive Chairman

Dr Foo was appointed a Director of the Company on 7 October 2009. Dr Foo is the Managing Director and co-founder of Luminor Capital, a private equity fund management company based in Singapore. He has over 20 years' experience in the investment banking, fund management and advisory businesses spanning Europe and Asia. He was previously Head of Asian Equities for SG Securities Asia (the Asian Investment Banking business for Societe Generale) covering 10 Asian countries ex-Japan. Since 2004 Dr Foo has been active as an investor, overseeing investments in Resources, Energy and Healthcare.

Dr Foo is qualified in Medicine (MB, B Ch, BAO) and Business Administration (M.B.A.) from the Queen's University, United Kingdom, with further continuing education qualifications from Insead on Economic Value Added (EVA) and International Project Management. He has experience with listed companies in Singapore, being previously Executive Director of CyberVillage Holdings Ltd and currently Lead Independent Director of PEC Ltd.

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

Stewart Dickson, BA (Hons), MBA

Managing Director

Stewart was appointed a Director of the Company on 1 May 2017. Stewart is an experienced corporate financier with a decade of investment banking experience. Most recently, he was Managing Director and Head of Metals & Mining at Cantor Fitzgerald Europe, based in London. He had responsibility for client coverage of public and private mining companies across precious metals and base metals, bulks, fertilizers and specialty metals. He has a broad range of international financial advisory, equity capital markets and corporate broking transaction experience including initial public offerings, financings and M&A.

Prior to investment banking, Mr Dickson served in the British Army as a commissioned officer and saw operational service overseas. Stewart is a graduate of University College London and holds an MBA from Henley Business School.

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

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

Michael Moore BEng (Hons), MAusIMM, MAICD

Non-executive director

Mike was appointed a Non-Executive Director on 4 August 2015.

Mike is a mining engineer from the Camborne School of Mines with over 20 years operational and executive management experience across a diverse range of commodities in Australia, Indonesia, West Africa and Europe.

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

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

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



Directors' Report

Dr Susan Vearncombe, Ph.D, Msc (Hons) B.Soc.Sci, MAIG, RPGeo

Non-executive director (appointed 21 August 2020)

Susan was appointed a Non-Executive Director on 21 August 2020.

Susan has over 30 years' experience in the exploration and mining sectors. Susan has a very strong technical background that spans projects across Australasia, North and South America, Asia, Africa and Europe. She has held former executive managerial and non-executive positions and most recently been involved with the identification and commercialisation of projects on the Iberian Peninsula. Susan was key in the origination and incubation of the high-quality zinc assets in Spain acquired by the Company and as co-vendor of these properties has a significant, indirect shareholding in the Company.

During the past three years Susan has served as a director of Auris Minerals Limited.

Simon Fyfe, BBus

Non-executive director (resigned 21 August 2020)

Simon was appointed a Non-Executive Director on 30 January 2020 and resigned on 21 August 2020.

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

Mark Pitts, BBus, FCA, GAICD

Non-executive director (resigned 30 January 2020) and Company Secretary

Mark was appointed Company Secretary of the Company on 2 March 2018 and as a non-executive director from 30 September 2018. He ceased to act as a director on 30 January 2020.

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

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

During the past three years Mark Pitts served as a director of Mareterram Limited. Mareterram Limited was removed from the official list of the ASX on 15 April 2019.

Kwan Chee Seng

Alternate director to Dr Foo Fatt Kah – resigned 30 January 2020

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

Directors' interests in shares and options

As at the date of this report, the interests of the Directors in the shares and options of Variscan Mines Limited were:

Director	Number of securities held directly and indirectly	
	Ordinary Shares	Options
Dr Foo Fatt Kah	4,887,849	1,210,386
Mr Stewart Dickson	4,135,127	1,000,000
Mr Michael Moore	700,000	-
Dr Susan Vearncombe	11,000,000	-



Principal activities

The principal continuing activity of the consolidated entity is the exploration of economic metal and mineral deposits.

Results

The net result of operations of the consolidated entity after applicable income tax was a loss of \$1,125,142 (2019: \$451,709). Included in this amount is the amount for exploration expenditure during the year of \$50,386 (2019: \$243,290). Expenditure on exploration activities was relatively low as the Group only acquired the Spanish assets half-way into the financial year, and of the remaining six months, 50% of that time was subject to COVID-19 related restrictions. The current expenditure rate of exploration on the highly prospective Spanish zinc assets is healthy. The previous year result (2019) included a gain from discontinued operations of \$672,943, which resulted in a loss from continuing operations for that year of \$1,124,652. There were no discontinued operations in the current financial year.

Dividends

No dividends were paid or proposed during the year.

Review of operations

Group Overview

During the financial year, the Group's operations have been focused upon the acquisition and exploration of the Spanish Zinc projects. In addition, the Group is continuing to investigate its Rosario Copper project in Chile, and holds a number of minor interests in Australian mineral tenements.

Acquisition of Spanish Zinc Projects

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.

The total cost of the acquisition was \$3,090,279 and comprised an issue of equity instruments, valued at \$2,491,176 (of which a portion was due to be issued six months after settlement), and cash consideration of \$599,103.

The Group issued 1,165,588,235 ordinary shares (on a pre-equity consolidation basis) 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.

On 7 July 2020, following the end of the financial year, the Company issued 4,000,000 shares to Slipstream Resources Investments Pty Ltd, the major vendor of the Spanish Zinc Assets, in satisfaction of the outstanding initial purchase consideration for the acquisition.

Board & Management Changes

On 30 January 2020, the board appointed Mr Simon Fyfe as a Non-Executive Director. On the same date, Mr Mark Pitts stepped down from his role as Non-Executive Director, remaining as the Company Secretary. Furthermore, Mr Kwan Chee Seng resigned from his role as an alternate director to Dr Foo Fatt Kah.

Impact of COVID-19 Pandemic

The Group reacted promptly to the COVID-19 pandemic and conducted a full review of its activities and expenditures during March 2020. It focussed on delaying fieldwork to safeguard the safety of employees, whilst reducing overheads where possible to conserve working capital against the growing uncertainty and volatility. While Spain was particularly affected by the pandemic, the impact on the Group's operations was relatively minor as the region in which the Group operates was one of the least-affected in the Country. However, movement restrictions and uncertainty did reduce exploration expenditure during this time. Management understood the severity of COVID-19 and acted quickly to implement protocols and procedures to ensure the safety and well-being of its personnel in both Spain and Australia.

