PROSPECH LIMITED
and its controlled entities

A.B.N. 24 602 043 265

FINANCIAL REPORT

FOR THE YEAR
ENDED 31 DECEMBER 2018

PROSPECH LIMITED
and its controlled entities

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of Prospech Limited ('the Company') and its controlled entities ('Prospech' or 'the Group'), for the year ended 31 December 2018 and the auditor's report thereon:

Principal Activities and Review of Operations

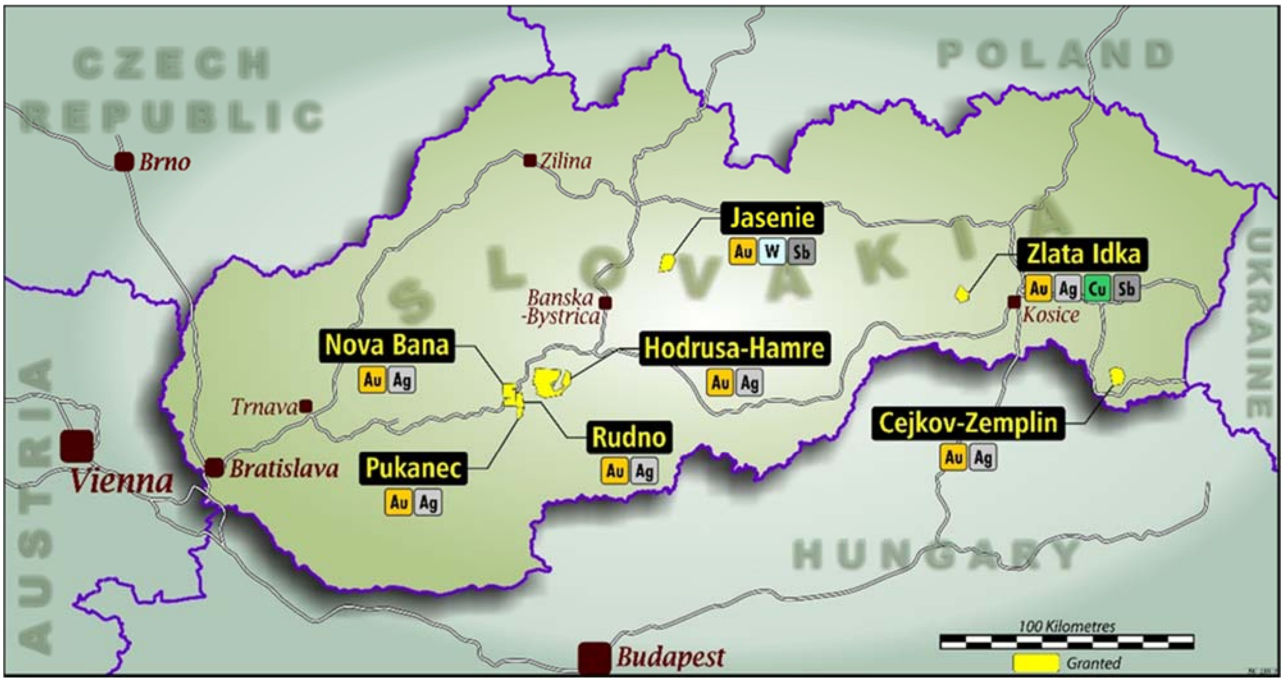
Introduction

Prospech has acquired 100% of highly prospective exploration licences in the Hodrusa-Hamre/Banska Stiavnica mining district and the nearby Nova Bana goldfield of Slovakia where more than 1,000 years of historical production is estimated to have totalled 2.4 million ounces of gold, 120 million ounces of silver, 70,000 tonnes of zinc, 55,000 tonnes of lead and 8,000 tonnes of copper.

During 2018 the Company has continued, at minimal cost, to add to its portfolio of exploration projects within Slovakia. In late 2018 the Cejkov Zemplin (high grade epithermal gold-silver) property and the Zlata Idka (gold-silver-copper-antimony) property were granted to the Company. The Company now has granted exploration licences which cover an area of approximately 279km².

