



variscan mines

16 March 2021

INTERIM FINANCIAL REPORT

Variscan Mines Limited (“**Variscan**” or the “**Company**”) encloses its interim financial report for the half-year ended 31 December 2020.

Yours faithfully

Mark Pitts

Company Secretary

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

Variscan Mines Limited **P:** +61 8 9316 9100 **E:** info@variscan.com.au

Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia, 6153

ASX Code: VAR **Web -** www.variscan.com.au



variscan **mines**

Interim Financial Report
for the half-year ended
31 December 2020

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Corporate Information

Corporate Information

[Directors](#)

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

[Company secretary](#)

Mr Mark Pitts

[Registered office](#)

Suite 8, 7 The Esplanade
Mount Pleasant WA 6153
Australia
P: +61 8 9316 9100
E: info@variscan.com.au

[Share register](#)

Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001
Australia
P: +61 2 9290 9600

[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 submit the Interim Report of the Group, being the Company and its controlled entities, for the half year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

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

Dr Foo Fatt Kah	Non-executive Chairman	
Mr Stewart Dickson	Managing Director & CEO	
Mr Michael Moore	Non-executive Director	
Mr Simon Fyfe	Non-executive Director	Resigned 21 August 2020
Dr Susan Vearncombe	Non-executive Director	Appointed 21 August 2020

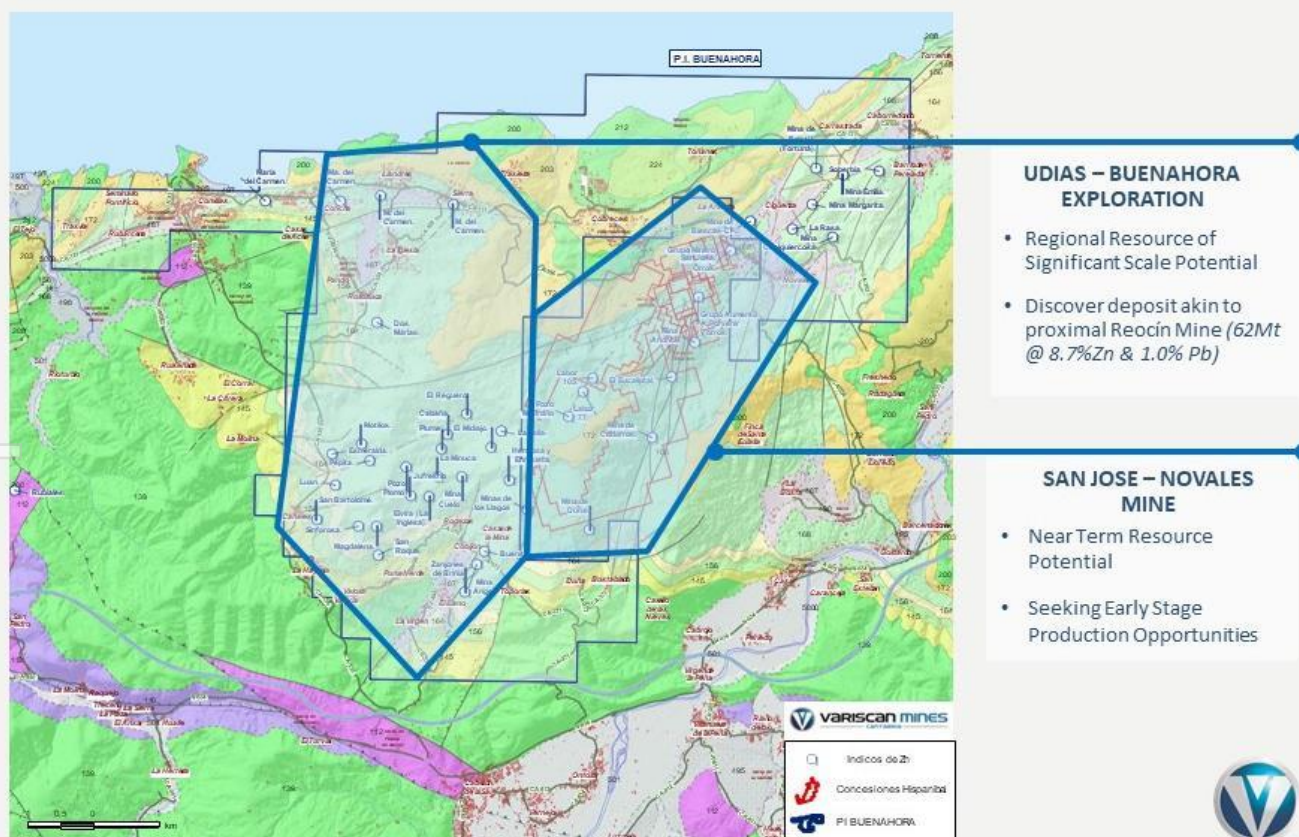
Review of operations

Spain – Novales-Udias Zinc Project

Project Summary

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.