The Directors of the Company agreed to reduce their cash compensation by 40% from 1 May 2020 for a minimum period of 3 months. The ultimate satisfaction of the accrued balance has yet to be determined, and may be completed through repayment in cash or equity issues, or a combination of both. Furthermore, the Group's employees in Spain also agreed to restructure their employment terms or reduce their fees. Finally, the Company terminated or delayed several contractor agreements with consultants and personnel.



Directors' Report

Significant changes in the state of affairs

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial period, other than as disclosed in this report.

Significant events after the reporting date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2020 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 6 July 2020 the Group announced the completion of the sale of its holding of 18,100,000 ordinary shares in Thompson Resources Limited (ASX:TMZ) at an average sale price of \$0.0296 per share, resulting in a cash inflow to the Group of \$478,971.
- On 7 July 2020 the Company completed the issue of 4,000,000 shares to Slipstream Resources Investments Pty Ltd, the major vendor of the Spanish Zinc Assets, in satisfaction of the outstanding initial purchase consideration for the acquisition completed in December 2019.
- On 21 August 2020, Mr Simon Fyfe resigned as a Non-Executive Director and Dr Susan Vearncombe was appointed to the Board.

Indemnification and insurance of directors and officers

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

Insurance premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Likely developments and expected results

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

Shares under option or issued on exercise of options

Details of unissued shares or interests under option for Variscan Mines Limited as at the date of this report are:

Exercise Price of Option	Expiry Date of Options	Class of Share	Number of Shares under option
\$0.16	31 May 2021	ORD	29,669,247
\$0.60	20 November 2021	ORD	500,000
\$1.00	20 November 2022	ORD	500,000
			30,669,247

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

Refer to the Remuneration Report and Notes 12 & 13 to the financial statements for further details of the options outstanding.



Directors' Report

Remuneration report (audited)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel

Details of KMP of the Group are set out below.

Directors	
Dr Foo Fatt Kah	Non-Executive Chairman
Stewart Dickson	Managing Director
Mike Moore	Non-Executive Director
Simon Fyfe	Non-Executive Director
Kwan Chee Seng	Non-Executive Director (resigned 30 September 2018) Alternate Director (resigned 30 January 2020)
Mark Pitts	Non-Executive Director (appointed 30 September 2018, resigned 30 January 2020) Company Secretary
Patrick Elliott	Non-Executive Chairman (resigned 30 September 2018)
Gregory Jones	Executive Director (resigned 30 September 2018)

Remuneration philosophy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short- and long-term incentives in line with the Company's limited financial resources.

Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Plan ("ESOP").



Non-Executive Directors remuneration arrangements

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors (NED) may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the NEDs has been fixed at a maximum of \$250,000 per annum to be apportioned among the NEDs in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The Chairman's fee is set at \$50,000 p.a. and NED fees at \$36,000 p.a. which are consistent with industry average fees. At present, no Committee fees are paid to Directors.

Performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regarded to the following indices in respect of the current and previous four financial years:

	2020	2019	2018	2017	2016
Loss per share (cents)	(0.76)	(1.76)	(19.40)	(14.00)	(7.60)
Net loss (\$)	(1,125,142)	(451,709)	(6,997,545)	(3,914,121)	(1,360,558)
Share Price at 30 June	\$0.016	\$0.030	\$0.060	\$0.152	\$0.306

The above Loss per share (in cents per share) and Share Price at 30 June results for the previous four years have been adjusted by a factor of 20 to display the impact of the share consolidation completed during the year.

Service agreements

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

Managing Director – Stewart Dickson

- Contract term: No fixed term. Either party may terminate the letter of employment with six months' notice.
- Remuneration: £172,500 p.a. plus VAT as applicable (2019: £105,000 p.a. plus VAT) as at 30 June 2020. Mr Dickson's annual base fee was reduced from £172,500 to £105,000 on 26 October 2018, and was reinstated upon the approval of the acquisition of the Spanish Zinc Assets. At this date, Mr Dickson also became entitled to a cash bonus of £25,000, which was subsequently paid, and an equity bonus of £50,000, which was satisfied through the issue of 2,405,225 (post-consolidation) ordinary shares on 12 December 2019, as approved by shareholders at the Company's 2019 Annual General Meeting. 1,000,000 (post-consolidation) long term incentive options (refer note 13) were issued to S Dickson and approved by shareholders at the Company's 2017 AGM. The options vest at the rate of 25% per year of each year of employment service by S Dickson.
- Termination payments: Nil.



Directors' Report

Directors and KMP remuneration (consolidated) for the year ended 30 June 2020

	Short-term benefits				Long-term benefits	Post-employment	Share-based payments		Total	Performance based
	Salary & Fees	Consulting Fees	Cash Bonus	Deferred Salary & Fees (a)	Long service leave	Superannuation	Shares	Options (b)		
	\$	\$	\$	\$	\$	\$	\$	\$		
F K Foo	46,656	-	-	3,344	-	-	-	-	50,000	-
S Dickson	-	259,613(f)	48,368	20,587	-	-	96,209	6,095	430,872	35%
M Moore	33,600	-	-	2,400	-	-	-	-	36,000	-
S Fyfe (c)	17,400	-	-	2,400	-	-	-	-	19,800	-
M Pitts (d)	48,000	-	-	-	-	-	-	-	48,000	-
C S Kwan (e)	-	-	-	-	-	-	-	-	-	-
	145,656	259,613	48,368	28,731	-	-	96,209	6,095	584,672	26%

- (a) As part of cost-saving measures in light of the world-wide COVID-19 pandemic, the board and senior management agreed to defer their fees by at least 40% from 1 May 2020. The nature and scale of the settlement of these amounts is yet to be determined.
- (b) Represents the expenses recognised in this financial year for options issued previously.
- (c) Appointed 30 January 2020.
- (d) Resigned as a non-executive director on 30 January 2020. Amounts paid for his role as the Company Secretary are included in Consulting Fees above.
- (e) Resigned as a non-executive director on 30 September 2018 and appointed as an alternative director to Dr Foo Fatt Kah. For his role as non-executive director, Mr Kwan receives no salary.
- (f) Included in this total is an accrued amount of \$95,888 which remains unpaid and owing to Mr Dickson as at 30 June 2020. As with the fees deferred due to the COVID-19 pandemic noted above, the nature and scale of the settlement of this amount has yet to be determined.