Anciently, the target metal was silver, the currency of the day, and more recently, during the Communist era, the targets were industrial base metals, copper, lead, zinc and others. As a result, much of the country, including Prospech's exploration licence areas, has not been subject to modern western exploration methodology or exploitation.

The Company's principal projects are located approximately 180 kilometres east of Bratislava in Slovakia. Adjacent to Austria, Slovakia is a member country of the European Union and the Eurozone and, with modern western-style legislation, a regimented legal system, low wages, low tax rates and a well-educated labour force, is an attractive jurisdiction for foreign investment.



Location of the Company's projects.

Executive Summary

The exploration activities of the Group during the year include the following:

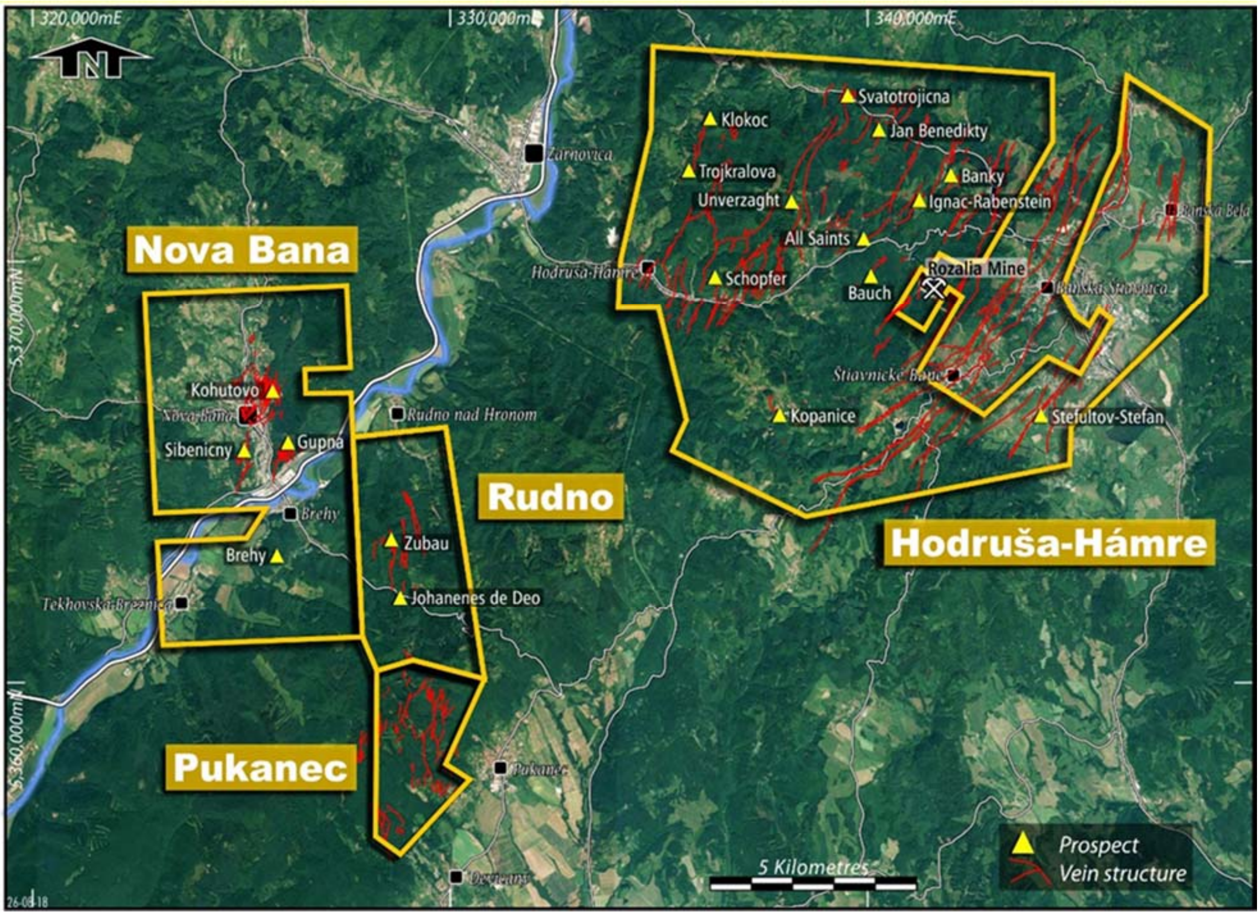
- Completion of a four hole drill program at the Ignac-Rabenstein prospect within the Hodrusa project. Results included:
  - 5 metres @ 3.2 g/t Au and 22 g/t Ag , 3.5 g/t AuEq* from 190 metres including *1m @ 9.1 g/t Au and 20 g/t Ag, 9.3 g/t AuEq from 190m.*
  - 0.4 metres @ 8.3 g/t Au and 117 g/t Ag , 9.8 g/t AuEq* from 195.8 metres.
