16 March 2022

INTERIM FINANCIAL REPORT

Variscan Mines Limited ("**Variscan"** or the **"Company"**) encloses its interim financial report for the half-year ended 31 December 2021.

Yours faithfully

Mark Pitts

Company Secretary

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

Interim Financial Report

for the half-year ended

31 December 2021

Contents

Corporate Information

Corporate Information

Directors

Dr Foo Fatt Kah	*Non-executive Chairman*
Mr Stewart Dickson	*Managing Director & CEO*
Mr Michael Moore	*Non-executive Director*
Mr Nick Farr-Jones	*Non-executive Director*

Company secretary

Mr Mark Pitts

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Share register

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Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000
Australia
+61 8 9227 7500

Securities Exchange Listing

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

Directors' Report

Your Directors of Variscan Mines Limited (the "Company") submit the Interim Financial Report of the Group, being the Company and its controlled entities ("Variscan" or the "Group"), for the half year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Dr Foo Fatt Kah	Non-executive Chairman	
Mr Stewart Dickson	Managing Director & CEO	
Mr Michael Moore	Non-executive Director	
Mr Nicholas (Nick) Farr-Jones	Non-executive Director	Appointed 1 July 2021

Review of operations

Spain – Novales-Udias Zinc Project

Project summary and strategy

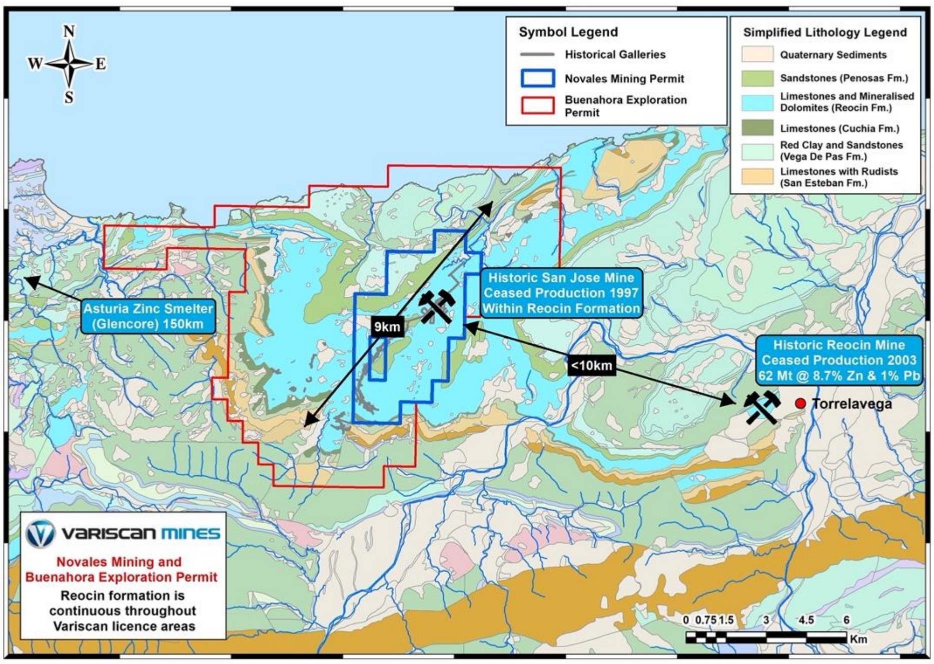
The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km southwest from the regional capital, Santander. The project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include a number of satellite underground and surface workings and areas of zinc anomalism identified from recent and historic geochemical surveys.

Variscan has a clear strategy to execute the two-fold opportunity that the Novales-Udias project presents, namely to seek near-term zinc production opportunities at the San Jose–Novales Mine and define a regionally significant mineral resource similar in size and grade to the former producing and proximal Reocín Mine.

The Group continued to make excellent progress at the San Jose Mine during the half-year, with strong results giving the Group the confidence to expand its drilling programme. In addition, a 3-year extension of the Buenahora Exploration Licence was secured shortly after the end of the financial period (refer ASX Announcement 1 March 2022).

Variscan remains ideally placed to move into the development phase and take advantage of the favourable market dynamics and outlook for zinc, which was recently classified as a critical metal by the US Government.