Directors' Report

Directors and KMP remuneration (consolidated) for the year ended 30 June 2019

	Short-term benefits				Long-term benefits	Post-employment	Share-based payments	Total	Performance based
	Salary & Fees	Consulting Fees	Bonus	Shares in lieu of Directors Fees	Long service leave	Superannuation	Options (f)		
	\$	\$	\$	\$	\$	\$	\$		
F K Foo	46,500	-	-	-	-	-	-	46,500	-
S Dickson	-	231,421	-	-	-	-	24,700	256,121	10%
M Moore	36,000	-	-	-	-	-	-	36,000	-
M Pitts(g)	27,000	23,000	-	-	-	-	-	50,000	-
C S Kwan(h)	9,000	-	-	-	-	-	-	9,000	-
G Jones(i)	12,000	-	-	3,000	-	-	-	15,000	-
P Elliott(j)	12,500	-	-	-	-	-	-	12,500	-
Total	143,000	254,421	-	3,000	-	-	24,700	425,121	6%

(g) Represents the expenses recognised in this financial year for options issued previously.

(h) Appointed as a non-executive director on 30 September 2018. Amounts paid for his role as the Company Secretary are included in Consulting Fees above.

(i) Resigned as a non-executive director on 30 September 2018 and appointed as an alternative director to Dr Foo Fatt Kah. For his role as non-executive director, Mr Kwan receives no salary.

(j) Resigned 30 September 2018. Mr Jones agreed to take \$1,000 per month of his fees as shares, which were approved and issued subsequent to the Company's 2018 annual general meeting.

(k) Resigned 30 September 2018.



Directors' Report

Share holdings and transactions of Key Management Personnel

	Balance at 1 July 2019 / on appointment	Shares issued on exercise of options	Granted as bonus	Shares granted in lieu of fees	Net change other	Balance at 30 June 2020 / upon resignation
F K Foo	2,887,849	-	-	-	2,000,000	4,887,849
S Dickson	479,902	-	2,405,225	-	1,250,000	4,135,127
M Moore	200,000	-	-	-	500,000	700,000
S Fyfe (a)	1,250,000	-	-	-	-	1,250,000
M Pitts (b)	-	-	-	-	-	-
C S Kwan (b)	18,354,911	-	-	-	2,500,000	20,854,911

Option holdings and transactions of Key Management Personnel

	Balance at 1 July 2019 / on appointment	Granted as remuneration	Net change other	Balance at 30 June 2020 / upon resignation	Vested and exercisable at 30 June 2020
F K Foo	1,210,386	-	-	1,210,386	1,210,386
S Dickson	1,000,000	-	-	1,000,000	750,000
M Moore	-	-	-	-	-
S Fyfe (a)	-	-	-	-	-
M Pitts (b)	-	-	-	-	-
C S Kwan (b)	8,240,869	-	-	8,240,869	-

(a) Appointed 30 January 2020

(b) Resigned 30 January 2020

On 2 January 2020, the Company completed a consolidation of its capital whereby each class of capital would be reduced on a ratio of 20 to 1. The above holdings reflect the holdings on a post-consolidation of capital basis.



Compensation options: granted and vested during the year

No options were granted during the current or previous financial year. The following options were granted during the previous financial year:

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

The Company has established an ESOP for the benefit of Directors, officers, senior executives and consultants. No securities have been issued under the ESOP during the current year (2019: Nil).

Transactions with directors and key management personnel

During the current year, amounts totalling \$27,600 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2019: \$19,550).

Directors' Benefits, Emoluments and Share Options

During its annual budget review, the Board reviews the Directors' Emoluments. Remuneration levels, including participation in the Company's ESOP, are set to provide reasonable compensation in line with the Company's limited financial resources. During the year no Director of the Company has received or become entitled to receive any additional benefits to their ordinary directors fees by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Due to the difficulty in the measurement of performance using quantitative indicators in the mineral exploration industry, there is no formal link between financial performance of the group and remuneration levels.

There is no retirement scheme for Non-Executive Directors.

End of Audited Remuneration report.



Directors' Report

Meetings of directors

The following table sets out the number of Directors' held during the financial year and the number of meetings attended by each Director for which they were entitled to attend. Due to the size and composition of the board, the roles of the Audit and Risk and Remuneration Committees are fulfilled by the board as a whole.

Director	Number of Meetings Held whilst a director	Number Attended
Dr Foo Fatt Kah	9	9
Mr Stewart Dickson	9	9
Mr Michael Moore	9	9
Mr Mark Pitts	5	5
Mr Simon Fyfe	4	4
Total Number of Meetings Held	9	

Non-audit services

The Company's auditor provided any non-audit services during the year ended 30 June 2020 (2019: Nil).

Signed this 29th day of September 2020 in accordance with a resolution of the Directors.



Stewart Dickson
Managing Director



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Variscan Mines Limited for the year ended 30 June 2020, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
29 September 2020

N G Neill
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	Consolidated	
		2020	2019
		\$	\$
Continuing operations			
Interest income	3	1,692	16,569
Gain on settlement of share-based payments	12	-	94,641
Other income	3	-	250
Total income		1,692	114,459
Compliance expenses		(76,655)	(65,512)
Professional services expenses		(359,303)	(121,246)
Finance expenses		(1,432)	(1,310)
Occupancy expenses		(875)	(5,006)
Depreciation and amortisation		-	(1,721)
Directors expenses		(551,577)	(383,941)
Travel and accommodation expenses		(52,655)	(52,571)
Exploration expenditure expensed as incurred		(50,386)	(153,022)
Exploration expenditure written off	9	-	(90,268)
Share based payments	13	(6,095)	(24,700)
Increase / (Decrease) in fair value of financial assets	8	36,200	(307,700)
Other expenses		(45,727)	(17,020)
Total expenses		(1,108,505)	(1,224,017)
Realised gain/(loss) on foreign exchange		(19,035)	(15,141)
Unrealised gain/(loss) on foreign exchange		706	46
Total foreign exchange gain/(loss)		(18,329)	(15,095)
(Loss) from continuing operations before income tax expense		(1,125,142)	(1,124,652)
Income tax expense	4	-	-
(Loss) from continuing operations after income tax expense		(1,125,142)	(1,124,652)
<i>Discontinued operations</i>			
Loss after tax from discontinued operation	24	-	672,943
Loss for the period		(1,125,142)	(451,709)



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	Consolidated	
		2020	2019
		\$	\$
Other comprehensive income, net of income tax			
<i>Items that have been reclassified to profit or loss</i>			
Recognition of net exchange differences on disposal of foreign operation		-	(527,210)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		5,921	-
Other comprehensive income/(loss) for the period, net of tax		5,921	(527,210)
Total comprehensive income/(loss) for the period		5,921	(978,919)
Loss per share from continuing and discontinued operations			
• Basic and diluted loss per share (cents per share)	15	(0.76)	(1.76)
Loss per share from continuing operations			
• Basic and diluted loss per share (cents per share)	15	(0.76)	1.07
(Gain/loss) per share from discontinued operations			
• Basic and diluted gain/(loss) per share (cents per share)	15	-	(0.69)