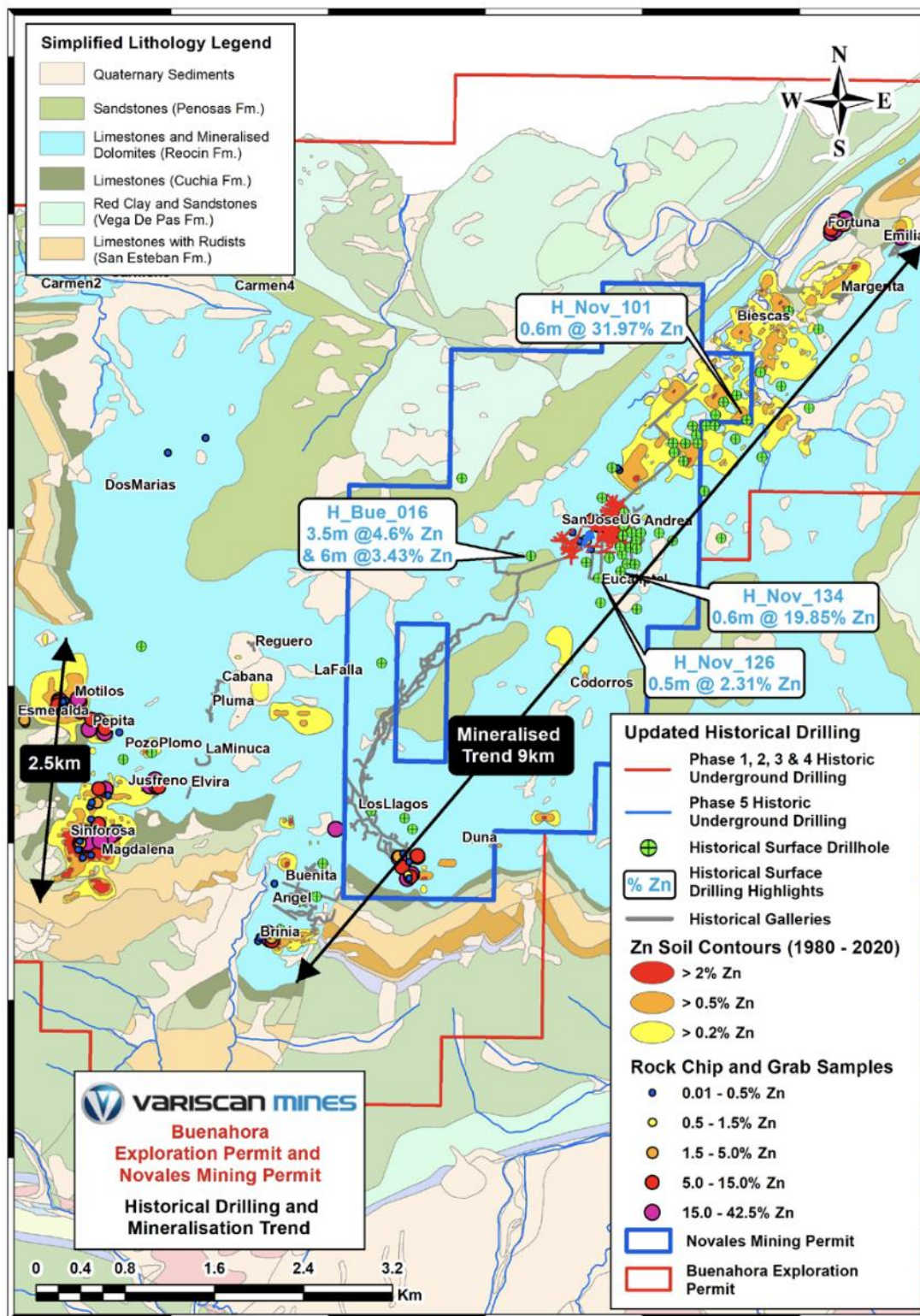
Figure 1: Novales-Udias Project Opportunities



Directors' Report

During the half-year, Variscan reported that it had delineated a 9km mineralised trend across the both the tenement areas held in northern Spain. This gives the Novales-Udias Project a camp scale footprint on trend with the historic San Jose-Novales Mine; circa 10km from the world-class Reoc n Zinc Mine (62Mt @ 8.7%Zn, 1%Pb). Large areas near-mine and along trend are still open and untested providing significant exploration potential and value upside.

Figure 2. Overview of 9km mineralised and historically mined trend across the Buenahora and Novales permits.
(refer ASX announcement 25 September 2020)



Directors' Report

3D Underground Laser Survey

During the reporting period, the Company announced the results of the 3D laser survey and its integration with the significant historical dataset of 426 underground drillhole collars, for approximately 29,902m and 102 surface drillhole collars, totalling approximately 18,870m. The 3D laser survey was conducted by 3DMSI Limited. The survey utilised a combination of traditional precision surveying, mobile mapping for contextual 3D surveying and high-resolution laser scanning to create accurate sealed mesh data that has been used to produce a 3D model of the main workings of the mine. (refer ASX Announcement 23 November 2020)

The survey covered the major historical works areas and exceeded 2,500 metres, resulting in a preliminary estimation of greater than 180,000m³ having been extracted from the San Jose-Novales Mine¹. For the future, there are further areas to potentially survey on-trend. The area directly to the southwest of the San Jose mine (2.7km length) is devoid of exploratory work apart from sporadic historical surface drillholes and the evidence of historical underground workings extending far as the De Duna underground workings in the southern part of the Buenahora permit.

