

Variscan Mines Limited

ABN 16 003 254 395

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2015



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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 2015.

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.

Patrick Elliott	Non-Executive Chairman
Greg Jones	Managing Director
Kwan Chee Seng	Non-Executive Director
Dr Foo Fatt Kah	Non-Executive Director
Dr Jack Testard	Executive Director
Mike Moore	Non-Executive Director (appointed 4 August 2015)

Review and results of operations

The net result of operations after applicable income tax expense for the half year was a Group loss of \$731,677 (2014: loss of \$2,685,380), which includes the write-off of exploration and business development expenditure in the current half year of \$10,947 (2014: \$145,682).

Exploration

France

Variscan is one of the most active ASX listed junior resource companies in western Europe. The Company has targeted Europe for mineral deposits due to its favourable geology, strong mineral endowment, good infrastructure and relatively modest sovereign risk.

Variscan commenced activities in France in 2010 and was granted its first French exploration licence (PER) in June 2013. To date the Company has received approvals for six licences and has two others well advanced within the approvals process.

Merléac

The Merléac PER covers 411 square kilometres over the Châteaulin Basin, a sequence of felsic volcanics and clastic sedimentary rocks containing a number of volcanogenic massive sulphide (VMS) deposits including the advanced Porte-aux-Moines zinc-lead-copper-silver deposit which lies near the centre of the licence about 100 kilometres west of Rennes, Brittany.

Porte-aux-Moines was discovered by the BRGM (Bureau de Recherches Géologiques et Minières - the French geological survey) in 1975. Over the ensuing decade the group completed 9,673 metres of core drilling and just under two kilometres of underground development defining significant high grade zinc-lead-copper-silver mineralisation up to 20 metres thick from near surface to a depth of about 300 metres.

Over the last six months Variscan has -

- Received further high grade zinc results from ALS assays of historical drill core at the Porte-aux-Moines including -
 - PAM16 - 19.5 metres @ 6.5% zinc, 1.0% lead, 1.3% copper, 94.5 g/t silver, 1.0 g/t gold from 301.5 metres (zinc equivalence of 15.3% Zn Eq),
including 6.5 metres @ 9.3% zinc, 1.9% lead, 1.5% copper, 142.9 g/t silver, 1.4 g/t gold from 304.5 metres (21.4% Zn Eq)
 - PAM8 - 3.0 metres @ 17.2% zinc, 3.7% lead, 1.53% copper, 159.3 g/t silver, 1.9 g/t gold from 237 metres (32.2% Zn Eq)
- Successfully completed a VTEM survey and modeling work over southern section of Merléac which identified 14 'Tier 1' high priority targets with some exhibiting similar geophysical characteristics to Porte-aux-Moines. The Porte-aux-Moines VTEM anomaly extends for approximately 400 metres, potentially increasing strike length of currently defined high grade mineralisation.
- Commenced work converting the large amount of historic data for Porte-aux-Moines to electronic formats in preparation for the calculation of a Resource to 2012 JORC standards. Assays for 56 out of 58 historical holes drilled into deposit have been received. A significant number of intersections at >15% Zn Eq are present with an individual assay intervals up to 50.3% Zn equivalent present.

St Pierre

The St Pierre PER covers 386 square kilometres over an important gold district believed to have been the third largest gold producer in France. Within the PER, the La Bellière gold mine is recorded to have produced about 334,000 ounces of gold (plus silver) from 1906 to 1952, up to a maximum depth of 170 metres intermittently over a strike length of about 1.6 kilometres.



St Pierre (continued)

Recent field work by Variscan has included further extensional sampling around the Belleville prospect south of the St Pierre township. This work continues to provide strong encouragement. Former work by Variscan defined an 800 x 500 metre zone of strongly anomalous values up to 809 ppb gold (0.81g/t gold) (see ASX announcement dated 2 June 2015). The new work has extended this anomaly approximately 100 metres to the west and recorded higher grade gold-in-soil values up to 2.4g/t gold (or 2420ppb gold) within the main area of anomalism, clearly highlighting the strength of the prospect. Planning for follow-up drilling is in progress.

New Licences

Two additional high quality exploration licences granted during the review period, Silfiac (lead-zinc-germanium) and Loc Envel (tungsten). Both licences contain advanced projects with potential for high grade discoveries. Assessment work and data retrieval has commenced.

Corporate

The Company successfully completed a share placement and share purchase plan, with A\$1.55 million raised (before costs). The Placement was underpinned by a cornerstone investment by Acorn Capital Limited, one of Australia's most successful institutional investors into the resource sector.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Greg Jones, BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a Director and full-time employee of Variscan Mines Limited 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 Jones 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 2015 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:

- Pursuant to the Placement of Shares announced on 25 November 2015 the Placement entitled the subscribers to one unlisted option (exercisable at \$0.05 per share with an expiry date of 29 January 2018) for every two shares issued. On 29 January 2016 the issue of options was approved at the Company's EGM and 29,347,830 unlisted options were issued under these terms.