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



Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Consolidated	
		2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	2,146,123	948,358
Trade and other receivables	7	17,501	19,088
Total current assets		2,163,624	967,446
Non-current assets			
Other financial assets - at fair value	8	398,200	362,000
Deferred exploration and evaluation expenditure	9	3,296,140	37,908
Other non-current assets		91,567	-
Total non-current assets		3,785,907	399,908
Total assets		5,949,531	1,367,354
Liabilities			
Current liabilities			
Trade and other payables	10	267,489	117,620
Share consideration payable	11	160,000	-
Total current liabilities		427,489	117,620
Total liabilities		427,489	117,620
Net assets		5,522,042	1,249,734
Equity			
Issued capital	12	29,841,639	24,456,205
Reserves	14	165,838	153,822
Accumulated losses		(24,485,435)	(23,360,293)
Total equity		5,522,042	1,249,734

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



Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(777,947)	(848,963)
Interest received		1,692	19,314
Finance costs		(1,432)	-
Consultancy fees and rental income received		-	7,553
Net cash outflow from operating activities	21	(777,687)	(822,096)
Cash flows from investing activities			
Exploration and evaluation expenditure		(387,777)	(190,930)
Rental bonds refunded / (paid)		-	6,565
Net cash disposed on sale of subsidiary		-	(64,157)
Payment for subsidiaries, net of cash acquired		(594,819)	-
Net cash outflow from investing activities		(982,596)	(248,522)
Cash flows from financing activities			
Proceeds from issue of shares		3,106,700	-
Payments for share issue costs		(148,652)	(2,638)
Net cash inflow/(outflow) from financing activities		2,958,048	(2,638)
Net increase/(decrease) in cash and cash equivalents		1,197,765	(1,073,256)
Cash and cash equivalents at the beginning of the period		948,358	2,019,859
Effect of exchange rate fluctuations on cash held		-	1,755
Cash and cash equivalents at the end of the period	6	2,146,123	948,358

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



Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Consolidated					Total
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Investment revaluation reserve	Accumulated losses	
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		-	-	-	(451,709)	(451,709)
Other comprehensive loss for the period, net of income tax		-	(527,210)	-	-	(527,210)
Total comprehensive loss for the period		-	(527,210)	-	(451,709)	(978,919)
Share based payments	92,119	24,700	-	-	-	116,819
Share issue costs	(2,638)	-	-	-	-	(2,638)
30 June 2019	24,456,205	153,822	-	-	(23,360,293)	1,249,734
1 July 2019	24,456,205	153,822	-	-	(23,360,293)	1,249,734
Loss for the period	-	-	-	-	(1,125,142)	(1,125,142)
Other comprehensive income, for the period, net of income tax	-	-	5,921	-	-	5,921
Total comprehensive loss for the period	-	-	5,921	-	(1,125,142)	(1,119,221)
Issue of share capital	5,701,585	-	-	-	-	5,701,585
Share based payments	-	6,095	-	-	-	6,095
Share issue costs	(316,151)	-	-	-	-	(316,151)
30 June 2020	29,841,639	159,917	5,921	-	(24,485,435)	5,522,042

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



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 29 September 2020. Variscan is a for-profit entity for the purposes of preparing the financial statements.

Variscan Mines Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under ASX Code VAR.

The consolidated financial statements comprise the financial statements of Variscan Mines Limited and its subsidiaries (the Group or Consolidated Entity).

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

2. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared on a historical cost basis except for investments in listed shares and derivative financial instruments, which are measured at fair value.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2020.

Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2020

In the year ended 30 June 2020, 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 2019. As a result of this review, the Group has determined there is no material impact of the new and revised standards, particularly AASB 16 *Leases* on the results for the financial year.

AASB 16 *Leases*

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and other interpretations and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

[Impact of adoption](#)

As the Group was not party of any existing lease agreements captured within the scope of AASB 16 at 1 July 2019, there was no impact on the comparative financial information reported in these financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Variscan Mines Limited (Variscan or the Company) and its subsidiaries (collectively, the Group) as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Non-controlling interests are allocated their share of profit after tax and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. At this date, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors believe that the Group will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report.

For the year ended 30 June 2020, the Group has incurred a loss before tax of \$1,125,142 and net cash outflows from operating and investing activities of \$1,760,283. As at 30 June 2020 the Group had \$2,146,123 in cash and cash equivalents and net current assets of \$1,736,135.

Subsequent to the end of the financial year, the Group sold its investment in Thompson Resources Limited (ASX:TMZ) which generated a net cash inflow of \$475,971.

Whilst not immediately required, the Group may need to raise additional funds to meet its planned and budgeted exploration expenditure as well as regular corporate overheads.

The Group's capacity to raise additional funds will be impacted by the success of the ongoing exploration activities and market conditions. Additional sources of funding available to the Group include a capital raising via preferential issues to existing shareholders or placements to new and existing investors. If necessary, the Group can delay exploration expenditure and the directors can also institute cost saving measures to further reduce corporate and administrative costs.

However, should the above 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, realise its assets and dispose of its liabilities in the ordinary course of business and at the amounts stated in the financial report.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits, with a maturity date not exceeding six months, readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Exploration, evaluation, development

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest. Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- Such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; and
- Exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration and evaluation – impairment

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the profit or loss when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Investments and other financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

c) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

d) Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Interest in jointly controlled operations – joint ventures

The Group has an interest in exploration joint ventures that are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

Plant and equipment

Plant and equipment assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, namely motor vehicles and plant and equipment – depreciated over 2 to 5 years (2019: 2 to 5 years).

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

Leases Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Trade and other payables and provisions

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Employee entitlements

Wages, salaries, annual leave, and long service leave

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date.

Superannuation

The Group contributes to defined contribution superannuation funds for its employees. The cost of these contributions is expensed as incurred. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

Share-based payment transactions

In addition to salaries, the Group provides benefits to certain employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There is currently an Employee Share Option Plan in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black-Scholes or binomial option pricing model, or in the case of listed options, the listed option price at the date the options were issued.

In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and the new award are treated as if there was a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be entitled in exchange for those goods or services. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services

Revenue from consulting services are recognised when provided.

Interest

Revenue is recognised as interest accrues using the effective interest method.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Royalties

Royalties are recognised in accordance with substance of the relevant agreement.