Most striking is the presence of potentially mineralised, unmined material surrounding the stopes in the centre of the San Jose-Novales mine. Some outer zones still appear to have mineralisation in-situ, specifically in the southwestern area of the mine, and other areas have potentially mineralised zones along strike extensions. In several areas of the mine outside of the surveyed stopes exist high-grade intersections from historical drilling. These provided drill target areas in addition to seeking extensions of mined stopes on north-south parallel structures.

Figure 3. San Jose – Novales Mine Aerial View



Drill target areas identified

The survey of existing stopes indicates clear N-S parallel structures. The stopes appear as conjugate (parallel) structures that are oblique to the primary orientation of the regional structures of 020°, 040° and 140°. The southern and northern extremities of stopes and the E-W linkage structures are considered as prospective for potential mineralised strike extensions. By combining the drilling database, the 3D mine survey, and the preliminary mineralised model, the Company has identified 24 potential drilling bays underground.

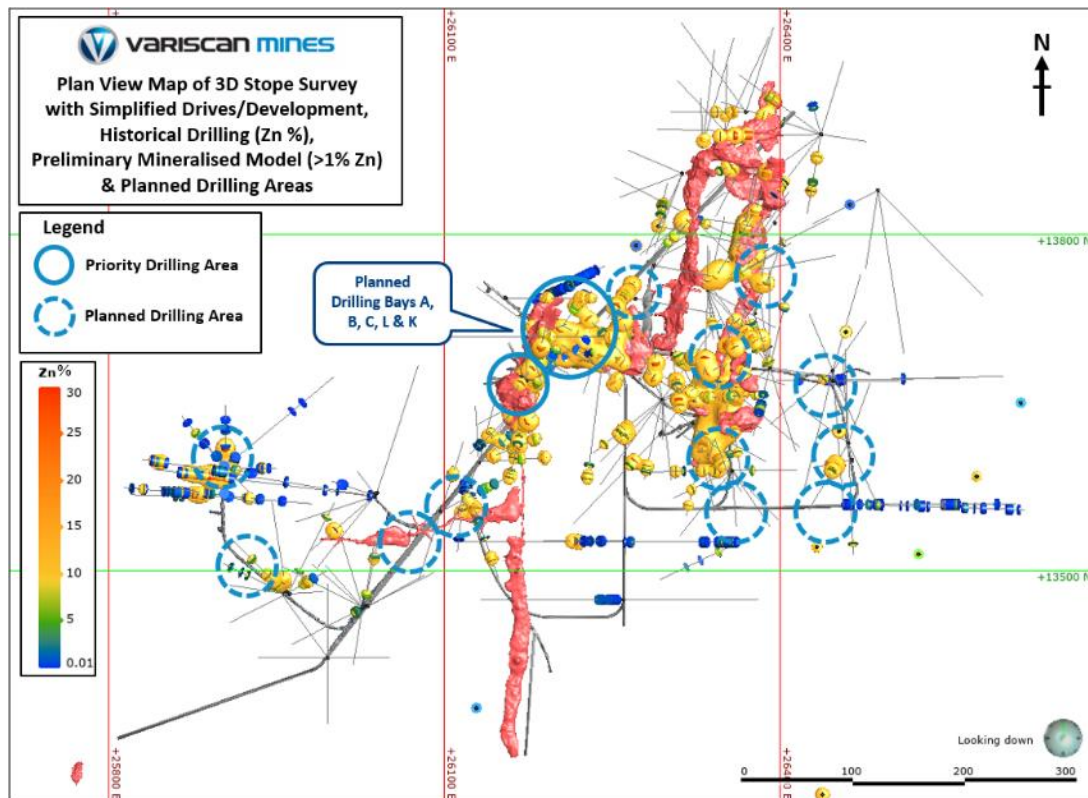
The creation of the preliminary mineralised model (>1% Zn and >3% Zn) has been integrated with the 3D survey of existing stopes. These initial volumes indicate that even with historical data alone, there are potential areas of in-situ mineralisation outside of the survey of historical workings and stopes².

¹ This volume is indicative of what was surveyed. Some areas were inaccessible and therefore omitted from this volumetric calculation.

² The mineralised model (>1% Zn) has not been created in accordance with the JORC code, thus any volumes from these generated solids are not reported within this document. This model requires additional geological data to support and reflect the inherent geological nature and structural control on mineralisation at the San Jose-Novales mine.

Directors' Report

Figure 4. Potential drill target areas (blue) at San Jose – Novales Mine shown with preliminary mineralised model (yellow) >1% Zn with the mined-out stope survey (red) and drives (grey) (refer ASX announcement 23 November 2020)



This model indicates that there is mineralisation along strike to the north and south of elongated stopes. Furthermore, this model demonstrates potential mineralisation along the near vertical structure plane both above and below existing stopes, further supporting the presence of structurally controlled Pb-Zn mineralisation at San Jose-Novales.

Additionally, the geospatial information generated from the 3D survey when combined with the historical drillhole database has been valuable for:

- the development of drill targets to test in-situ mineralisation and potential extensions to known mineralisation;
- mitigating geospatial risk in the exploration and evaluation phases; and
- informing the geological context of the deposit.