Figure 1: Novales-Udias Project Opportunities



Directors’ Report

New Drilling Targets at San Jose

At the start of the half-year, new drilling targets for inclusion in the next phase of underground drilling at the San Jose Mine in northern Spain were identified from the results of structural geological fieldwork conducted in association with Consulting de Geologia y Mineria, S.L. (refer ASX announcement 15 July 2021)

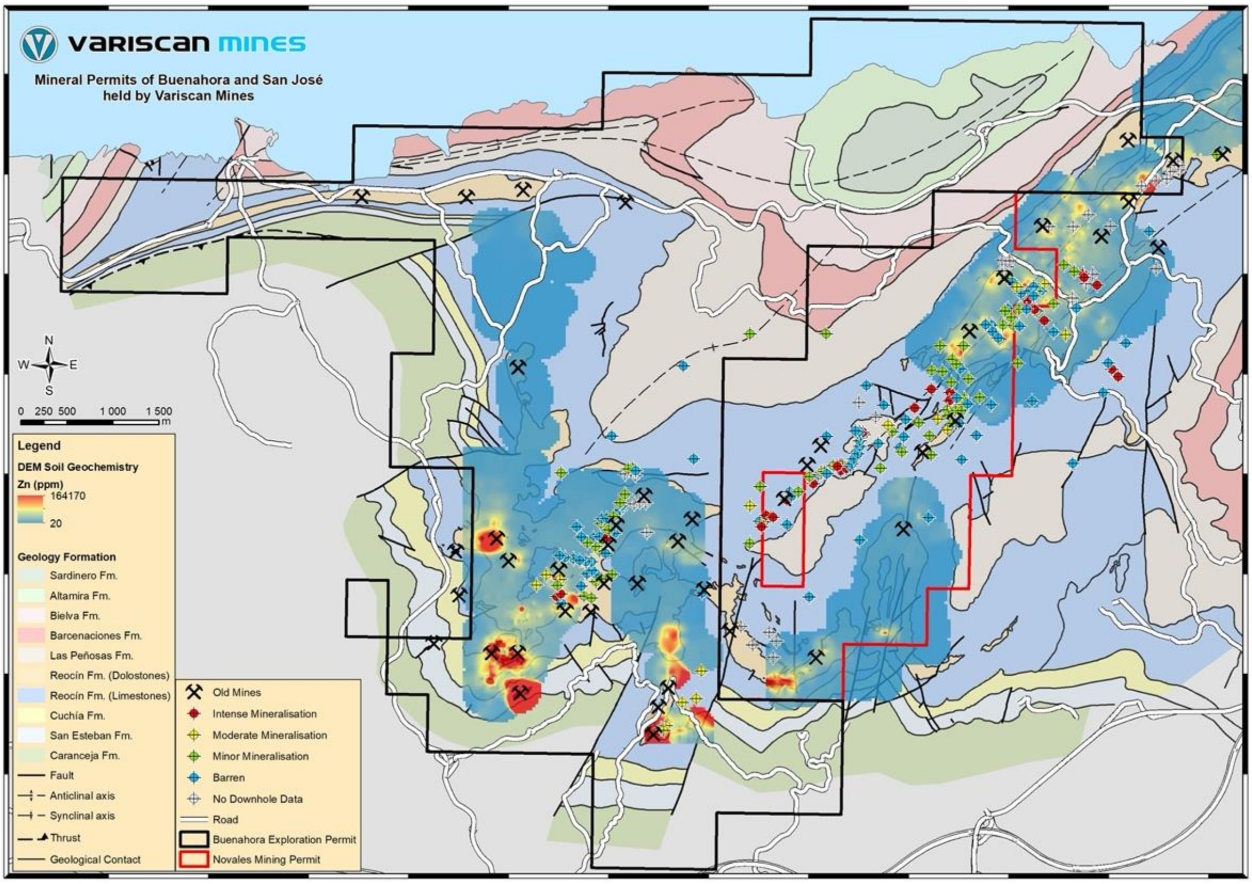
Shortly afterwards, the Group announced that the assay results from underground drilling at the San Jose Mine have extended the Los Caracoles Trend and discovered high grade mineralisation in the SW Zone (Stopes 237 and 210) (refer ASX announcement 4 August 2021) .