- Reporting of an initial JORC 2012 compliant gold-tungsten Inferred Resource estimate has been completed for the Kysla prospect within the Jasenie gold-tungsten-antimony (Au-W-Sb) project. The initial Kysla JORC 2012 compliant Inferred Resource estimate is 2.17 million tonnes at 1.77 g/t Au and 0.24% WO3 (2.95 g/t AuEq) = 124 koz Au and 5,200 tonnes WO3 = 206 koz AuEq1.
- Completion of 16 BQ underground diamond core holes at Schopfer, using a handheld portable diamond rig, in preparation for subsequent surface drilling. The results included:
  - *SCDD024 with 5.0 metres @ 2.9/t Au, 401g/t Ag (7.9 g/t AuEq*).*
- Four RC drill holes at Rudno project. The results included:
  - Zubau prospect 10.2 metres @ 1.08 g/t Au and 34 g/t Ag from 174.5 metres; and
  - Goldschramm prospect 0.5 metres @ 4.6 g/t Au and 173 g/t Ag from 46.6 metres.
- Pukanec project licence was granted. Average of nine samples collected at the project was 3.58 g/t Au and 56 g/t Ag.
- During the December quarter, the Cejkov Zemplin (high grade epithermal gold-silver) property and the Zlata Idka (gold-silver-copper-antimony) property were granted to the Company.
- High grade in situ underground gold-silver samples up to 28.3 g/t Au and 582 g/t Ag at Bauch zone within Hodrusa project, which likely represents extension of the Ignac-Rabenstein epithermal zone to the south.