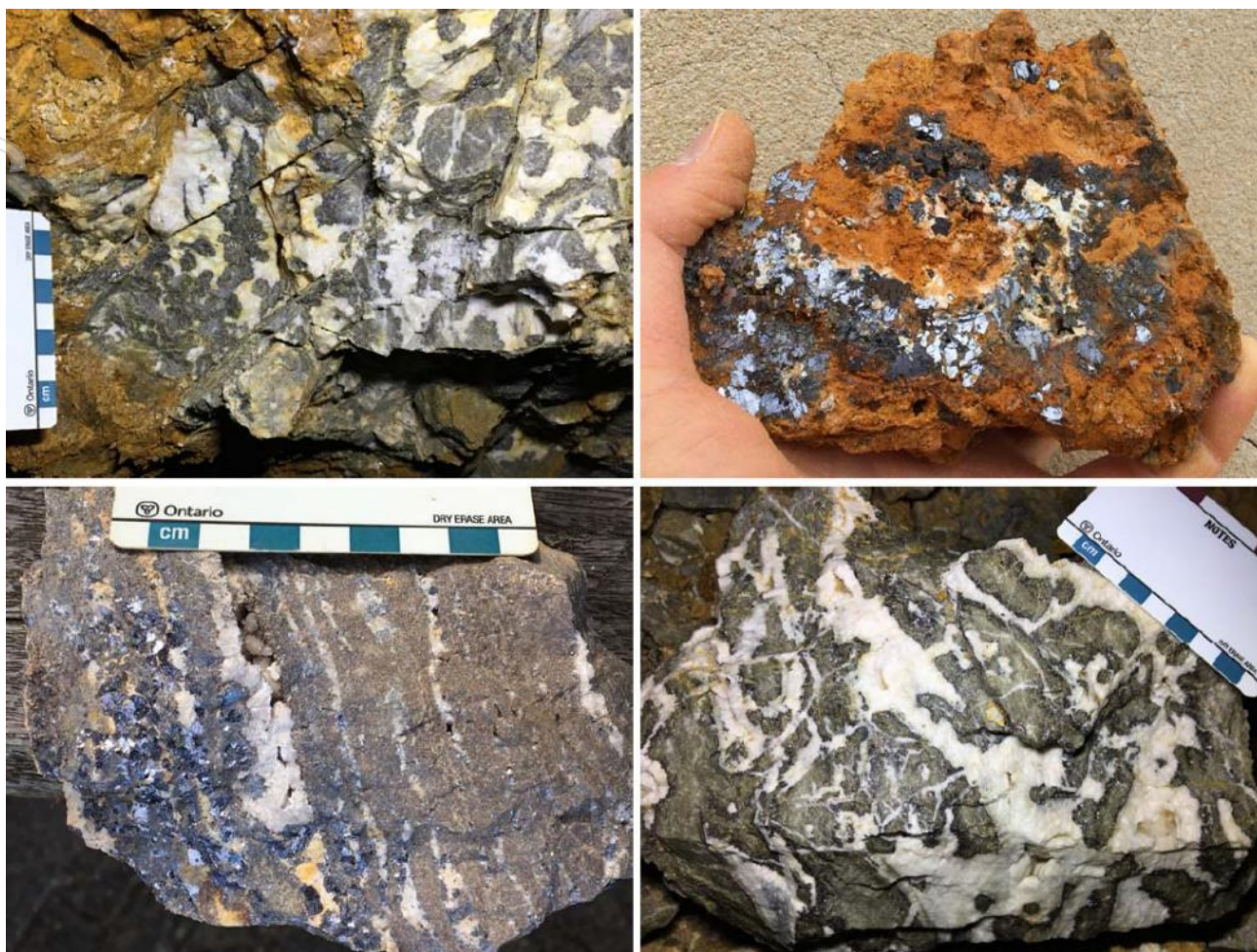
High Grade Results From Underground Drilling

The Company commenced drilling at the San Jose – Novales Mine in late November 2020. The initial 2,000m underground drilling programme was modified due to climatic and logistical matters resulting in successfully drill testing an area near the mine portal. This area is a step-out target 1,000m from the central zone of the San Jose Mine which tested a significant historical soil geochemistry anomaly and an indicative series of N-S trending mineralised corridors. The Company was pleased to confirm strong visible mineralisation was intersected in some of the drillholes completed in this area.

Three of the five holes drilled included visibly intense mineralisation (NOVDD004, 5 & 7) with NOVDD002 exhibiting moderate visual mineralisation, with weak mineralisation (carbonate veins) visible in all five holes. Mineralisation style is visually consistent with sulphide rich carbonate hosted (Mississippi Valley Type) lenses observed in mined stopes in the San Jose Mine. (refer ASX announcement 12 January 2021)

Directors' Report

Figure 5. Whole rock sample photographs, clockwise HA-1, 210-1, 156-1 and 184-1.
(refer ASX announcement 12 January 2021)