After receiving these results, Variscan appointed experienced Spanish drilling contractor Sondeos y Perforaciones Industriales de Bierzo SA for a follow-up underground drilling programme at the San Jose Mine.

Phase 2 of the underground diamond drilling programme at San Jose commenced in September 2021, with the aim of testing vertical and lateral extensions, discovering new lower lying lenses, and undertaking infill drilling within identified mineralised lenses.

The La Caseta Trend is a high priority target in the current Phase 2 drill campaign due to the multiple high-grade drilling intersections from Variscan’s earlier campaign there, which delineated a new 400m plus laterally extensive mineralised lens below the main gallery level, which remains open.

Figure 2: Novales-Udias Project Licence Areas



New zones of high-grade zinc intersected at San Jose

In December 2021, Variscan announced that assays from underground drilling had identified new zones of high-grade zinc mineralisation in the Central Zone of the San Jose Mine (refer ASX Announcement 20 December 2021).

Importantly, these intersections extend known mineralisation in the 168 Trend, which remains open. Infill drilling in the centre of Los Caracoles Trend continued to intersect mineralisation below the main gallery level.

Following these strong results, the drilling programme has been ramped up, with an additional drill-rig deployed through another drilling contractor to test step-out targets and extensions as well as the Phase 2 drilling campaign metreage being upsized.

Variscan is currently focused on progressing the underground drilling now underway at the San Jose Mine and returning results from the latest campaign as soon as possible.

In addition, the Group is advancing a number of follow-up activities including local municipal approvals for the surface drilling application covering the Buenahora license area and a surface drilling campaign to test step out extensions in the vicinity of the San Jose Mine.

Directors' Report

Securing of 3-year extension of Buenahora Exploration Licence

The Buenahora Licence area hosts part of the 9km Novales Trend and the 3km sub-parallel Udias Trend over the Group's Novales-Udias Project area.

The Udias area in the southwest of the Buenahora Exploration License area has multiple, highly prospective, yet untested, drill targets including Magdalena, Sinforosa, Motilos and Pepita. These are situated on strong geochemical anomalies and along extended trends which include former small-scale mines (operational in c. 1930s) and/or high-grade historical drilling intersections.

Shortly after the end of the half-year, Variscan announced that the Government of Cantabria in northern Spain has approved a 3-year extension of the Buenahora Exploration License (refer ASX Announcement 1 March 2022).

Securing the renewal of this licence demonstrates the close engagement Variscan has undertaken with local authorities and is a critical milestone, as it will enable it to continue to explore and eventually develop its Spanish zinc assets.