The corporate activities of the Group during the year include the following:

- Completion of the procedural requirements to move to 100% interests in the Hodrusa and Nova Bana exploration licences.
- Completion of a private equity placement raising approximately $577,500 at $0.10 per share.

**AuEq = Au+Ag/80*

Exploration Activities



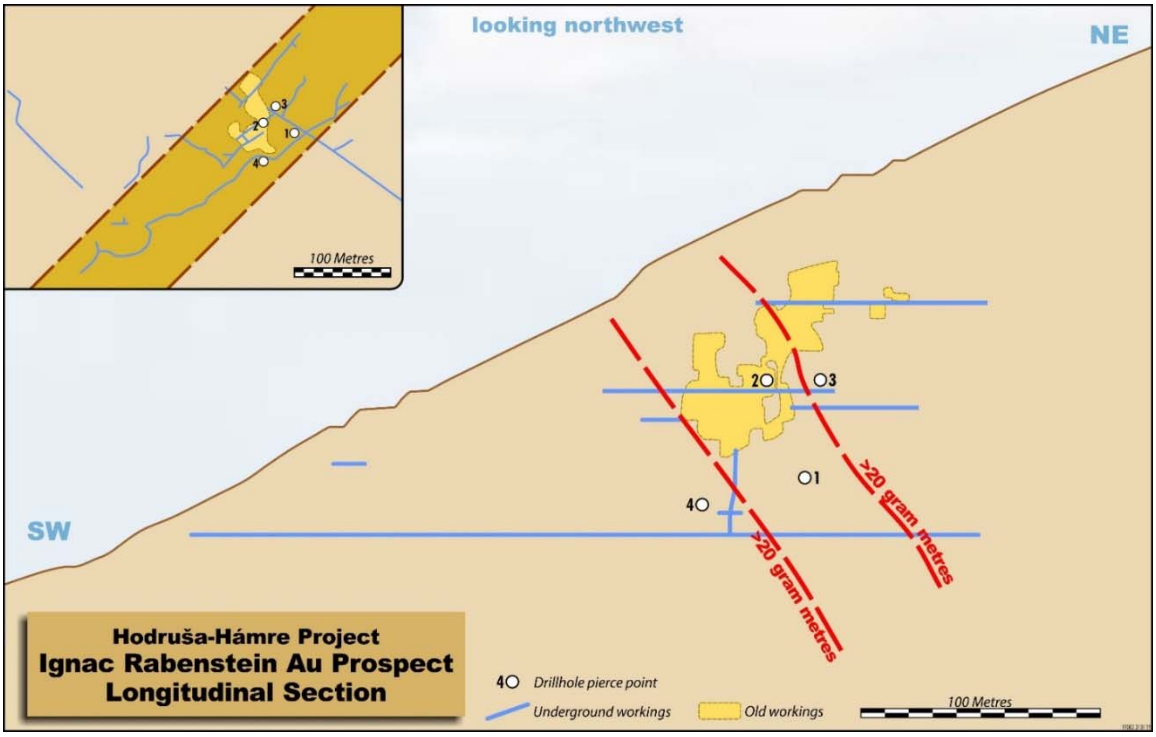
Hodrusa, Nova Bana, Rudno and Pukanec project areas.

Hodrusa Project

Ignac-Rabenstein prospect

During the year a four hole drill program was completed at the Ignac prospect, which is within 400 metres of currently used underground infrastructure.

A higher grade shoot is now discernible with two out of four holes having returned intercepts of visible gold of over 20 grams per square metre. Intervals from IRDD004 contained epithermal breccias on the margins of the high grade shoot defined by holes IRDD001 and IRDD002 and further drilling is suggested at depth along this pitch in the plane of the vein.



Bauch prospect (Au-Ag)

Two kilometres along strike from Ignac-Rabenstein, assays of up to 28.3 g/t Au and 582 g/t Ag have been returned from rock chip samples taken by the Company.

This target is now permitted for drilling subject to weather and finance.

High grade samples recovered from the Bauch prospect, 2km along strike from the Ignac prospect.

Schopfer prospect

Drilling during the March quarter was completed for 95.4m for an average of 6m for 16 holes. These holes were drilled using a man portable diamond rig and designed to drill a known mining area to derisk future surface drilling. Drill holes are BQ and will be usable in a future JORC inferred resource estimate.

March Quarter 2018							
Hole_ID	**UTM_East**	**UTM_North**	**RL**	**Max_Depth**	**Dip**	**MAG_Azimuth**	**UTM_Azimuth**
SCDD009	336442.7	5370012.6	330	3.02	-6.8	295	301
SCDD010	336449.6	5370022.9	330	9.6	-2.2	119	125
SCDD011	336434.8	5369991.6	330	8.37	-2	107	113
SCDD012	336428.8	5369978.1	330	10.14	-1.3	120	126
SCDD013	336413.6	5369961.9	333	5.01	-1.5	277	283
SCDD014	336419.4	5369968	333	9.17	-6.3	103	109
SCDD015	336423.4	5369976.6	333	4.76	-10.9	106	112
SCDD016	336410.7	5369980	340	4.85	-22	190	196
SCDD017	336410.7	5369780	340	15.9	-5	190	196
SCDD018	336399.2	5369925.3	334	6.02	-48.5	132	138
SCDD019	336388	5369910	334	2.49	-44.5	150	156
SCDD020	336388	5369910	334	3.39	-34	150	156
SCDD021	336387.6	5369911.2	334	1.63	-54	225	231
SCDD022	336387.6	5369911.2	334	1.9	-38.4	205	211
SCDD023	336387.6	5369911.2	334	2.91	-58.4	210	216
SCDD024	336387	5369912	334	6.23	-4	205	211

Table 1. Drill coordinates for Schopfer and Jan Benedickty within Hodrusa Project.