Post Period Activities at the Novales-Udias Zinc Project

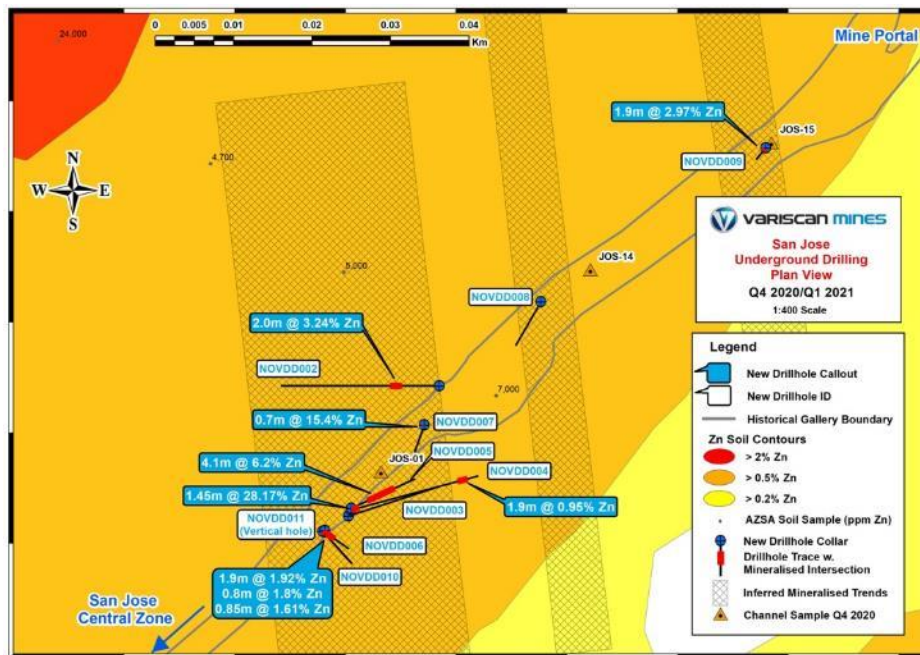
Assay Results from Underground Drilling

Post period, the Company announced maiden assay results from the underground drilling near the mine portal reporting intersection of high-grade zinc mineralisation including (refer ASX Announcement 9 March 2021):

• 1.5m @ 28.2% Zn	Hole ID NOVDD005
• 4.1m @ 6.2% Zn	Hole ID NOVDD004
• 1.6m @ 5.9% Zn	Hole ID NOVDD002
• 2.0m @ 3.2% Zn	Hole ID NOVDD001
• 1.9m @ 3.0% Zn	Hole ID NOVDD009

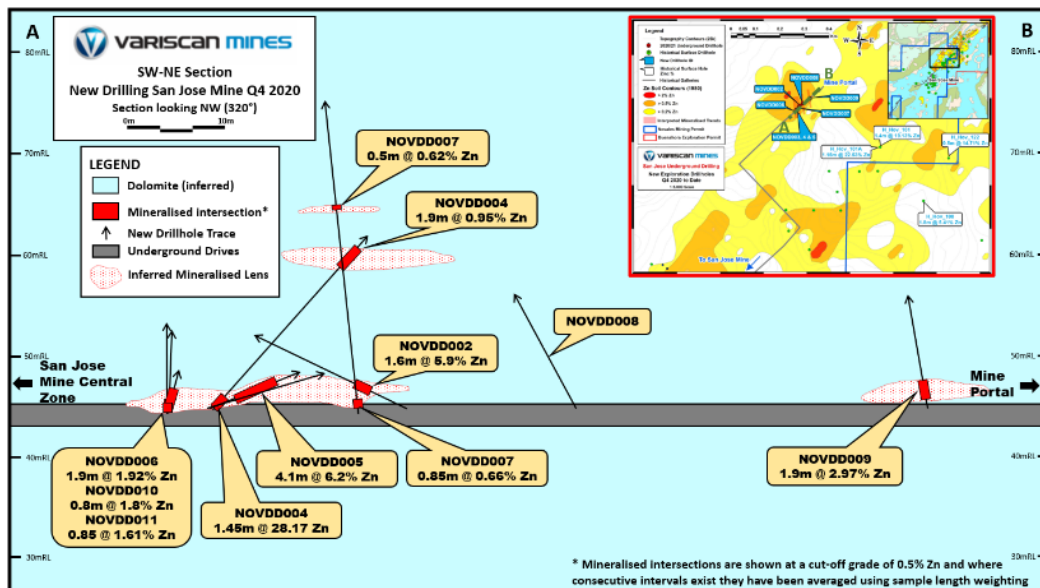
This area is easily accessible and has seen very little historical mining activity. Together with positive historical surface drilling data this area has the potential for mineralisation to be extended.

Figure 6. Map showing drillholes completed near the mine entrance.
(refer ASX announcement 9 March 2021)



Notes: Channel Sampling results shown: JOS-01, 1.0m@8.5%Zn; JOS-14, 2.0m@10%Zn; JOS-15, 1.3m@13.1%Zn (refer ASX announcement 2 February 2021)

Figure 7. NE-SW section showing mineralised intersections from new drillholes
(refer ASX announcement 9 March 2021)



Underground Channel Sampling

The channel samples were collected along the main drive and workings of the San Jose – Novales Mine which is between 25m and 190m below the surface (see Figures 2 & 3). An underground sampling programme was conducted in December 2020 and January 2021 with assay results reported on 2 February 2021. 21 channel samples with lengths between 0.7-3m, were taken at irregular intervals³. Samples were cut from floor to ceiling and oriented orthogonally to cross-cut the sub-horizontal mineralised lenses.