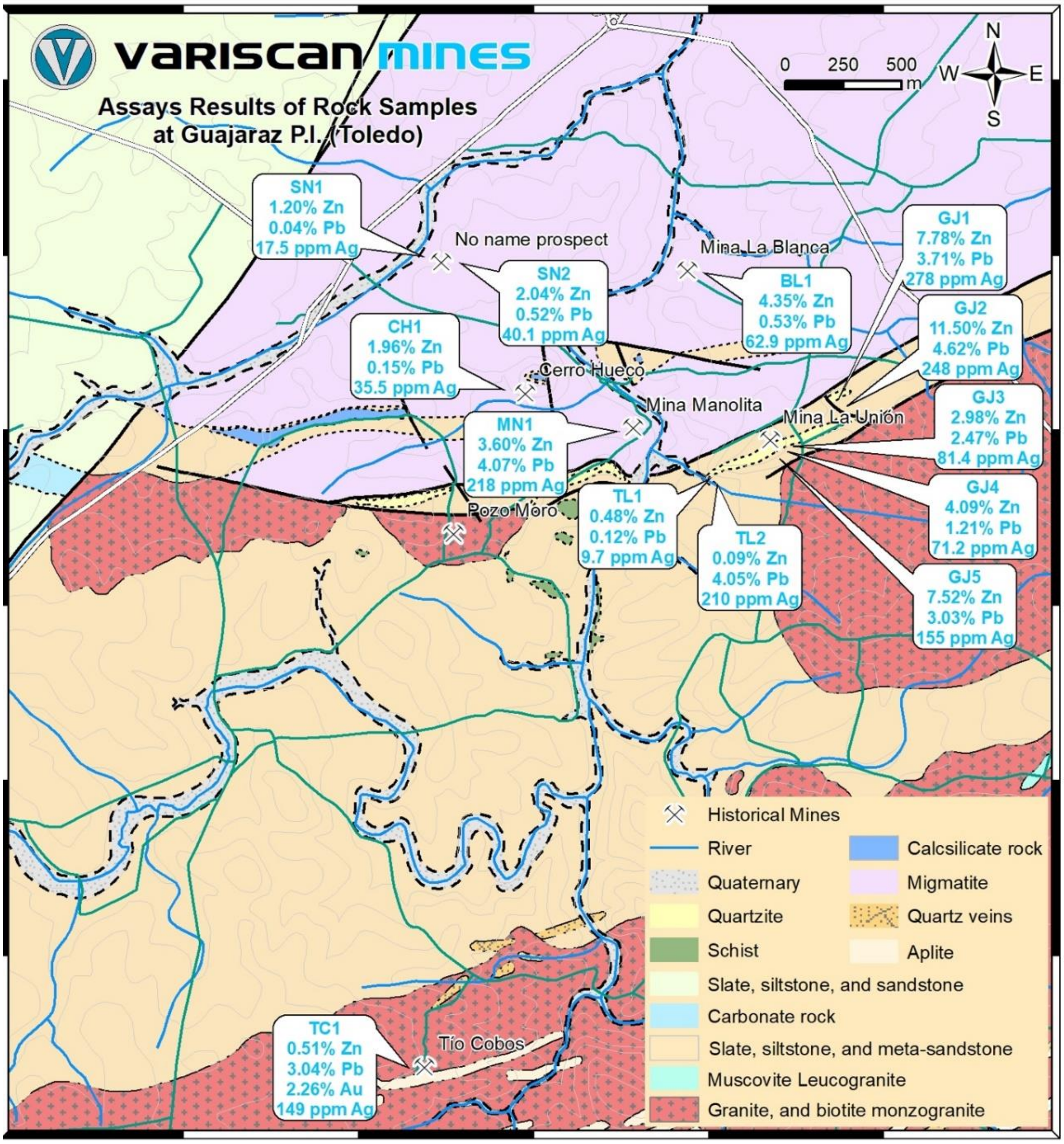
A geophysical survey over the Buenahora Exploration License area has recently been completed with the aim of improving the understanding of planned drill targets, identifying new drill targets, and increasing the project's scale.

Spain – Guajaraz Zinc Project

During the half-year, Variscan announced new high-grade assay results from grab sampling conducted around former mine areas and prospects within its Guajaraz Project in Castilla-La Mancha, central Spain (refer ASX Announcement 27 September 2021).

The grab sampling was part of a broader geological field reconnaissance program recently undertaken at Guajaraz. The assay results identified the presence of significant zinc, lead, copper, and silver, supporting the presence of high-grade polymetallic mineralisation suitable for future drill testing.

Figure 3. Plan view of Guajaraz project area showing new grab sample assay results for zinc, lead and silver



Directors' Report

Assays from these grab samples returned high-grade zinc, lead and silver results.

While the Novales-Udias Project in Cantabria remains the Company's main focus, these Guajaraz assay results demonstrate excellent potential for the recently identified drill targets to have good depth extensions and to aggregate into substantial strike-extensive mineralised systems.

Seeing the potential in the Guajaraz Project, the Company has submitted an application for a three-year extension of its exploration licence there.

Chile – Rosario Copper Project

The Rosario Project is located approximately 120 kilometres by road east of the port city of Chanaral in the Atacama Region of northern Chile. Chile is proven mining jurisdiction and is the largest producer of copper globally. The Rosario project lies about 20 kilometres north of the El Salvador mine (owned by Codelco), which is one of the country's larger copper operations, within a region of dense mining activity (all scales) and good copper endowment.

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

As a result of the impact of the continuing worldwide COVID-19 epidemic, no significant activities were conducted on the Rosario Copper project during the half-year.

Australia

The Company continues to hold minority interests in several areas of eastern and central Australia. No specific activities were undertaken by the Company on these areas during the half-year.