Contract exploration

Contract exploration revenue (consulting fees) earned from third parties is recognised when rights to receive the revenue are assured.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Currency

Functional currency translation

The functional and presentation currency for the parent company is Australian dollars (\$). The functional currency of overseas subsidiaries is the local currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the translation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

During the current period, the results of the Spanish subsidiaries were translated into Australian Dollars (presentation currency). Income and expenses for each profit or loss item were translated at the average exchange rate, unless this was not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses were translated at the dates of the transactions. Assets and liabilities were translated at exchange rates prevailing at reporting date. All resulting exchange differences were recognised in other comprehensive income, until the date of disposal of the net investment in the foreign operation, at which point the cumulative amount of the foreign currency translation reserve was recognised in the net loss for the year.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

[Share-based payment transactions](#)

The Company measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted and estimates of volatility.

[Capitalisation and write-off of capitalised exploration costs](#)

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on assessments of results, various assumptions, and other factors such as historical experience, current and expected economic conditions. Refer to Note 9 for further details.

Earnings/Loss per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the Group, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the Group, adjusted for:

- Costs of servicing equity.
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

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

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

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



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the profit or loss.

3. Income

	Consolidated	
	2020	2019
	\$	\$
Income		
Interest income	1,692	16,569
Miscellaneous income	-	250
	1,692	16,819

4. Income tax

	Consolidated	
	2020	2019
	\$	\$
Prima facie income tax (credit) on operating (loss) at 30% (2019: 27.5%)	(337,543)	(124,220)
Deferred tax assets not recognised	337,543	124,199
Other	-	21
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2020.

The Group has a deferred income tax liability of Nil (2019: Nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. No recognition has been given to any deferred income tax asset which may arise from available tax losses. The Company has estimated its losses at \$14,604,528 (2019: \$13,479,386) as at 30 June 2020.

A benefit of 30% (2019: 27.5%) of approximately \$4,381,358 (2019: \$3,706,831) associated with the tax losses carried forward will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Company continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

4. Income tax

Tax consolidation

Variscan Mines Limited and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 November 2007. Variscan Mines Limited is the head entity of the tax consolidated group. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Franking credits

Franking credits of \$2,810,116 (2019: \$2,810,116) are available for subsequent years.

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the payment of the amount of the provision for income tax,
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

5. Auditors' remuneration

	Consolidated	
	2020	2019
	\$	\$
Amounts received or due and receivable by:		
HLB Mann Judd (NSW) Partnership, for:		
Audit and review of the financial report of Variscan Mines Limited	-	49,718
HLB Mann Judd (Western Australian Partnership), for:		
Audit and review of the financial report of Variscan Mines Limited (a)	26,138	16,500
Audit and review of the financial report of Variscan Mines Limited	26,138	66,218

On 5 September 2019, the Company announced that HLB Mann Judd (NSW) Partnership had resigned as the Company's auditors and HLB Mann Judd (Western Australian Partnership) were appointed.

- a) Includes accruals at balance date.

6. Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and in hand	646,123	948,358
Short-term deposits	1,500,000	-
	2,146,123	948,358

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

7. Receivables

	Consolidated	
	2020	2019
	\$	\$
Current		
Trade Debtors	-	4,134
GST/VAT receivable	717	-
Interest receivable	-	14,954
Prepayments	16,784	-
	17,501	19,088

Receivables are non-interest bearing and generally 30-day terms and trading terms are being followed by debtors and there are no overdue amounts. An allowance for impairment loss is recognised when there is objective evidence that it is impaired. No allowance for impairment loss is required. The amounts not past due have been assessed to be not impaired.

8. Investments

	Consolidated	
	2020	2019
	\$	\$
Investment –TMZ (a)	398,200	362,000
	398,200	362,000

- a) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Ltd (TMZ) at 30 June 2020 was \$398,200 (\$0.022 per share). This investment was disposed of on 6 July 2020, refer to details in Note 26.

9. Deferred exploration and evaluation expenditure

	Consolidated	
	2020	2019
	\$	\$
Exploration and evaluation phase:		
Costs brought forward	37,908	90,268
Acquisition of Spanish Zinc Assets (refer Note 25)	2,994,947	-
Costs incurred during the year	261,307	37,908
Expenditure written off during the year	-	(90,268)
Impact of foreign currency exchange differences	1,978	-
Costs carried forward	3,296,140	37,908



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

9. Deferred exploration and evaluation expenditure (continued)

	Consolidated	
	2020	2019
	\$	\$
Exploration expenditure costs carried forward are made up of:		
Novales/Udias Zinc Project - Spain	2,570,011	-
Guajaraz Zinc Project – Spain	647,403	-
Rosario Copper project - Chile	78,726	37,908
Costs carried forward	3,296,140	37,908

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 2. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

10. Current liabilities – payables

	Consolidated	
	2020	2019
	\$	\$
Trade creditors (a)	117,080	54,212
Accrued expenses (b)	150,409	63,408
	267,489	117,620

- a) Trade creditors are non-interest bearing and are generally settled on 30-day terms.
- b) Includes accrued director's fees as a result of the cash fee deferral agreed by the directors to conserve the Company's cash reserves through the COVID-19 global pandemic.

11. Share consideration payable

	Consolidated	
	2020	2019
	\$	\$
Shares to be issued (4,000,000 Ordinary shares)	160,000	-
	160,000	-



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

12. Contributed equity

	Consolidated	
	2020	2019
	\$	\$
Share capital		
206,093,551 (2019: 1,271,073,585) ordinary shares fully paid	30,763,428	25,061,842
Option issue consideration reserve		
29,669,247 (2019: 593,384,943) listed options on issue	528,604	528,604
Share issue costs	(1,450,393)	(1,134,241)
	29,841,639	24,456,205

The comparative numbers of ordinary shares and listed options on issue are noted at their pre-consolidation values. Details regarding the impact of the share consolidation can be found in the following tables.

	Number	Value \$
Movements in ordinary shares on issue		
At 1 July 2018	1,239,446,875	24,969,723
Shares issued in lieu of directors' fees	31,626,710	92,119
At 30 June 2019	1,271,073,585	25,061,842
Shares issued for cash	1,553,350,000	3,106,700
Shares 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 managing director under contract	48,104,500	96,209
Impact of equity consolidation on a 20 to 1 basis	(3,915,772,769)	-
At 30 June 2020	206,093,551	30,763,428

	Number	Value \$
Movements in quoted options on issue		
At 1 July 2018	593,384,943	528,604
At 30 June 2019	593,384,943	528,604
Impact of equity consolidation on a 20 to 1 basis	(563,715,696)	-
At 30 June 2019	29,669,247	528,604

An additional 1,000,000 unlisted options are on issue under Share-based payments Note 13.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

12. Contributed equity (continued)

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

Options do not carry voting rights or rights to dividends until options are exercised.