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 16.

Signed at Sydney this 14th day of March 2016 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 Comprehensive Income

For the half year ended 31 December 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
Revenue and other income	4	1,352,078	169,604
ASX and ASIC fees		(51,092)	(19,424)
Contract administration services		(62,512)	(59,839)
Depreciation expense		(42,871)	(31,566)
Directors' fees		(74,762)	(77,512)
Exploration and business development expenditure		(10,947)	(145,862)
Impairment of investment		(155,777)	(955,070)
Insurance		(23,058)	(27,059)
Loss on options		-	(955)
Marketing and media costs		(40,823)	(307)
Motor vehicle running costs		(34,028)	(31,247)
Operating lease rental expense		(58,220)	(59,537)
Employee costs net of on-costs recharged to exploration projects		(570,350)	(576,473)
Share of net losses of associate accounted for by the equity method		(89,607)	(103,123)
Share-based compensation		(123,255)	(142,415)
Travel and accommodation		(54,836)	(49,558)
Other expenses from ordinary activities		(166,316)	(41,693)
(Loss) before income tax expense		(206,376)	(2,152,036)
Income tax (expense)		(525,301)	(533,344)
(Loss) after income tax expense		(731,677)	(2,685,380)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Amounts transferred from reserves to the income statement on sale		(141,000)	(46,835)
Income tax on items of other comprehensive income		42,300	14,051
Other comprehensive (loss) for the period, net of tax		(98,700)	(32,784)
Total comprehensive (loss) for the period		(830,377)	(2,718,164)
Earnings per share			
Basic (loss) per share (cents per share)	12	(0.23)	(1.53)
Diluted (loss) per share (cents per share)	12	(0.23)	(1.53)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 Dec 2015 \$	30 Jun 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,388,947	1,714,414
Receivables	6	280,295	321,619
Total current assets		1,669,242	2,036,033
Non-current assets			
Investments – available for sale	7	1,126,623	478,729
Investment in associates	8	792,857	687,143
Receivables	6	24,171	23,740
Property, plant and equipment		258,259	232,272
Deferred exploration and evaluation expenditure	9	2,995,858	2,272,301
Deferred tax asset		277,244	732,050
Total non-current assets		5,475,012	4,426,235
Total assets		7,144,254	6,462,268
LIABILITIES			
Current liabilities			
Trade and other payables		312,095	499,340
Provisions		117,449	125,392
Total current liabilities		429,544	624,732
Non-current liabilities			
Provisions		54,509	50,091
Total non-current liabilities		54,509	50,091
Total liabilities		484,053	674,823
Net assets		6,660,201	5,787,445
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	10	17,942,769	16,413,561
Reserves	11	605,381	1,056,991
Accumulated losses		(11,887,949)	(11,683,107)
Total equity		6,660,201	5,787,445

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 2015

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2014	14,526,115	(10,449,634)	3,547,839	7,624,320
(Loss) for the period	-	(2,685,380)	-	(2,685,380)
Other comprehensive loss	-	-	(32,784)	(32,784)
Total comprehensive loss for the period	-	(2,685,380)	(32,784)	(2,718,164)
Transactions with owners in their capacity as owners:				
Transfer expired options to Retained Earnings	-	696,042	(696,042)	-
Foreign currency	-	-	51,303	51,303
Share-based payments	-	-	142,415	142,415
At 31 December 2014	14,526,115	(12,438,972)	3,012,731	5,099,874

	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2015	16,413,561	(11,683,107)	1,056,991	5,787,445
(Loss) for the period	-	(731,677)	-	(731,677)
Other comprehensive loss	-	-	(98,700)	(98,700)
Total comprehensive loss for the period	-	(731,677)	(98,700)	(830,377)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	10 1,529,208	-	-	1,529,208
Transfer expired options to Retained Earnings	11 -	526,835	(526,835)	-
Foreign currency	11 -	-	50,670	50,670
Share-based payments	11 -	-	123,255	123,255
At 31 December 2015	17,942,769	(11,887,949)	605,381	6,660,201

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 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
Cash flows from operating activities			
Payment to suppliers and employees		(1,205,794)	(1,221,578)
Consultancy fees received and rental income		107,545	153,037
Interest received		9,229	41,767
Net cash flows (used in) operating activities		(1,089,020)	(1,026,774)
Cash flows from investing activities			
Purchase of plant and equipment		(62,151)	(52,725)
Exploration and business development expenditure		(792,318)	(576,894)
Tenement security deposit refunds/(payments) and other		-	19,668
Purchase of equity investments		(5,000)	-
Sale of equity investments		105,502	-
Net cash flows (used in) investing activities		(753,967)	(609,951)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,595,000	-
Share issue costs		(81,000)	-
Net cash flows from financing activities		1,514,000	-
Net (decrease) in cash and cash equivalents		(328,987)	(1,636,725)
Cash and cash equivalents at beginning of period		1,714,414	2,408,993
Net foreign exchange differences		3,520	19,003
Cash and cash equivalents at end of period	5	1,388,947	791,271

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 2015

1. Corporate information

The financial report of Variscan Mines Limited (Variscan or the Company) for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 14th March 2016. 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 as at 30 June 2015.