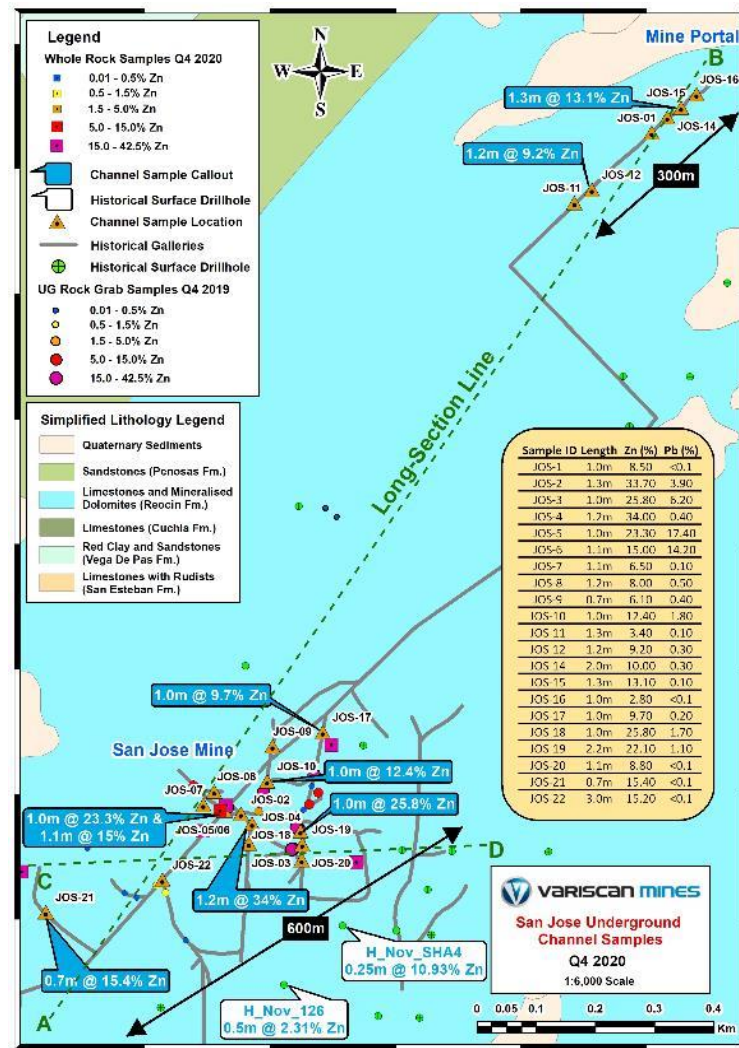
³ Channel samples were taken at selected locations underground, and due to their vertical nature (to cross-cut mineralised lenses at perpendicular angles) they are only marked and recorded as points. These samples do not include unmineralised waste rock from the periphery of each sulphide rich lens.

Directors' Report

Channel samples recently assayed confirm high-grade zinc mineralisation across the same elevation from San Jose-Novales Mine portal to stopes, covering a 300m and 600m area respectively. Assay results returned very high grades, including (refer ASX announcement 2 February 2021):

- 2.2m at 22.1% Zn and 1.1% Pb
- 1.3m at 33.7% Zn and 3.9% Pb
- 3.0m at 15.2% Zn and <0.1% Pb
- 1.2m at 34% Zn and 0.4% Pb
- 1.0m at 23.3% Zn and 17.4% Pb

Figure 8. Plan view showing the channel sample locations and significant results at the San Jose – Novales Mine
(refer ASX announcement 2 February 2021)



Chile – Rosario Copper Project

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

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

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.

Directors' Report

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 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

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

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 12 and forms part of this Directors' Report for the half year ended 31 December 2020.

Signed in accordance with a resolution of the Directors.



Stewart Dickson

Managing Director

Dated this 16th day of March 2021

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
16 March 2021


N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

		Consolidated	
		Six months to 31 December 2020	Six months to 31 December 2019
	Notes	\$	\$
Continuing operations			
Interest income		5,150	954
Other income		-	-
Total income		5,150	954
Compliance expenses		(26,251)	(61,169)
Professional services expenses		(72,543)	(198,156)
Finance expenses		(48)	(500)
Occupancy expenses		-	(372)
Directors expenses		(167,200)	(301,967)
Travel and accommodation expenses		(5,190)	(38,630)
Exploration expenditure expensed and written off		-	(49,287)
Share based payments	6	(97,650)	(3,388)
Fair value gain on financial assets	7	77,771	181,000
Other expenses		(23,011)	(18,433)
Total expenses		(314,122)	(490,902)
Realised loss on foreign exchange		(767)	(13,295)
Unrealised loss on foreign exchange		(706)	(2)
Total foreign exchange loss		(1,473)	(13,297)
Loss before income tax		(310,445)	(503,245)
Income tax expense		-	-
Loss for the period after income tax		(310,445)	(503,245)

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

		Consolidated	
		Six months to 31 December 2020	Six months to 31 December 2019
	Notes	\$	\$
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		16,655	584
Other comprehensive income for the period, net of tax		16,655	584
Total comprehensive loss for the period		(293,790)	(502,661)
Loss per share			
Basic and diluted loss per share (cents per share)	3	(0.15)	(0.57)