Competent Persons Statement

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

Significant events after balance date

There has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 8 and forms part of this Directors' Report for the half year ended 31 December 2021.

Signed in accordance with a resolution of the Directors.

Stewart Dickson

Managing Director

Dated this 15th day of March 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Variscan Mines Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
15 March 2022

N G Neill
Partner

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Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Notes	Consolidated Six months to 31 December 2021 $	Consolidated Six months to 31 December 2020 $
Continuing operations			
Interest income		196	5,150
Total income		**196**	**5,150**
Compliance expenses		(52,734)	(26,251)
Professional services expenses		(105,806)	(72,543)
Finance expenses		(50)	(48)
Directors' expenses		(105,093)	(167,200)
Travel and accommodation expenses		(3,246)	(5,190)
Share based payments	6	(162,850)	(97,650)
Fair value gain on financial assets	7	-	77,771
Other expenses		(42,328)	(23,011)
Total expenses		**(472,107)**	**(314,122)**
Realised loss on foreign exchange		(2,615)	(767)
Unrealised loss on foreign exchange		(416)	(706)
Total foreign exchange loss		**(3,031)**	**(1,473)**
Loss before income tax		**(474,942)**	**(310,445)**
Income tax expense		-	-
Loss for the period after income tax		**(474,942)**	**(310,445)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		14,560	16,655
Other comprehensive income for the period, net of tax		**14,560**	**16,655**
Total comprehensive loss for the period		**(460,382)**	**(293,790)**
Loss per share			
Basic and diluted loss per share (cents per share)	3	(0.18)	(0.15)

The accompanying notes form part of these financial statements

Condensed Statement of Financial Position

As at 31 December 2021

	Notes	Consolidated 31 December 2021 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		3,585,333	4,436,385
Trade and other receivables		189,840	50,908
Total current assets		**3,775,173**	**4,487,293**
Non-current assets			
Property, plant and equipment		36,896	31,564
Deferred exploration and evaluation expenditure	4	5,607,434	4,755,448
Other non-current assets		87,041	229,348
Total non-current assets		**5,731,371**	**5,016,360**
Total assets		**9,506,543**	**9,503,653**
Liabilities			
Current liabilities			
Trade and other payables		482,846	232,424
Total current liabilities		**482,846**	**232,424**
Total liabilities		**482,846**	**232,424**
Net assets		**9,023,697**	**9,271,229**
Equity			
Issued capital	5	34,018,303	33,968,303
Reserves		630,384	472,974
Accumulated losses		(25,624,990)	(25,170,048)
Total equity		**9,023,697**	**9,271,229**

The accompanying notes form part of these financial statements

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2021

	Consolidated				
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
1 July 2020	**29,841,639**	**159,917**	**5,921**	**(24,485,435)**	**5,522,042**
Loss for the period	-	-	-	(310,445)	**(310,445)**
Other comprehensive income, for the period, net of income tax	-	-	16,655	-	**16,655**
Total comprehensive loss for the period	**-**	**-**	**16,655**	**(310,445)**	**(293,790)**
Issue of share capital	224,568	-	-	-	**224,568**
Share based payments	-	97,650	-	-	**97,650**
31 December 2020	**30,066,207**	**257,567**	**22,576**	**(24,795,880)**	**5,550,470**
1 July 2021	**33,968,303**	**465,663**	**7,311**	**(25,170,048)**	**9,271,229**
Loss for the period	-	-	-	(474,942)	**(474,942)**
Other comprehensive income, for the period, net of income tax	-	-	14,560	-	**14,560**
Total comprehensive loss for the period	**-**	**-**	**14,560**	**(474,942)**	**(460,382)**
Issue of share capital	50,000	-	-	-	**50,000**
Share based payments	-	162,850	-	-	**162,850**
Lapse of options	-	(20,000)	-	20,000	**-**
31 December 2021	**34,018,303**	**608,513**	**21,871**	**(25,624,990)**	**9,023,697**

