

# **Variscan Mines Limited**

ABN 16 003 254 395

## **HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2016**



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Your Directors submit their report on the Consolidated Entity (the Group) consisting of Variscan Mines Limited (Variscan or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

## Directors

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

<b>Patrick Elliott</b>	Non-Executive Chairman
<b>Greg Jones</b>	Managing Director
<b>Kwan Chee Seng</b>	Non-Executive Director
<b>Dr Foo Fatt Kah</b>	Non-Executive Director
<b>Dr Jack Testard</b>	Executive Director
<b>Mike Moore</b>	Non-Executive Director

## Review and results of operations

The net result of operations after applicable income tax expense for the half-year was a Group loss of \$691,917 (2015: loss of \$731,677), which includes the write-off of exploration and business development expenditure in the current half-year of \$8,974 (2015: \$10,947).

## Exploration

### COUFLENS TUNGSTEN PROJECT

On 25 October 2016 Variscan announced that its wholly owned European subsidiary Variscan Mines SAS had been granted its seventh exploration licence within France. The Couflens licence, located in the Pyrenees region, covers an area of 42km<sup>2</sup> centred on the Salau tungsten-copper-gold mine. Prior to its closure in 1986, Salau was one of the highest grade tungsten mines in the world, with an average recorded Life of Mine production grade of approximately 1.5% WO<sub>3</sub>.

#### Salau mine

The Salau scheelite skarn tungsten deposit is located 130 km south of Toulouse, within the Pyrenees region near the border with Spain.

The deposit was discovered in 1964 by the BRGM (Bureau de Recherches Géologiques et Minières). Les Mines d'Anglade (LMA) operated the mine from April 1971 to November 1986 which is reported to have produced 0.93 million tonnes of ore at an average grade of 1.5% WO<sub>3</sub> to yield approximately 11,500 tonnes of WO<sub>3</sub> in concentrate. Notwithstanding the

existence of remaining resources, the discovery of promising mineralised zones elsewhere (Fonteilles et al., 1989) and the much higher grade production from the last years of production (up to 2.48% WO<sub>3</sub>), the precipitous fall in the tungsten price caused by Chinese dumping in 1986 led to mine closure.

## Geology

Salau is a tungsten-bearing (primarily scheelite) skarn deposit developed at the contact between Devonian pelites and calcareous sediments and a Hercynian-aged granodiorite stock. Salau consists of two known mineralised systems, the 'Bois d'Anglade' embayment (North Formation, Gulf South Formation, Column and SC ore zones) and 'Veronique'. Bois d'Anglade was discovered first and provided the bulk of the early production. Veronique, 300 metres to the west, was discovered in 1975 and provided higher grade tungsten production (average 1.9% WO<sub>3</sub>), including gold-rich material (not recovered in milling) towards the end of the mine life. In limited sampling this material graded around 10g/t gold in the lower section of the Veronique Southeast zone (Fonteilles et al, 1989).

Mineralisation at Salau is complex and appears controlled mainly by irregularities in the intrusive contact and by faulting. In a general sense Salau can be compared to the Mactung and Cantung skarn deposits of the Yukon, USA. These large tonnage, high grade systems, (e.g. Mactung, 44.8 Mt at 0.85% WO<sub>3</sub> - Narciso H. et al, 2009) are skarn deposits formed by multistage granodiorite intrusions into calcareous sequences, similar to Salau.

## Exploration targets and upside

Previous underground drilling by the former mine owners recorded a number of high grade tungsten-bearing skarn intersections below the 1230 metre level access adit, the down-plunge continuation of the Veronique ore system. This enabled a non-JORC resource to be calculated by LMA with a similar tungsten grade to that derived from mining in the upper levels of Veronique. The system remains open at depth and is believed to contain substantial gold credits as stated in Fonteilles et al, 1989.

Potential also remains around the other previously mined areas (Veronique and Bois d'Anglade systems) where remnant zones of tungsten-bearing material appear present.

In addition, unexplored discoveries documented by LMA occur at "Ouer d'Aigle" and "Christine", plus a number of other scheelite skarn occurrences at the surface on the flanks of the granodiorite.