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 2015 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 2015.

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 entity successfully raised \$1.6 million of capital during the period and 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.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

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 9 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 9.

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 Notes 7 and 8 of the half year financial report. Segment revenues are disclosed in the statement of comprehensive income as ‘Gain/(loss) on options’.

Financial information about each of these tenements is reported to the Managing Director on an ongoing basis. Corporate office activities are not allocated to operating segments as they are not considered part of the core operations of any segment and comprise of 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 2015 \$	31 Dec 2014 \$
Revenue		
Interest received – other persons/corporations	5,546	21,735
Rental income	33,390	36,420
Consulting fees	71,960	111,449
Other Income		
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	-
	1,352,078	169,604

5. Cash and cash equivalents

	31 Dec 2015 \$	30 Jun 2015 \$
Cash at bank and in hand	1,388,947	332,574
Short-term deposits	-	1,381,840
	1,388,947	1,714,414



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

6. Receivables

	31 Dec 2015 \$	30 Jun 2015 \$
Current		
R&D tax concession and other tax refunds	200,175	195,226
GST receivable	33,851	35,511
Interest receivable	443	4,126
Prepayments	27,077	64,658
Other debtors	18,749	22,098
Total current receivables	280,295	321,619
Non-current		
Rental bonds	24,171	23,740

7. Investments – available for sale

	31 Dec 2015 \$	30 Jun 2015 \$
Investments – TMZ	(a) 814,500	-
Investments – AGR	(b) 65,003	188,000
Investments – SCI	(c) 247,120	290,729
	1,126,623	478,729

- (a) On 24 November 2015 the Group's shareholding in Thomson Resources Limited (TMZ) decreased to 19.82%. As of this date the investment was accounted for as an available for sale investment (see Note 8). The market value on ASX of Variscan's 18,100,000 shares in Thomson Resources Limited (TMZ) at 31 December 2015 was \$814,500 (\$0.045 per share) and on 4 March 2016 it was \$724,000 (\$0.04 per share).
- (b) During the period the Group sold 633,308 shares in Aguia Resources Limited (AGR). The market value on ASX of the Group's remaining 541,692 shares in AGR at 31 December 2015 was \$65,003 (\$0.12 per share) and on 4 March 2016 it was \$54,169 (\$0.10 per share).
- (c) The market value on ASX of the Group's 14,536,449 shares in Silver City Minerals Limited (SCI) at 31 December 2015 was \$247,120 (\$0.017 per share) and on 4 March 2016 was \$232,583 (\$0.016 per share).

8. Investment in associates

	31 Dec 2015 \$	30 Jun 2015 \$
Investment in TMZ - accounted for as an associate (until 24 November 2015)	-	-
Investment in EFE - accounted for as an associate	792,857	687,143
	792,857	687,143

The Group's interest in the above investments in associates has been brought to account as an investment in an equity accounted associate in accordance with Australian Accounting Standard AASB 128 Investments in Associates as the Directors consider that significant influence exists.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

8. Investment in associates (continued)

Thomson Resources Ltd (TMZ)

During the period the Group purchased an additional 100,000 shares in TMZ bringing the total shareholding to 18,100,000 shares. On 24 November 2015 the Group's shareholding decreased to 19.82% (30 June 2015: 21.39%). As of this date the investment was accounted for as an available for sale investment (see Note 7). As a result of the change in accounting treatment, an amount of \$900,000 was recognised in the statement of comprehensive income as a gain on disposal of an equity investment. As the investment was previously carried at nil, this amount represents the market value of the investment at the date it ceased to be equity accounted.

Eastern Iron Limited (EFE)

A gain of \$195,322 (30 June 2015: impairment adjustment of \$1,033,886) was made to reflect the fair value of the investment on ASX at 31 December 2015 of \$792,857. During the period, share of associate net losses totalled \$89,608 (30 June 2015: \$128,971). As at 31 December 2015 the Group holds a total of 52,857,142 shares in Eastern Iron representing a shareholding of 34.65%.

9. Deferred exploration and evaluation expenditure

	31 Dec 2015 \$	30 Jun 2015 \$
Costs brought forward	2,272,301	918,297
Expenditure incurred during the period	734,504	1,552,423
Expenditure written off during the period	(10,947)	(198,419)
Costs carried forward	2,995,858	2,272,301

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.