Anton Svatotrojicna prospect (Au-Ag)

Drilling permit lodged to ensure planned drilling (up to 20 holes). Samples grading up to 52.6 g/t Au have earlier been collected from the Svatotrojicna shaft.

Rudno Project

Drilling was commenced at the Zubau prospect. RUDD001 drilled at Zubau returned a thick zone of quartz sericite pyrite alterations with quartz pyrite veinlets from 144m to 151m. An additional zone up to a void at 183m was returned.

Results from Rudno that warrant following up included:

- Zubau prospect 10.2 metres @ 1.08 g/t Au and 34 g/t Ag from 174.5 metres; and
- Goldschramm prospect 0.5 metres @ 4.6 g/t Au and 173 g/t Ag from 46.6 metres.

Other sampling results included:

- Johan de Deo - average 9.5g/t Au and 350 g/t Ag (9 samples)
- Goldschramm - average 5.7 g/t Au and 416 g/t Ag (18 samples)
- Krsla - average 6.8 g/t Au 290 g/t Ag (7 samples)

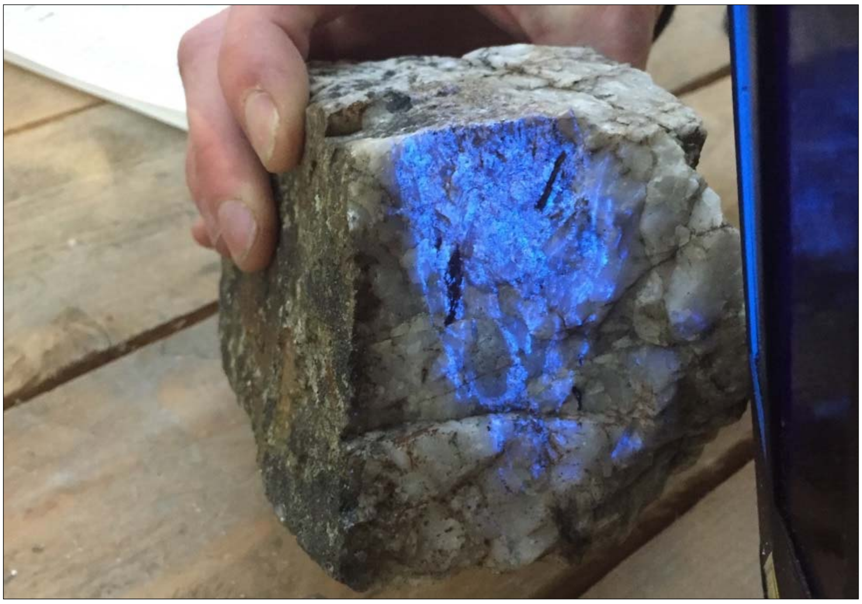
Jasenie Project

An initial JORC 2012 compliant Inferred Resource estimate of **2.17 million tonnes at 1.77 g/t Au and 0.24% WO_3 (2.95 g/t AuEq) = 124 koz Au and 5,200 tonnes WO_3 = 206 koz AuEq[1]** has been compiled for the Kysla prospect within the Jasenie Project. This initial resource estimate is a small subset of the Jasenie Project Au-W-Sb Exploration Target:

- Tonnes: 10 to 15 million
- Au grade: 1g/t to 7g/t
- WO_3 grade: 0.1% to 0.6%
- Sb grade: 500ppm to 10,000ppm (not included in AuEq calculations).
- AuEq[1] ounces (M): 320k to 3.5Moz

For JORC compliance purposes, please note that an Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade, relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target estimates are based on historic production, drill assays and underground and surface sampling results based on all known occurrences of Au-W mineralisation. Datasets used to determine the grade and tonnage ranges included historical production records, surface sampling, modern drilling results and, in cases where data was sufficient, interpreted solids of interpreted vein zones.