The accompanying notes form part of these financial statements

Condensed Statement of Financial Position

As at 31 December 2020

	Notes	Consolidated	
		31 December 2020	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,864,603	2,146,123
Trade and other receivables		12,406	17,501
Total current assets		1,877,009	2,163,624
Non-current assets			
Other financial assets - at fair value	7	-	398,200
Property, plant and equipment		14,414	-
Deferred exploration and evaluation expenditure	4	3,889,751	3,296,140
Other non-current assets		122,039	91,567
Total non-current assets		4,026,204	3,785,907
Total assets		5,903,123	5,949,531
Liabilities			
Current liabilities			
Trade and other payables		352,743	267,489
Share consideration payable	5	-	160,000
Total current liabilities		352,743	427,489
Total liabilities		352,743	427,489
Net assets		5,550,470	5,522,042
Equity			
Issued capital	5	30,066,207	29,841,639
Reserves		280,143	165,838
Accumulated losses		(24,795,880)	(24,485,435)
Total equity		5,550,470	5,522,042

The accompanying notes form part of these financial statements

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2020

	Consolidated				
	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
1 July 2019	24,456,205	153,822	-	(23,360,293)	1,249,734
Loss for the period	-	-	-	(503,245)	(503,245)
Other comprehensive income, for the period, net of income tax	-	-	584	-	584
Total comprehensive loss for the period	-	-	584	(503,245)	(502,661)
Issue of share capital	5,701,585	-	-	-	5,701,585
Share based payments	-	3,388	-	-	3,388
Share issue costs	(316,151)	-	-	-	(316,151)
31 December 2019	29,841,639	157,210	584	(23,863,538)	6,135,895
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

The accompanying notes form part of these financial statements

Condensed Statement of Cash Flows

For the half-year ended 31 December 2020

	Notes	Consolidated	
		Six months to 31 December 2020	Six months to 31 December 2019
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(217,211)	(525,578)
Interest received		5,150	954
Finance costs		(48)	(500)
Net cash outflow from operating activities		(212,109)	(525,124)
Cash flows from investing activities			
Exploration and evaluation expenditure	4	(530,867)	(142,776)
Sale of financial assets	7	475,971	-
Purchase of property, plant and equipment		(14,515)	-
Payment for subsidiaries, net of cash acquired	9	-	(594,819)
Net cash outflow from investing activities		(69,411)	(737,595)
Cash flows from financing activities			
Proceeds from issue of shares	5	-	3,106,700
Payments for share issue costs	5	-	(148,652)
Net cash inflow from financing activities		-	2,958,048
Net (decrease)/increase in cash and cash equivalents		(281,520)	1,695,329
Cash and cash equivalents at the beginning of the period		2,146,123	948,358
Cash and cash equivalents at the end of the period		1,864,603	2,643,687

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 2020 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 16 March 2021.

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 2020

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. 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 2020, the Group recorded a net loss after tax of \$310,445 (2019: \$503,245), and net cash outflows from operating and investment activities of \$281,520 (2019: \$1,262,719). At 31 December 2020, the Group had \$1,864,603 in cash and cash equivalents (30 June 2020: \$2,146,123) and net working capital of \$1,503,938 (30 June 2020: \$1,736,135).

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. If necessary, the Group can curtail spending both on administrative and exploration costs.

Should the above measures not be sufficient, there exists a material uncertainty that may cast significant doubt on the entities' ability to continue as a going concern and, therefore, to realise the value of its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in this interim financial report. This interim financial report does not include any adjustments relating to the recoverability or classification of recorded assets or liabilities that might be necessary should the Group not continue as a going concern.

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 2020	1,866,653	4,036,560	5,903,213
	30 June 2020	2,512,722	3,436,809	5,949,531
Segment liabilities	31 December 2020	(288,256)	(64,487)	(352,743)
	30 June 2020	(401,008)	(26,481)	(427,489)

		Australia	Spain	Total
	For the half year ended	\$	\$	\$
Segment income	31 December 2020	5,150	-	5,150
	31 December 2019	954	-	954
Segment loss before income tax expense	31 December 2020	(310,445)	-	(310,445)
	31 December 2019	(479,093)	(24,152)	(503,245)

Notes to the Condensed Interim Financial Statements

Note 3: Loss Per Share

Basic and diluted loss per share

	Consolidated	
	Six months to 31 December 2020	Six months to 31 December 2019 ¹
Basic and Diluted loss per share (cents per share)	(0.15)	(0.57)

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 2020	Six months to 31 December 2019
	\$	\$
Loss used in the calculation of basic loss per share	(310,445)	(503,245)

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 2020	Six months to 31 December 2019
	Number	Number ¹
Weighted average number of ordinary shares for the purpose of basic earnings per share	210,309,652	88,721,729
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	210,309,652	88,721,729

¹ – These values have been adjusted to reflect the 20:1 share consolidation completed on 7 January 2020.