10. Contributed equity

	31 Dec 2015 \$	30 Jun 2015 \$
Share capital		
375,749,632 ordinary shares fully paid (30 June 2015 : 306,447,930) (a)	17,241,422	15,646,422
Option issue consideration		
130,655,138 (30 June 2015: 130,655,138) listed options on issue	1,071,184	1,071,184
Share issue costs	(369,837)	(304,045)
	17,942,769	16,413,561

	Number	\$
(a) Movements in ordinary shares on issue		
At 31 December 2014	175,737,592	14,756,951
Shares issued (i)	130,682,738	888,643
Shares issued (ii)	27,600	414
Transfer value from options issue consideration reserve (iii)	-	414
At 30 June 2015	306,447,930	15,646,422
Shares issued (iv)	58,695,652	1,350,000
Shares issued (v)	10,606,050	245,000
At 31 December 2015	375,749,632	17,241,422



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

10. Contributed equity (continued)

- (i) The Company issued 130,682,738 shares at \$0.015 per share in May 2015 under a pro-rata renounceable Entitlement Offer. The shares were issued with a one for one attaching listed option. These options were valued at a total of \$1,071,598 leaving a value of \$888,643 to be allocated to the share capital value.
- (ii) A total of 27,600 shares were issued on exercise of \$0.015 listed options. The options were granted as per the Entitlement Offer mentioned in (i) above.
- (iii) Transfer the value of the options exercised in (ii) from the options issue consideration reserve to share capital.
- (iv) The Company issued 58,695,652 shares at \$0.023 per share in December 2015 in a placement.
- (v) The Company issued 10,606,050 shares at \$0.0231 per share in December 2015 under a Share Purchase Plan announced on 25 November 2015.

11. Reserves

		31 Dec 2015 \$	30 Jun 2015 \$
Share-based compensation reserve	(a)	265,670	669,250
Investment revaluation reserve	(b)	-	98,700
Foreign currency translation reserve	(c)	339,711	289,041
		605,381	1,056,991

- (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 2015 \$	30 Jun 2015 \$
Balance at beginning of period	669,250	1,222,877
Share-based payment	123,255	142,415
Transfer expired options to Retained Earnings	(526,835)	(696,042)
Balance at end of period	265,670	669,250

- (b) The investment revaluation reserve arises in connection with the accounting for investments.
- (c) The foreign currency translation reserve arises from the translation of foreign currency subsidiaries.

12. Loss per share

	31 Dec 2015 \$	31 Dec 2014 \$
Net (loss) used in calculating basic and diluted gain per share	(731,677)	(2,685,380)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	316,154,646	175,737,592
	Cents per share	Cents per share
Basic (loss) per share	(0.23)	(1.53)
Diluted (loss) per share	(0.23)	(1.53)

The number of potential ordinary shares that are dilutive and included in determining diluted EPS are nil (2014: 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 2015: 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 2015

13. 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 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
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 \$254,013 was paid to E-Mines during the period ended 31 December 2015 (31 December 2014: \$219,039).

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.

Transactions with Associated Companies

During the half year the Company provided technical and administrative support services to its associated company Thomson Resources Limited (TMZ) and Eastern Iron Limited (EFE). On 24 November 2015 the Group's shareholding in TMZ decreased to 19.82% and as of this date the investment was accounted for as an available for sale investment.

Services provided to TMZ \$35,124 (2014: \$43,849) until 24 November 2015 consisted of payments received for consulting, use of office space and office services. Services provided to EFE \$11,472 (2014: \$49,761) consisted of payments received for consulting, use of office space and office services.

14. Significant events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2015 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:

- Pursuant to the Placement of Shares announced on 25 November 2015 the Placement entitled the subscribers to one unlisted option (exercisable at \$0.05 per share with an expiry date of 29 January 2018) for every two shares issued. On 29 January 2016 the issue of options was approved at the Company's EGM and 29,347,830 unlisted options were issued under these terms.

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 2015 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 consolidated entity 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, 14th March 2016



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 2015, the consolidated statement of 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 2015 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 2015 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 Going Concern Note included in Note 2 in the financial report, which indicates that the company'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 company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Handwritten signature of HLB Mann Judd in black ink.

HLB Mann Judd
Chartered Accountants

Handwritten signature of M D Muller in black ink.

M D Muller
Partner

Sydney, NSW
14 March 2016



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 2015, 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.

A handwritten signature in black ink, appearing to read 'M. Muller'.

M D Muller
Partner

Sydney, NSW
14 March 2016

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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
Website: www.variscan.com.au

Share Register

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

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

Auditors

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

Stock Exchange

Listed on the Australian Securities Exchange
ASX Code: VAR

Share Capital

At 31 December 2015, there were 375,749,632 fully paid ordinary shares and 158,755,138 options on issue.