13. Share-based payments and unquoted options

Types of share-based payment plans

Share-based payments

An Employee Share Option Plan (ESOP) has been established where selected officers, employees and consultants of the Company can be issued with options over ordinary shares in Variscan Mines Limited. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. Options expire if not exercised 90 days after a participant resigns from the Company.

There have been no cancellations or modifications to any of the plans during 2020 and 2019.

Option pricing model and terms of options

The Company has 1,000,000 (post-consolidation) unquoted options currently on issue as a result of share-based payment arrangements. No options were issued during the current financial year as share-based payments (2019: Nil). These share-based payments were valued by reference to the Black-Scholes option pricing model. The following table lists the inputs into this model and the terms of options granted in the Company:

Issue date	Number of options issued (a)	Exercise price (a)	Expiry date	Expected volatility	Risk-free rate	Expected life (years)	Estimated fair value (a)
Nov 17	500,000	\$0.60	20 Nov 21	80.00%	2.58%	4.0	\$0.040
Nov 17	500,000	\$1.00	20 Nov 22	80.00%	2.58%	5.0	\$0.038

- a) On 2 January 2020, the company completed a 20:1 equity consolidation. As a result, the number of unquoted options on issue was reduced to 1,000,000 (500,000 per tranche). The exercise price was therefore increased by a factor of 20. Finally, the Estimated fair value disclosed in the table above has been adjusted by a factor of 20 to reflect the correct total fair value for the issue.

20,000,000 options were issued to Managing Director of the Company S Dickson and approved by shareholders at the Company's AGM held on 6 November 2017. The options will vest at the rate of 25% per year of each year of employment service by Mr Dickson and recognised over this vesting period.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

13. Share-based payments (continued)

Summary of movement of unquoted options on issue in the parent entity

	Number	Value \$
Movements in unquoted options on issue		
At 1 July 2018	32,450,000	129,122
Granted during the year	-	-
Expired/Lapsed during the year	(12,450,000)	-
Expense recognised for further vesting during the year	-	24,700
At 30 June 2019	20,000,000	153,822
Impact of equity consolidation	(19,000,000)	-
Expense recognised for further vesting during the year	-	6,095
At 30 June 2020	1,000,000	159,917

The outstanding balance as at 30 June 2020 is represented by:

- 500,000 which expire on 20 November 2021 exercisable at \$0.60 per share
- 500,000 which expire on 20 November 2022 exercisable at \$1.00 per share

Weighted Average disclosures for options granted by the parent entity

	2020 \$	2019 \$
<i>Weighted average exercise price of options at 1 July</i>	\$0.80	\$1.00
Weighted average exercise price of options granted during period	-	-
Weighted average exercise price of options expired during period	-	\$1.00
Weighted average exercise price of options outstanding at 30 June	\$0.80	\$0.80
Weighted average exercise price of options exercisable at 30 June	\$0.80	\$0.80
Weighted average contractual life remaining	1.89	2.89
Range of exercise price	\$0.60 - \$1.00	\$0.60 - \$1.00

The above weighted average disclosures have been adjusted for the current and comparative period for the impact of the 20 to 1 equity consolidation.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

14. Reserves

	Consolidated	
	2020	2019
	\$	\$
Share-based compensation reserve	159,917	153,822
Investment revaluation reserve	-	-
Foreign currency translation reserve	5,921	-
	165,838	153,822
<i>Share-based compensation reserve</i>		
Balance at the beginning of financial year	153,822	129,122
Share-based payment expense	6,095	24,700
Balance at end of financial year	159,917	153,822
<i>Investment revaluation reserve</i>		
Balance at the beginning of financial year	-	235,300
Investment revaluation reserve adjustment on sale of investment	-	-
Impact of initial adoption of AASB 9	-	(235,300)
Balance at end of financial year	-	-
<i>Foreign currency translation reserve</i>		
Balance at the beginning of financial year	-	527,210
Effect of exchange rate fluctuation	5,921	-
Recognition of net exchange differences on disposal of foreign operation	-	(527,210)
Balance at end of financial year	5,921	-

a) Share-based compensation reserve

The share-based compensation reserve is used to recognise the fair value of unlisted options issued but not exercised as described in Note 2 and referred to in Note 13.

b) Investment revaluation reserve

The investment revaluation reserve recognised the gain or loss (excluding impairment losses) on available for sale investments as per Note 8 for the year ended 30 June 2018. Upon initial adoption of AASB 9, the investment was classified as Fair Value through Profit or Loss and the balance of the reserve was transferred to the opening accumulated losses balance.

c) Foreign currency translation reserve

The foreign currency translation reserve recognised the net exchange differences on foreign operations. Upon disposal of the net investment in the foreign operation during the year, the balance was recognised in the net gain or loss on disposal.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

15. Earnings/(Loss) per share

	Consolidated	
	2020	2019
	\$	\$
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share:		
From continuing operations	(1,125,142)	(1,124,652)
From discontinued operations	-	672,943
	(1,125,142)	451,709

	Consolidated	
	2020	2019
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	147,246,739	63,003,461

The above weighted average number of ordinary shares has been adjusted to reflect the impact of the 20:1 equity consolidation completed on 2 January 2020.

	Consolidated	
	2020	2019
	Cents per share	Cents per share
Basic and diluted earnings/(loss) per share:		
From continuing operations	(0.76)	(1.76)
From discontinued operations	-	1.07
	(0.76)	(0.69)

The above basic and diluted earnings/(loss) per share has been adjusted to reflect the impact of the 20:1 equity consolidation completed on 2 January 2020.

For the year ended 30 June 2020, all potential ordinary shares for the calculation of diluted loss per share from both continuing and discontinued operations are considered anti-dilutive.

For the year ended 30 June 2019, all potential ordinary shares for the calculation of diluted loss per share from continuing operations are considered anti-dilutive. Potential ordinary shares for the calculation of diluted loss per share from discontinued operations have been assessed to have nil impact on with weighted average number of shares and therefore no impact on earnings per share.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

16. Key management personnel

Key management personnel (KMP) remuneration

	Consolidated	
	2020	2019
	\$	\$
Compensation for key management personnel		
Short-term employee benefits	482,368	400,421
Long-term employee benefits	-	-
Post-employment benefits	-	-
Share-based payments	102,304	24,700
Total compensation	584,672	425,121

17. Related party disclosures

Subsidiaries

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

Name	Country of incorporation	% Equity interest		\$ Investment	
		2020	2019	2020	2019
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mines SAS	France	-	-	-	-
Variscan Mines Europe Limited	UK	100	100	1	1
Slipstream Resources Spain Pty Ltd	Australia	100	-	2,403,748	-
Slipstream Resources Spain 2 Pty Ltd	Australia	100	-	686,531	-
Variscan Mines Cantabria, SL	Spain	100	-	4,439	-
Variscan Mines La Mancha, SL	Spain	100	-	4,500	-

Variscan Mines SAS (France) was disposed on 14 September 2018. Variscan Mines Europe Limited was incorporated on 29 January 2018.