The accompanying notes form part of these financial statements

Condensed Statement of Cash Flows

For the half-year ended 31 December 2021

		Consolidated	
		Six months to 31 December 2021	Six months to 31 December 2020
	Notes	$	$
Cash flows from operating activities			
Payments to suppliers and employees		(269,937)	(217,211)
Interest received		196	5,150
Finance costs		(50)	(48)
Net cash outflow from operating activities		**(269,791)**	**(212,109)**
Cash flows from investing activities			
Exploration and evaluation expenditure	4	(566,893)	(530,867)
Sale of financial assets	7	-	475,971
Purchase of property, plant and equipment		(7,646)	(14,515)
Net cash outflow from investing activities		**(574,539)**	**(69,411)**
Cash flows from financing activities			
Proceeds from issue of shares	5	50,000	-
Payments for share issue costs	5	(55,550)	-
Net cash outflow from financing activities		**(5,550)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(849,880)**	**(281,520)**
Cash and cash equivalents at the beginning of the period		4,436,385	2,146,123
Effect of foreign exchange rate fluctuations on cash held		(1,172)	-
Cash and cash equivalents at the end of the period		**3,585,333**	**1,864,603**

The accompanying notes form part of these financial statements

Notes to the Condensed Interim Financial Statements

Note 1: Basis of Preparation

These condensed interim financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated condensed interim financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. The interim financial statements do not include full disclosures of the type normally included in the annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the annual financial report. It is recommended these interim financial statements be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Variscan Mines Limited and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The financial statements have been prepared on a historical cost basis, except for financial assets carried at fair value. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(a) Statement of compliance

The financial report was authorised for issue on 15 March 2022.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

New Standards and Interpretations applicable for the half year ended 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

(b) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. For the half-year ended 31 December 2021, the Group recorded a net loss after tax of $474,942 (2020: $310,445), and net cash outflows from operating and investment activities of $844,330 (2020: $281,520). At 31 December 2021, the Group had $3,585,333 in cash and cash equivalents (30 June 2021: $4,436,385) and net working capital of $3,123,112 (30 June 2021: $4,254,869).

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least 12 months to achieve its objectives and noting that, if required, it will be able to raise further funding, as and when required.

Notes to the Condensed Interim Financial Statements

Note 2: Segment Reporting

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there are currently two geographical segments, being Australia and Spain, which are considered for management purposes to form part of the single reportable segment of mineral exploration.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments:

		Australia	Spain	Total
	As at	$	$	$
Segment assets	31 December 2021	8,074,356	1,432,187	9,506,543
	30 June 2021	7,838,622	1,665,031	9,503,653
Segment liabilities	31 December 2021	(281,034)	(201,812)	(482,846)
	30 June 2021	(204,174)	(28,250)	(232,424)

		Australia	Spain	Total
	For the half year ended	$	$	$
Segment income	31 December 2021	196	-	196
	31 December 2020	5,150	-	5,150
Segment loss before income tax expense	31 December 2021	(474,942)	-	(474,942)
	31 December 2020	(310,445)	-	(310,445)

Notes to the Condensed Interim Financial Statements

Note 3: Loss Per Share

Basic and diluted loss per share

	Consolidated	
	Six months to 31 December 2021	Six months to 31 December 2020
Basic and Diluted loss per share (cents per share)	(0.18)	(0.15)

Gain/(Loss)

The Gain or (Loss) used in the calculation of basic and diluted gain/(loss) per share is as follows:

	Consolidated	
	Six months to 31 December 2021 $	Six months to 31 December 2020 $
Loss used in the calculation of basic loss per share	(474,942)	(310,445)

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	Consolidated	
	Six months to 31 December 2021 Number	Six months to 31 December 2020 Number[1]
Weighted average number of ordinary shares for the purpose of basic earnings per share	264,983,480	210,309,652
There is no impact of potential ordinary shares as they are considered anti-dilutive	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**264,983,480**	**210,309,652**

Notes to the Condensed Interim Financial Statements

Note 4: Deferred Exploration and Evaluation Expenditure

Carrying value

	Consolidated	
	31 December 2021 $	30 June 2021 $
Exploration and evaluation costs	5,607,434	4,755,448

Reconciliation

	Consolidated	
	Six months to 31 December 2021 $	Year to 30 June 2021 $
Opening balance	4,755,448	3,296,140
Expenditure incurred	861,149	1,471,392
Impact of foreign currency exchange differences	(9,163)	(12,084)
Closing balance	**5,607,434**	**4,755,448**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Contributed Equity