## Exploration plan

The initial exploration work for Salau includes -

- Acquisition and electronic conversion of available mine and exploration data
- Initial access and, where necessary, rehabilitation of previously developed mine areas
- Mapping and sampling of mineralisation
- Generation of robust 3D model of the geology, ore zones and principal controls on mineralisation
- Possible underground development in upper mine area to establish underground drill platforms
- Underground drilling to confirm resource blocks and extend mineralisation
- Generation of a Mineral Resource to 2012 JORC reporting standards

Commencement of an incline to provide access below the base of the mine and remaining resource and to allow more extensive drill testing of the down plunge position of the Veronique system and parallel structural positions

Work will focus on defining sufficient high grade tungsten mineralisation to justify commencement of mine feasibility studies, as well as testing the gold potential within and adjacent Salau.

## Joint Venture structure

To fund the exploration and initial underground development of the mine area to prove up sufficient mineral resource to justify mine feasibility studies, Variscan has entered into a joint venture with Ariege Tungsten SAS, an EU registered company. Ariege will fulfil its joint venture minimum spend requirement through the expenditure of €2.5 million (over a maximum of 3 years). Variscan will then be free-carried at 20% until the completion of a DFS or the total expenditure of €25 million (~\$AUD36 million), whichever is the earlier.

## ST PIERRE GOLD PROJECT

During 2014/2015 exploration within the licence including rock chip/float and soil sampling and analysis of historic mine and exploration work generated two key targets for follow up drilling. These were the Ville Tirard and Belleville prospects to the west and south of the of the La Bellière gold mine, believed to be France's third largest gold mine, recorded to have produced 334,000 ounces of gold until 1952.

At Belleville, previous exploration has defined a 900 x 400 metre zone of strongly anomalous gold values up to 2.4g/t gold in soils displaying a similar gross orientation to the gold bearing shear structure at the La

Bellière mine (ASX announcement 2 June 2015 and September 2015 Quarterly). Two traverses of 16 inclined, 60 metre deep RC holes (for around 1,000 metres) are planned to test the anomaly across the interpreted east-north-east striking shear zone.

At Ville Tirard, two shallow core holes will test an area where old drilling (1952) at the western end of the main gold field is recorded to have intersected broad zones (estimated >15-20 metres true width) of gold mineralisation with individual assays between 0.5 to 33g/t gold, averaging in the range of 3-4g/t Au. Given the age of the drilling, the precise position of the collars is uncertain, so Variscan plans to drill two shallow inclined core holes, each to about 150 metres, to cross the projected position of the shear and to attempt to intersect the mineralisation.

On 13 February 2017 Variscan announced that drilling had commenced.

## MERLÉAC PROJECT

### Porte-aux-Moines

As announced to the ASX on 20 June 2016, Variscan has completed geological modelling and a Mineral Resource estimate for PAM to JORC 2012 reporting standards.

The Mineral Resource is 2.2 million tonnes grading 6.0% zinc, 1.3% lead, 0.8% copper, 80.6 g/t silver and 0.9 g/t gold which places the deposit within the first grade quartile for zinc-rich deposits worldwide, indicating good potential for economic extraction provided sufficient tonnage can be defined.

Modelling work by Variscan indicates that approximately 3.5-4.0 million tonnes of resource will be required to justify initiation of mine feasibility studies. Growing the size and enhancing the classification levels of the current 2.2 million tonne resource base to a level sufficient to allow the company to move into feasibility studies is a key priority.

Further drilling is required to confirm the geological interpretation, increase the tonnage of Indicated Mineral Resource and provide additional samples for confirmatory density measurements and gold assays. In the short term, deeper drilling (three holes totalling approximately 1000 metres) is planned to test the thickened Main Zone and deeper parts of the HW1 zone, once local approvals are gained and the drill rig mobilised from St Pierre.

### Competent Persons Statements

*The information in this report that relates to all Exploration Results, and the Geology, Data, Mineralisation Interpretation and Wireframes of the Porte-aux-Moines Mineral Resource estimate, is based on information compiled by Greg Jones,*



BSc who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director of Variscan Mines Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Block Modelling and Mineral Resource estimate at the Porte-aux-Moines VMS deposit is based on information compiled by Michael Job, BSc and MSc, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Job is a Senior Principal Consultant at QG Australia Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Job consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2016 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:

- 12,500,000 listed options were issued in February 2017, exercisable at \$0.015 cents each and expiring 4 May 2017 as per the announcement made to ASX on 9 February 2017
- Apollo Minerals Limited has acquired Ariege Tungstene SAS, the company in joint venture over the Coufflens exploration licence in France. Under the JV, Apollo will earn an 80% interest with Variscan free-carried at 20% until a DFS is completed or total expenditure of \$A35 million is reached as per the announcement made to ASX on 14 March 2017
- The Company will raise an additional \$1.4 million to fund exploration activities through the early exercise of options held by Directors to raise \$0.9 million and a Share Placement to raise \$0.5 million as per the announcement made to ASX on 14 March 2017.

## Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed at Sydney this 16<sup>th</sup> day of March 2017 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Greg Jones'.

**Greg Jones**  
Managing Director



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Revenue and other income</b>	4	97,917	1,352,078
ASX and ASIC fees		(27,360)	(51,092)
Auditors' remuneration		(9,885)	(7,748)
Contract administration services		(54,944)	(62,512)
Depreciation expense		(59,324)	(42,871)
Directors' fees		(77,514)	(74,762)
Exploration and business development expenditure		(8,974)	(10,947)
Impairment of investment		-	(155,777)
Insurance		(13,476)	(23,058)
Marketing and media costs		(69,436)	(40,823)
Motor vehicle running costs		(23,793)	(34,028)
Operating lease rental expense		(50,627)	(58,220)
Operating costs of subsidiary		(22,463)	(12,758)
Employee costs net of on-costs recharged to exploration projects		(541,609)	(570,350)
Share of net losses of associate accounted for by the equity method		-	(89,607)
Share-based compensation		-	(123,255)
Travel and accommodation		(39,762)	(54,836)
Other expenses from ordinary activities		(152,597)	(145,810)
<b>(Loss) before income tax expense</b>		<b>(1,053,847)</b>	<b>(206,376)</b>
Income tax benefit/(expense)		361,930	(525,301)
<b>(Loss) after income tax expense</b>		<b>(691,917)</b>	<b>(731,677)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Net fair value gains on available-for-sale financial assets		967,092	-
Exchange differences on transaction of foreign operations		(98,566)	50,670
Amounts transferred from reserves to the income statement on sale		-	(141,000)
Income tax (expense)/benefit on items of other comprehensive income		(290,128)	42,300
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>578,398</b>	<b>(48,030)</b>
<b>Total comprehensive (loss) for the period</b>		<b>(113,519)</b>	<b>(779,707)</b>
<b>Earnings per share</b>			
Basic (loss) per share (cents per share)	11	(0.13)	(0.23)
Diluted (loss) per share (cents per share)	11	(0.13)	(0.23)

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



# Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	669,957	2,452,774
Receivables	6	661,493	596,161
<b>Total current assets</b>		<b>1,331,450</b>	<b>3,048,935</b>
<b>Non-current assets</b>			
Investments – available for sale	7	2,454,328	1,487,237
Receivables	6	26,961	26,813
Property, plant and equipment		141,460	200,408
Deferred exploration and evaluation expenditure	8	4,426,409	3,973,293
Deferred tax asset		482,951	411,149
<b>Total non-current assets</b>		<b>7,532,109</b>	<b>6,098,900</b>
<b>Total assets</b>		<b>8,863,559</b>	<b>9,147,835</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		284,317	454,325
Provisions		130,600	135,962
<b>Total current liabilities</b>		<b>414,917</b>	<b>590,287</b>
<b>Non-current liabilities</b>			
Provisions		60,839	56,226
<b>Total non-current liabilities</b>		<b>60,839</b>	<b>56,226</b>
<b>Total liabilities</b>		<b>475,756</b>	<b>646,513</b>
<b>Net assets</b>		<b>8,387,803</b>	<b>8,501,322</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	9	20,294,953	20,294,953
Reserves	10	1,301,597	723,199
Accumulated losses		(13,208,747)	(12,516,830)
<b>Total equity</b>		<b>8,387,803</b>	<b>8,501,322</b>

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



# Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
<b>At 1 July 2015</b>	16,413,561	(11,683,107)	1,056,991	5,787,445
(Loss) for the period	-	(731,677)	-	(731,677)
Other comprehensive loss	-	-	(48,030)	(48,030)
<b>Total comprehensive loss for the period</b>	-	(731,677)	(48,030)	(779,707)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital (net of share issue costs)	1,529,208	-	-	1,529,208
Transfer expired options to Retained Earnings	-	526,835	(526,835)	-
Share-based payments	-	-	123,255	123,255
<b>At 31 December 2015</b>	17,942,769	(11,887,949)	605,381	6,660,201