During the period, after acquisition, the Company changed the names of the two Spanish subsidiaries. They were formerly named Slipstream Resources Spain SLU and Slipstream Guajaráz, SL, respectively.

Transactions with key management personnel

During the current year, amounts totalling \$27,600 were paid to Endeavour Corporate Pty Ltd, a Company Associated with Mr Mark Pitts, for accounting and administration services (2019: \$19,550).



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

18. Joint ventures

The Company is a party to a number of exploration joint venture agreements to explore for copper, gold, zinc, lead and uranium. Under the terms of the agreements the Company may be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to Variscan at reporting date resulting from these joint ventures. Percentage equity interests in joint ventures at 30 June 2020 were as follows:

	Consolidated	
	2020	2019
	% Interest	% Interest
Hillston – diluting to 16%	39.2%	39.2%
Callabonna – diluting to 30%	49%	49%
Junction Dam (a)	-	9.9%

- a) During the period the major partner to the Joint Venture acquired the Company's remaining interest. The Company retains a 0.5% net profit royalty on any production from a uranium mine.

19. Segment information

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 year ended 30 June 2020.

	Australia		Spain		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Segment income	1,692	114,459	-	-	1,692	114,459
Segment loss before income tax expense	(1,096,085)	(451,709)	(29,057)	-	(1,125,142)	(451,709)
Segment assets	5,441,883	1,367,354	507,648	-	5,949,531	1,367,354
Segment Liabilities	(401,008)	(117,620)	(26,481)	-	(427,489)	(117,620)

During the year ended 30 June 2019, the Group operated in one reportable and geographical segment, however it did have discontinued operations. For details relating to these operations, refer Note 24.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

20. Commitments

Exploration licence expenditure requirements

In order to maintain the Group's tenements in good standing with the various mines departments, the Group may be required to incur exploration expenditure under the terms of each licence.

There are nil exploration licence commitments at year end (2019: nil).

21. Statement of Cash Flows

	Consolidated	
	2020	2019
	\$	\$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
Operating loss after income tax	(1,125,142)	(451,709)
Depreciation	-	1,721
Exploration expenditure expensed or written-off	50,386	243,290
Share-based payment expense	6,095	24,700
Impairment of investments	-	307,700
Fair value adjustment on financial assets	(36,200)	-
Gain on settlement of share-based payments	-	(97,641)
Shares issued in lieu of fees	111,210	18,582
Foreign exchange variances	4,993	(1,755)
Non-cash gain on disposal of foreign operation	-	(816,774)
Change in assets and liabilities:		
(Increase)/decrease in receivables	1,587	17,505
(Increase)/decrease in other assets	37,377	-
(Decrease)/increase in trade and other creditors	187,007	(67,715)
Net cash outflow from operating activities	(762,687)	(822,096)

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Group does not have any unused credit facilities.

	Consolidated	
	2020	2019
	\$	\$
The balance at 30 June comprised:		
Cash and cash equivalents (including cash balance classified as held for sale)	2,146,123	948,358
	2,146,123	948,358



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

22. Financial risk management objectives and policies

The Company's Board considers the Company's overall risk management framework and policies, including quarterly review by the Board of the Company's financial position and financial forecasts and maintaining adequate insurances.

AASB 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Capital management

The Group considers its capital to comprise its ordinary share capital and its retained earnings, net of accumulated losses. In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt at the year-end hence has a nil gearing ratio.

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

Financial instrument risk exposure and management

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

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

General objectives, policies and processes

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

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

Liquidity risk

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

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

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At balance date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

22. Financial risk management objectives and policies (continued)

Interest rate risk

At reporting date, the Group is exposed to floating weighted average interest rates at 30 June 2019 for financial assets as follows:

	Consolidated	
	2020	2019
Weighted average rate of cash balances	0.05%	0.02%
Cash balances	\$646,123	\$948,358
Weighted average rate of term deposits and at call accounts	0.85%	-
Term deposits and at call accounts	\$1,500,000	-

All other financial assets and liabilities are non-interest bearing

The Group's exposure to interest rate risk is set out in the following tables:

	Consolidated Pre-tax Loss lower / (higher)		Consolidated Equity lower / (higher)	
	2020	2019	2020	2019
	\$	\$	\$	\$
+1% (100 basis points)	21,461	9,483	21,461	9,483
-1% (100 basis points)	(21,461)	(9,483)	(21,461)	(9,483)

The above table reflects the impact on the Group's loss before income tax and equity from a movement in interest rates of 1%, or 100 basis points, for the current and comparative financial periods.

Share market risk

The Company relies greatly on equity markets to raise capital for its exploration activities and is thus exposed to equity market volatility. When market conditions require, for prudent capital management, in consultation with its professional advisers the Group looks to alternative sources of funding, including the sale of assets and royalties.

Credit risk

Credit risk arises principally from the Group's cash, cash equivalents, receivables and tenement security deposits.

The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The Group does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency. The Group is primarily exposed to change in Euro/\$ exchange rates for the year ended 30 June 2020, although this exposure and all other foreign currency exposure during the current financial year has been assessed as immaterial.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

22. Financial risk management objectives and policies (continued)

Other receivables

Other receivables comprise GST. Credit worthiness of debtors is undertaken when appropriate.

Equity price risk

Price risk arises from investments in equity securities. All significant equity investments held by Variscan are publicly traded on the ASX. The price risk for listed securities is material in terms of the possible impact on profit and loss or total equity and as such a sensitivity analysis is completed below. The capacity of the Company to raise capital from time to time may be influenced by either or both market conditions and the price of Variscan's quoted shares at that time.

At balance date, the Group is exposed to a stock exchange risk on its investments (Note 8). The Group's exposure to share price movement is set out in the following tables:

	Pre-tax Loss		Equity	
	Lower / (Higher)		Lower / (Higher)	
	2020	2019	2020	2019
	\$	\$	\$	\$
+20%	79,640	72,400	79,640	72,400
-20%	(79,640)	(72,400)	(79,640)	(72,400)

Accounting policies

Accounting policies in relation to financial assets and liabilities and share capital are contained in Note 2.