	31 December 2021 $	30 June 2021 $
Share capital		
266,732,024 ordinary shares fully paid (30 June 2021: 266,107,024)	35,816,600	35,766,600
Option issue consideration		
Nil listed options (30 June 2021: Nil)	-	-
Share issue costs	(1,798,297)	(1,798,297)
	34,018,303	**33,968,303**

Movement in ordinary shares on issue

	Six months to 31 December 2021		Year to 30 June 2021	
	Number	$	Number	$
Balance at beginning of period	**266,107,024**	**35,766,600**	206,093,551	30,763,428
Issued for cash	625,000	50,000	53,125,000	4,250,000
Issued in settlement of liability	-	-	4,000,000	160,000
Issued in lieu of directors fees	-	-	2,888,473	64,568
Value of lapsed of VAROA quoted options transferred	-	-	-	528,604
Balance at end of period	**266,732,024**	**35,816,600**	**266,107,024**	**35,766,600**

Movement in listed options on issue

	Six months to 31 December 2021		Year to 30 June 2021	
	Number	$	Number	$
Balance at beginning of period	-	-	29,669,247	528,604
Lapse of quoted options	-	-	(29,669,247)	(528,604)
Balance at end of period	**-**	**-**	**-**	**-**

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Reserves

	31 December 2021	30 June 2021
	$	$
Share based payment reserve	608,513	465,663
Foreign currency translation reserve	21,871	7,311
Total Reserves	**630,384**	**472,974**

Movement in share based payment reserve

		Consolidated	
		Six months to 31 December 2021	Year to 30 June 2021
	Notes	$	$
Opening balance		465,663	159,917
Additional vesting expense recognised for previously issued securities		77,350	2,338
Value of unlisted options issued during the period		85,500	272,621
Value of performance rights issued during the period		-	30,787
Value of unlisted options lapsed during the period		(20,000)	-
Closing balance		**608,513**	**465,663**

Movement in unlisted options on issue

	Six months to 31 December 2021		Year to 30 June 2021	
	Number	$	Number	$
Balance at beginning of period	13,000,000	434,876	1,000,000	159,917
Additional vesting expense recognised for previously issued securities	-	54,064	-	2,337
Fair value of options issued to lead manager of placement in June 2021 (a)	2,500,000	-	-	122,500
Lapse of incentive options	(500,000)	(20,000)	-	-
Issue of incentive options (Note 6)	4,500,000	85,500	12,000,000	150,121
Balance at end of period	**19,500,000**	**554,440**	**13,000,000**	**434,876**

(a) – These options were issued during the current period, however they related to a placement that was completed during the previous financial year. Accordingly, the value of the share-based payment was recognised fully in the previous financial year.

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Movement in performance rights on issue

	Six months to 31 December 2021		Year to 30 June 2021	
	Number	$	Number	$
Balance at beginning of period	2,500,000	30,787	-	-
Issued as incentive to managing director (Note 6)	-	-	2,500,000	30,787
Additional vesting expense recognised for previously issued securities	-	23,286	-	-
Balance at end of period	**2,500,000**	**54,073**	**2,500,000**	**30,787**

Notes to the Condensed Interim Financial Statements

Note 6: Share-based Payments

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

Unlisted options

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting terms
Managing Director – Tranche 1 (Note 1)	500,000[1]	6 Nov 2017	20 Nov 2021	$0.60	$0.0040	25% per year of service
Managing Director – Tranche 2	500,000[1]	6 Nov 2017	20 Nov 2022	$1.00	$0.0038	25% per year of service
Director Options – Tranche 1	4,000,000	26 Nov 2020	30 Nov 2023	$0.055	$0.0206	Note 2
Director Options – Tranche 2	4,000,000	26 Nov 2020	30 Nov 2023	$0.065	$0.0200	Note 2
Director Options – Tranche 3	4,000,000	26 Nov 2020	30 Nov 2023	$0.08	$0.0193	Note 2
Key Management Personnel Options – Tranche 1	1,500,000	25 Nov 2021	30 Nov 2023	$0.095	$0.0196	Immediately
Key Management Personnel Options – Tranche 2	1,500,000	25 Nov 2021	30 Nov 2023	$0.10	$0.0190	Immediately
Key Management Personnel Options – Tranche 3	1,500,000	25 Nov 2021	30 Nov 2023	$0.11	$0.0183	Immediately

1 – The *Managing Director – Tranche 1* options expired unexercised during the period and lapsed. Accordingly, the recognised fully-vested value of these options ($20,000) has been transferred during the period to accumulated losses.