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
<b>At 1 July 2016</b>	20,294,953	(12,516,830)	723,199	8,501,322
(Loss) for the period	-	(691,917)	-	(691,917)
Other comprehensive loss	-	-	578,398	578,398
<b>Total comprehensive loss for the period</b>	-	(691,917)	578,398	(113,519)
<b>Transactions with owners in their capacity as owners:</b>				
<b>At 31 December 2016</b>	20,294,953	(13,208,747)	1,301,597	8,387,803

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



# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Cash flows from operating activities</b>			
Payment to suppliers and employees		(1,250,997)	(1,205,794)
Consultancy fees received and rental income		88,318	107,545
Interest received		13,109	9,229
<b>Net cash flows used in operating activities</b>		<b>(1,149,570)</b>	<b>(1,089,020)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(5,833)	(62,151)
Exploration and business development expenditure		(559,097)	(792,318)
Purchase of equity investments		-	(5,000)
Sale of equity investments		-	105,502
<b>Net cash flows used in investing activities</b>		<b>(564,930)</b>	<b>(753,967)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		-	1,595,000
Share issue costs		(78,397)	(81,000)
<b>Net cash flows (used in)/from financing activities</b>		<b>(78,397)</b>	<b>1,514,000</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,792,897)</b>	<b>(328,987)</b>
Cash and cash equivalents at beginning of period		2,452,774	1,714,414
Net foreign exchange differences		10,080	3,520
<b>Cash and cash equivalents at end of period</b>	5	<b>669,957</b>	<b>1,388,947</b>

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



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

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## 1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 16<sup>th</sup> March 2017. Variscan Mines Limited (the parent) is a company incorporated in Australia as a Public company. Variscan shares are publicly traded on the Australia Securities Exchange under ASX Code VAR.

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

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

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

The half-year financial report should be read in conjunction with the annual Financial Report of Variscan for the year ended 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by Variscan during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### Basis of Preparation

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

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

### Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016.

### Basis of Consolidation

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

### Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Directors believe that the Group will have sufficient working capital to meet its minimum project development and administrative expenses in the next twelve months following the date of signing of the financial report. The Directors are investigating options to raise additional funds to allow the Group to pursue its project opportunities and reduce its working capital requirements with the intent that the consolidated group continues as a going concern.

If all of these options are unsuccessful, this may indicate there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

## 3. Segment information

The operating segments identified by management are as follows:

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

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

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

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

Regarding the Investing segment, the Chief Operating Decision Maker reviews the value of investments and derivatives held in other exploration companies. The changes in the value of investments and derivatives are disclosed in Note 7 of the half-year financial report. Segment revenues are disclosed in the statement of comprehensive income as Net fair value gains on available-for-sale Financial Assets.

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

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

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

## 4. Revenue and other income

	31 Dec 2016 \$	31 Dec 2015 \$
<b>Revenue</b>		
Interest received – other persons/corporations	11,329	5,546
Rental income	31,590	33,390
Consulting fees	54,998	71,960
<b>Other Income</b>		
Impairment recovery of investments	-	141,000
Gain on deemed disposal relating to an associate	-	900,000
Gain on associate investments	-	195,322
Profit on sale of available for sale investments	-	4,500
Unrealised gain on foreign currency	-	360
	<b>97,917</b>	<b>1,352,078</b>



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

## 5. Cash and cash equivalents

	31 Dec 2016 \$	30 Jun 2016 \$
Cash at bank and in hand	569,813	231,424
Short-term deposits	100,144	2,221,350
	<b>669,957</b>	<b>2,452,774</b>

## 6. Receivables

	31 Dec 2016 \$	30 Jun 2016 \$
<b>Current</b>		
Trade debtors	37,570	15,866
R&D tax concession and other tax refunds	423,510	443,559
GST and VAT receivable	54,803	58,317
Interest receivable	44	1,822
Prepayments	145,523	71,596
Other debtors	43	5,001
<b>Total current receivables</b>	<b>661,493</b>	<b>596,161</b>
<b>Non-current</b>		
Rental bonds	26,961	26,813

## 7. Investments – available for sale

	31 Dec 2016 \$	30 Jun 2016 \$
Investments – EFE	(a) 898,571	475,714
Investments – SCI	(b) 198,257	341,823
Investments – TMZ	(c) 1,357,500	669,700
	<b>2,454,328</b>	<b>1,487,237</b>