Fair value of financial assets and liabilities

The fair value of all monetary financial assets and financial liabilities of the Group approximate their carrying value.

There are no off-balance sheet financial asset and liabilities at year-end.

All financial assets and liabilities were denominated in Australian dollars during the years ended 30 June 2020 and 2019.

Fair value risk

The group uses three different methods in estimating the fair value of a financial investment. The methods comprise -

- Level 1 – the fair value is calculated using quoted prices in active markets; and
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – the fair value is estimated using inputs other than quoted prices.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the tables below.

2020	Quoted market price	Valuation technique: market observable inputs	Valuation technique: non market observable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
Financial assets				
Investments	398,200	-	-	398,200
Total financial assets	398,200	-	-	398,200



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

22. Financial risk management objectives and policies (continued)

2019	Quoted market price	Valuation technique: market observable inputs	Valuation technique: non market observable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$	\$	\$	\$
Financial assets				
Investments	362,000	-	-	362,000
Total financial assets	362,000	-	-	362,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The fair value of derivatives that do not have an active market are based on valuation techniques. Level 2 derivatives include market observable inputs whilst level 3 derivatives do not include market observable inputs.

Transfer between categories

There were no transfers between levels during the year.

23. Parent entity information

	Consolidated	
	2020	2019
Information relating to the parent entity Variscan Mines Limited:		
Current assets	2,112,163	964,994
Total assets	5,740,316	1,156,080
Current liabilities	401,008	117,620
Total liabilities	401,008	117,620
Net Assets	5,339,308	1,038,460
Issued capital	29,841,639	24,456,205
Accumulated losses	(24,668,169)	(23,571,567)
Reserves	165,838	153,822
Total shareholders' equity	5,339,308	1,038,460
(Loss) of the parent entity	(1,096,602)	(3,210,772)
Other comprehensive income	5,921	(527,210)
Total comprehensive (loss) of the parent entity	(1,090,681)	(3,737,982)

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity as disclosed in Note 2, except for Investments in Subsidiaries, which are accounted for at cost less accumulated impairment losses.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

24. Discontinued operations

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

Details of the sale of the subsidiary

	14 September 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

Net liabilities at date of sale

	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 at date of sale	(367,410)



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

24. Discontinued operations (continued)

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 which forms part of the year ended 30 June 2019.

	14 September 2018 \$
Financial Performance	
Employee costs net of on-charges to exploration projects	(349,227)
Other operating expenses	(72,450)
Loss from discontinued operations	(421,677)
Income tax expense	-
Loss after income tax from discontinued operations	(421,677)
Gain on sale of subsidiary after income tax	1,094,620
Gain / (loss) from discontinued operations	672,943
Cash Flows	
<i>Cash flows from operating activities</i>	
Payments to suppliers and employees	(134,815)
Effects on exchange rate on cash	1,755
Net cash (outflows) from discontinued operations	(133,060)

25. 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 was due to be issued six months after settlement) and cash consideration.

The Group issued 1,165,588,235 ordinary shares (on a pre-equity consolidation basis) 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.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

25. Acquisition of Spanish Zinc Assets (continued)

Consideration transferred

Acquisition date fair value of the consideration transferred

	12 December 2019
	\$
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

The number of shares noted in the table above has been reported on a pre-equity consolidation basis. After the impact of the 20:1 equity consolidation, the number of shares issued on acquisition would be 58,279,412 and on 7 July 2020 the Company issued 4,000,000 ordinary shares in satisfaction of the "Shares to be issued" above.

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

	12 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.



Consolidated Notes to the Financial Statements

For the year ended 30 June 2020

25. Acquisition of Spanish Zinc Assets (continued)

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.

26. Events after the reporting date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2020 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than:

- On 6 July 2020 the Group announced the completion of the sale of its holding of 18,100,000 ordinary shares in Thompson Resources Limited (ASX:TMZ) at an average sale price of \$0.0296 per share, resulting in a cash inflow to the Group of \$475,971.
- On 7 July 2020 the Company completed the issue of 4,000,000 shares to Slipstream Resources Investments Pty Ltd, the major vendor of the Spanish Zinc Assets, in satisfaction of the outstanding initial purchase consideration for the acquisition completed in December 2019.
- On 21 August 2020, Mr Simon Fyfe resigned as a Non-Executive Director and Dr Susan Vearncombe was appointed to the Board.



Directors' Declaration

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 15 to 48 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2020 required by section 295A of the *Corporations Act 2001*.

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



Stewart Dickson
Managing Director

29 September 2020



INDEPENDENT AUDITOR'S REPORT

To the members of Variscan Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Variscan Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 2 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. . In addition to the matter described in the Material Uncertainty Related to Going Concern we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
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<p>Carrying value of deferred exploration and evaluation expenditure (Note 9 in the financial report)</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the key processes associated with management’s review of the carrying value of the deferred exploration and evaluation expenditure; • We considered the Directors’ assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 30 June 2021 and discussed with management the nature of planned ongoing activities; • We reviewed additions to exploration expenditure during the year; and • We examined the disclosures made in the financial report.
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The Group has capitalised deferred exploration and evaluation expenditure of \$3,296,140 as at 30 June 2020 in relation to its projects in Spain and Chile.

Our audit procedures determined that the carrying value of deferred exploration and evaluation expenditure was a key audit matter as it was an area which required a significant amount of audit effort and communication with those charged with governance and was determined to be of key importance to the users of the financial statements.

Our procedures included but were not limited to the following:

- We obtained an understanding of the key processes associated with management’s review of the carrying value of the deferred exploration and evaluation expenditure;
- We considered the Directors’ assessment of potential indicators of impairment;
- We obtained evidence that the Group has current rights to tenure of its areas of interest;
- We examined the exploration budget for the year ending 30 June 2021 and discussed with management the nature of planned ongoing activities;
- We reviewed additions to exploration expenditure during the year; and
- We examined the disclosures made in the financial report.

<p>Acquisition of Spanish Zinc Projects (Note 25 in the financial report)</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We reviewed the purchase transaction in conjunction with the relevant agreements; • We ensured the correct application of acquisition accounting; and • We examined the disclosures made in the financial report.
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The Group acquired an interest in two exploration areas in Spain during the year.

Our audit procedures determined that this transaction was a key audit matter as it was an area which required a significant amount of audit effort and communication with those charged with governance and was determined to be of key importance to the users of the financial statements.

Our procedures included but were not limited to the following:

- We reviewed the purchase transaction in conjunction with the relevant agreements;
- We ensured the correct application of acquisition accounting; and
- We examined the disclosures made in the financial report.

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2020, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Variscan Mines Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 September 2020



N G Neill
Partner