2 – Each of the three tranches of Director Options vests as follows:

- 1/3 vests upon grant
- 1/3 vests after 12 months from the date of grant
- 1/3 vests after 24 months from the date of grant

The fair value of services rendered in return for unlisted options is based on the fair value of the unlisted options granted, measured using the Black-Scholes model. The following inputs were used in the measurement of the fair values at grant date of the share-based payments, being the Key Management Personnel (KPM) options tranches 1 to 3:

	KMP Options – Tranche 1	KMP Options – Tranche 2	KMP Options – Tranche 3
Fair value at grant date	$0.0196	$0.0190	$0.0183
Share price at grant date	$0.042	$0.042	$0.042
Exercise price	$0.095	$0.10	$0.11
Expected volatility	125%	125%	125%
Option life	2 years	2 years	2 years
Expected dividends	-	-	-
Risk-free interest rate	0.55%	0.55%	0.55%
Number of options	1,500,000	1,500,000	1,500,000

Note 6: Share-based Payments

Performance rights

	Number	Grant date	Expiry date	Fair value at grant date $	Vesting date
Managing Director Performance Rights – Tranche 1	1,250,000	26 Nov 2020	30 Nov 2023	$0.028	30 Nov 2021
Managing Director Performance Rights – Tranche 2	1,250,000	26 Nov 2020	30 Nov 2023	$0.028	30 Nov 2022

A total of 2,500,000 unquoted performance rights were granted to the Company's Managing Director in accordance with shareholder approval granted by at the Company's 2020 Annual General Meeting. The fair value of these securities is based on the market value of the underlying ordinary share on grant date, being $0.028.

These rights vest in two separate tranches after 12 and 24 months, respectively. Accordingly, the Tranche 1 performance rights have now fully vested.

As at the date of this report, no performance rights have been exercised and converted into ordinary shares in the Company.

Notes to the Condensed Interim Financial Statements

Note 7: Financial Instruments

Fair value measurement

Measured at fair value on recurring basis

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets held at fair value were disposed of during the previous financial year.

Transfers

There have been no transfers between the levels of the fair value hierarchy during the half year ended 31 December 2021.

Not measured at fair value (but fair value disclosures are required)

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables and current payables are considered to be a reasonable approximation of their fair values.

Notes to the Condensed Interim Financial Statements

Note 8: Contingencies and Commitments

Exploration expenditure commitments

On 1 July 2019, the Company announced it had agreed to material amendments to the Rosario Project Option Agreement with the vendors, resulting in the total unconditional cash payments due to the project vendors reducing by 94% from US$5.0M to US$0.3M, as well as granting the Company an earn-in right reflecting expenditures made to date and in the future. To date, the Group has made payments under the earn-in agreement totalling US$50,000 and secured a 10.4% interest in the project.

The Company can increase its interest up to 90% through total payments and expenditure on the project of approximately US$2.23M. Finally, certain milestone payments totalling an additional $2.0M may be payable upon the satisfaction of a number of milestones.

Contingencies

There has been no change in contingent liabilities since the last annual reporting date (30 June 2021: $nil).

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.

Notes to the Condensed Interim Financial Statements

Note 9: Significant Events after Balance Date

There has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Notes to the Condensed Interim Financial Statements

Note 10: Significant Accounting Estimates and Judgements

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

Directors’ Declaration

Directors’ Declaration

In the opinion of the Directors of Variscan Mines Limited (the ‘Company’):

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

   a. giving a true and fair view of the Group’s financial position as at 31 December 2021 and of its performance for the half-year then ended; and

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

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

4. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2021.

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

Stewart Dickson
Managing Director
Dated this 15th day of March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Variscan Mines Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Variscan Mines Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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.

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 does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
15 March 2022

Norman Glad

N G Neill
Partner