Notes to the Condensed Interim Financial Statements

Note 4: Deferred Exploration and Evaluation Expenditure

Carrying value

	Consolidated	
	31 December	30 June
	2020	2020
	\$	\$
Exploration and evaluation costs	3,889,751	3,296,140

Reconciliation

	Consolidated	
	Six months to	Year to
	31 December	30 June
	2020	2020
	\$	\$
Opening balance	3,296,140	37,908
Acquisitions of Spanish Zinc projects	-	2,994,947
Expenditure incurred	602,820	261,307
Impact of foreign currency exchange differences	(9,209)	1,978
Closing balance	3,889,751	3,296,140

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 2020	30 June 2020
	\$	\$
Share capital		
212,982,024 ordinary shares fully paid (30 June 2020: 206,093,551)	30,987,996	30,763,428
Option issue consideration		
29,669,247 listed options (30 June 2020: 29,669,247)	528,604	528,604
Share issue costs	(1,450,393)	(1,450,393)
	30,066,207	29,841,639

Movement in ordinary shares on issue

	Six months to 31 December 2020		Year to 30 June 2020	
	Number	\$	Number	\$
Balance at beginning of period	206,093,551	30,763,428	1,271,073,585	25,061,842
Issued for cash	-	-	1,553,350,000	3,106,700
Issued to acquire Spanish Zinc Assets	-	-	1,165,588,235	2,331,176
Issued in lieu of share issue costs	-	-	83,750,000	167,500
Issued to managing director under contract	-	-	48,104,500	96,209
Impact of equity consolidation on a 20 to 1 basis	-	-	(3,915,772,769)	-
Issued in settlement of liability	4,000,000	160,000	-	-
Issued in lieu of directors fees	2,888,473	64,568	-	-
Balance at end of period	212,982,024	30,987,996	206,093,551	30,763,428

Movement in listed options on issue

	Six months to 31 December 2020		Year to 30 June 2020	
	Number	\$	Number	\$
Balance at beginning of period	29,669,247	528,604	593,384,943	528,604
Impact of equity consolidation on a 20 to 1 basis	-	-	(563,715,696)	-
Balance at end of period	29,669,247	528,604	29,669,247	528,604

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Reserves

	31 December 2020	30 June 2020
	\$	\$
Share based payment reserve	257,567	159,917
Foreign currency translation reserve	22,576	5,921
Total Reserves	280,143	165,838

Movement in share based payment reserve

	Consolidated	
	Six months to 31 December 2020	Year to 30 June 2020
	\$	\$
Notes		
Opening balance	159,917	153,822
Additional vesting expense recognised for previously issued securities	1,410	6,095
Value of unlisted options issued during the period	91,251	-
Value of performance rights issued during the period	4,989	-
Closing balance	257,567	159,917

Movement in unlisted options on issue

	Six months to 31 December 2020		Year to 30 June 2020	
	Number	\$	Number	\$
Balance at beginning of period	1,000,000	159,917	20,000,000	153,822
Additional vesting expense recognised for previously issued securities	-	1,410	-	6,095
Impact of equity consolidation on a 20 to 1 basis	-	-	(19,000,000)	-
Issue of incentive options (Note 6)	12,000,000	91,251	-	-
Balance at end of period	13,000,000	252,578	1,000,000	159,917

Notes to the Condensed Interim Financial Statements

Note 5: Issued Capital & Reserves

Movement in performance rights on issue

	Six months to 31 December 2020		Year to 30 June 2020	
	Number	\$	Number	\$
Balance at beginning of period	-	-	-	-
Issued as incentive to managing director (Note 6)	2,500,000	4,989	-	-
Balance at end of period	2,500,000	4,989	-	-

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	500,000 ¹	6 Nov 2017	20 Nov 21	\$0.60 ¹	\$0.0040 ¹	25% per year of service
Managing Director – Tranche 2	500,000 ¹	6 Nov 2017	20 Nov 22	\$1.00 ¹	\$0.0038 ¹	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

1 – These values have been adjusted to reflect the 20:1 share consolidation completed on 7 January 2020.

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:

	Director Options – Tranche 1	Director Options – Tranche 2	Director Options – Tranche 3
Fair value at grant date	\$0.0206	\$0.0200	\$0.0193
Share price at grant date	\$0.028	\$0.028	\$0.028
Exercise price	\$0.055	\$0.065	\$0.08
Expected volatility	100%	100%	100%
Option life	3 years	3 years	3 years
Expected dividends	-	-	-
Risk-free interest rate	0.20%	0.20%	0.20%
Number of options	4,000,000	4,000,000	4,000,000

Notes to the Condensed Interim Financial Statements

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.

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).

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

	Six months to 31 December 2020	Year to 30 June 2020		
	Fair value	Fair value		
	\$	\$	Fair value hierarchy	Valuation Technique
Equity investments designated at fair value through profit or loss	-	398,200	Level 1	Quoted market prices in an active markets.

Financial assets represented the market value of the Company's holding of 18,100,000 shares in Thompson Resources Limited (ASX:TMZ). This investment was disposed during the half-year.

Transfers

There have been no transfers between the levels of the fair value hierarchy during the half year ended 31 December 2020.

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 2020: \$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 550,000,000 ordinary shares to the vendors of Slipstream Spain Pty Ltd and Slipstream Spain 2 Pty Ltd, and 48,529,412 shares to Hispanibal S.L. as the vendor of the "Hispanibal Option", for a total of 1,197,058,824 Ordinary Shares if both milestones are met. All numbers noted are on a pre-consolidation basis.

As at the date of this report, the Directors are of the view that the work conducted on the projects to date is not of a sufficiently advanced stage to determine the probability of meeting these milestones and therefore no current obligation has been recorded in this interim financial report.

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.

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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 2020.

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 2020 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 2020.

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



Stewart Dickson

Managing Director

Dated this 16th day of March 2021

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 interim financial report of Variscan Mines Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated Group's financial position as at 31 December 2020 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*.

A review of a interim 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
Chartered Accountants

Perth, Western Australia
16 March 2021



N G Neill
Partner