- (a) The market value on ASX of the Group's 52,857,142 shares in Eastern Iron Limited (EFE) at 31 December 2016 was \$898,571 (\$0.017 per share) and on 7 March 2017 it was \$740,000 (\$0.014 per share).
- (b) The market value on ASX of the Group's 6,836,449 shares in Silver City Minerals Limited (SCI) at 31 December 2016 was \$198,257 (\$0.029 per share) and on 7 March 2017 was \$170,911 (\$0.025 per share).
- (c) The market value on ASX of the Group's 18,100,000 shares in Thomson Resources Limited (TMZ) at 31 December 2016 was \$1,357,500 (\$0.075 per share) and on 7 March 2017 it was \$905,000 (\$0.05 per share).



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

## 8. Deferred exploration and evaluation expenditure

	31 Dec 2016 \$	30 Jun 2016 \$
Costs brought forward	3,973,293	2,272,301
Expenditure incurred during the period	462,090	1,732,837
Expenditure written off during the period	(8,974)	(31,845)
Costs carried forward	4,426,409	3,973,293

In accordance with Note 2, the Directors write off exploration expenditure where they assess that the asset is impaired. Exploration expenditure is written off either by a reassessment by the Group that has reduced the interpreted potential of the licence for mineral deposits and/or a joint venture partner has withdrawn from a project.

## 9. Contributed equity

	31 Dec 2016 \$	30 Jun 2016 \$
<b>Share capital</b>		
518,922,788 ordinary shares fully paid (30 June 2016: 518,922,788) (a)	19,754,457	19,754,457
<b>Option issue consideration</b>		
129,849,228 (30 June 2016: 129,849,228) listed options on issue	1,059,096	1,059,096
29,347,830 (30 June 2016: 29,347,830) unlisted options on issue	75,408	75,408
<b>Share issue costs</b>	(594,008)	(594,008)
	20,294,953	20,294,953

	Number	\$
<b>(a) Movements in ordinary shares on issue</b>		
<b>At 31 December 2015</b>	375,749,632	17,241,422
Shares issued (i)	324,675	7,500
Shares issued (ii)	-	(75,408)
Shares issued (iii)	55,555,556	1,000,000
Shares issued (iv)	805,910	12,089
Shares issued (v)	-	12,089
Shares issued (vi)	86,487,015	1,556,765
<b>At 30 June 2016</b>	518,922,788	19,754,457
Shares issued	-	-
<b>At 31 December 2016</b>	518,922,788	19,754,457

- (i) The Company issued 324,675 shares at \$0.0231 per share in January 2016 in a placement.
- (ii) Transfer value of 29,347,830 unlisted options issued in January 2016 from share capital to options issue consideration account. The options were granted as part of a placement in December 2015.
- (iii) The Company issued 55,555,556 shares at \$0.018 per share in May 2016 in a placement.
- (iv) A total of 805,910 shares were issued on exercise of \$0.015 listed options. The options were granted under a pro-rata renounceable Entitlement Offer in May 2015.
- (v) Transfer of the value of the options exercised in (iv) from the options issue consideration reserve to share capital.
- (vi) The Company issued 86,487,015 shares at \$0.018 per share in June 2016 under a pro-rata renounceable Entitlement Offer.



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

## 10. Reserves

		31 Dec 2016 \$	30 Jun 2016 \$
Share-based compensation reserve	(a)	265,670	265,670
Investment revaluation reserve	(b)	820,529	143,565
Foreign currency translation reserve	(c)	215,398	313,964
		<b>1,301,597</b>	<b>723,199</b>

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

	31 Dec 2016 \$	30 Jun 2016 \$
Balance at beginning of period	265,670	669,250
Share-based payment	-	123,255
Transfer expired options to Retained Earnings	-	(526,835)
Balance at end of period	<b>265,670</b>	<b>265,670</b>

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

	31 Dec 2016 \$	30 Jun 2016 \$
Balance at beginning of period	143,565	98,700
Change in fair value of investments available for sale	676,964	143,565
Investment revaluation reserve adjustment on sale of investments	-	(98,700)
Balance at end of period	<b>820,529</b>	<b>143,565</b>

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

## 11. Loss per share

	31 Dec 2016 \$	31 Dec 2015 \$
Net (loss) used in calculating basic and diluted gain per share	(691,917)	(731,677)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<b>Number</b> 518,922,788	<b>Number</b> 316,154,646
Basic (loss) per share	<b>Cents per share</b> (0.13)	<b>Cents per share</b> (0.23)
Diluted (loss) per share	(0.13)	(0.23)

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2015: nil) relating to share options issued. There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for all of the periods presented.

Conversion, call, subscription or issue after 31 December 2016: Since the end of the financial half-year there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.



# Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

## 12. 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	
		31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
Bluestone 23 Pty Ltd	Australia	100	100	5,000	5,000
Variscan Mine SAS	France	100	100	2,461,379	2,461,379
Platsearch Australia Pty Ltd	Australia	100	100	5	5

### Transactions with Directors

The Company has an agreement with Luminor Capital Pte Ltd which is entitled to a cash fee of 6% of equity funds raised by Luminor Capital and other parties. Mr Kwan and Dr Foo, Directors of Variscan, have an interest in and are directors of Luminor Capital. No fees have been paid to date.

Variscan Mines SAS signed an agreement in January 2013 with E-Mines of which Michel Bonnemaïson is a Director. The agreement is for E-Mines to provide geological services, sample preparation and analytical services to Variscan Mines SAS. A total of \$109,273 was paid to E-Mines during the period ended 31 December 2016 (31 December 2015: \$254,013).

Services provided by Directors and Key Management Personnel related entities were under normal commercial terms and conditions. There are no long term service agreements and hence no liabilities will arise from termination of such agreements. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

## 13. Significant events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2016 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:

- 12,500,000 listed options were issued in February 2017, exercisable at \$0.015 cents each and expiring 4 May 2017 as per the announcement made to ASX on 9 February 2017
- Apollo Minerals Limited has acquired Ariege Tungstene SAS, the company in joint venture over the Couflens exploration licence in France. Under the JV, Apollo will earn an 80% interest with Variscan free-carried at 20% until a DFS is completed or total expenditure of \$A35 million is reached as per the announcement made to ASX on 14 March 2017
- The Company will raise an additional \$1.4 million to fund exploration activities through the early exercise of options held by Directors to raise \$0.9 million and a Share Placement to raise \$0.5 million as per the announcement made to ASX on 14 March 2017.

# Directors' Declaration



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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (ii) Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Greg Jones'.

**Greg Jones**  
Managing Director

Sydney, 16<sup>th</sup> March 2017



Accountants | Business and Financial Advisers

**VARISCAN MINES LIMITED**

**ABN 16 003 254 395**

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Variscan Mines Limited

We have reviewed the accompanying half-year financial report of Variscan Mines Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration for the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year

### **Directors' Responsibility for the Half-Year Financial Report**

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

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

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

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

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VARISCAN MINES LIMITED

ABN 16 003 254 395

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Going Concern

Without modifying our opinion, we draw attention to the information on Going Concern included in Note 2 to the financial report, which indicates that the consolidated entity's ability to continue as a going concern is dependent on it generating further equity funding. This condition, along with other matters as set forth in this note, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB Mann Judd  
Chartered Accountants

A handwritten signature in black ink that reads 'D K Swindells'.

D K Swindells  
Partner

Sydney, NSW  
16 March 2017



# Auditor's Independence Declaration



Accountants | Business and Financial Advisers

## VARISCAN MINES LIMITED

ABN 16 003 254 395

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Variscan Mines Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

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

**D K Swindells**  
Partner

**Sydney, NSW**  
**16 March 2017**

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

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## Variscan Mines Limited

ABN 16 003 254 395

### Directors

Patrick Elliott	Non-Executive Chairman
Greg Jones	Managing Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Mike Moore	Non-Executive Director
Dr Jack Testard	Executive Director

### Company Secretary

Ivo Polovineo

### Registered and Administration Office

Level 1, 80 Chandos Street  
St Leonards, NSW 2065  
PO Box 956, Crows Nest  
NSW 1585 Australia

Telephone: +61 2 9906 5220  
Facsimile: +61 2 9906 5233  
E-mail: [info@variscan.com.au](mailto:info@variscan.com.au)  
Website: [www.variscan.com.au](http://www.variscan.com.au)

### Share Register

Boardroom Pty Limited  
GPO Box 3993  
Sydney, NSW 2001

Telephone: +61 2 9290 9600  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Auditors

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

### Stock Exchange

Listed on the Australian Securities Exchange  
ASX Code: VAR

### Share Capital

At 31 December 2016, there were 518,922,788 fully paid ordinary shares, 129,849,228 listed options and 57,447,830 unlisted options on issue.