High grade tungsten samples recovered from the Kysla prospect.

Increased JORC 2012 compliant resource estimates for the Jasenie Project are expected to follow further drilling to extend a 10 metre wide gold zone in the core of the Kysla resource which has been sampled by the Company with returned grades from three samples averaging 9.61 g/t Au from the central area (Resource Wireframe A2A).

Nova Bana Project

No activity was undertaken on the Nova Bana project during the year. Drill permits are complete for future Gupna drill program to target the 2016 discovered feeder zone utilising a small track mounted diamond rig to test near surface a 30m wide zone.

Applications Granted

Cejkov Zemplin Project

Cejkov Zemplin is an epithermal Au-Ag-Cu-Pb-Zn system hosted in andesite and quartz-diorite porphyry. The veins are several hundreds of meters long, striking N-S and up to 3.1 m wide. No historical mining has been carried out, the epithermal system does not crop out on the surface. Historical drilling by Slovak Geological Survey (up to 200m deep diamond holes) intersected epithermal veins up to Au 3-4 g/t and Ag 890 g/t. It appears to be a fully preserved epithermal system with typical low temp chalcedony in upper parts of the veins. Precious metals are associated with base metal sulphides (sphalerite, galena).

Zlata Idka Project

Subsequent to the end of the year the application for this project was granted. This project is famous for previous silver production. A total of 14 major and several minor veins are known to occur in the ore field, which stretches 9km in strike by 1km in width. Apart from silver and gold, Prospech expects to define significant antimony targets on grant of this tenement.

Ag-Au-Pb-Zn-Sb veins at Zlata Idka are related to granite intrusion of Permian age. Vein are generally striking 70°, strike length of the entire ore field is approx. 9km and width is approx. 1km. Individual veins are up to 1km long, commonly between 200-400m. Vertical extent of the veins is reportedly up to 350m. The veins consist mainly of quartz-siderite, with abundant jamesonite, arsenopyrite, stibnite, chalcopyrite, tetrahedrite, pyrite, sphalerite, etc. Most of the silver is contained in jamesonite and tetrahedite.

Corporate Activities

During the year:

- the Company completed the procedural requirements to move to 100% interests in the Hodrusa and Nova Bana exploration licences.
- the Company completed a private equity placement which raised approximately $577,500 at $0.10 per share;

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the year are:

Thomas J. Mann - Chairman
Director since 26 September 2014.

Mr Mann has over 30 years' experience in financial markets and global trade having established a global trading corporation with offices in North America and the Asia-Pacific. Mr Mann is actively involved in capital raising and strategic development initiatives for public and private companies. He retired as the Non-Executive Chairman of ASX listed Aeon Metals Limited in November 2016.

Jason M. Beckton - Director and Chief Executive Officer
Director since 26 September 2014.

Mr Beckton is a professional geologist with over 20 years' experience in exploration, project development, production and management in Australia and internationally.

He commenced his career with Pancontinental and Goldfields Limited throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently Project Manager for the Palmarejo silver gold project in Mexico and managed the program that grew the resource base from zero to 3.1 million ounces gold equivalent during 2004. More recently, Manager - Chile for Exeter Resource Corporation and led the team in 2007 that was responsible for the commercial discovery at the Caspiche porphyry prospect in the Maricunga gold-copper belt of Chile. Ongoing drilling has resulted in an inferred estimate by Exeter of 41.7 million gold equivalent ounces.

In 2013, Jason founded, and subsequently farmed out, Redhill Magallanes SpA which is currently drilling the Franceses bulk tonnage copper discovery in Region XII and Redhill Chile (Ibanez) SpA in Region XI.

Mr Beckton is a director of ASX listed company Dark Horse Resources Limited. Mr Beckton is a Non-Executive Director of unlisted Ginguro Gold Ltd, Jamieson Minerals Pty Ltd and Bambra Oy (Finland).

Peter J. Nightingale - Director
Director since 26 September 2014.

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of Chartered Accountants Australia & New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L., Bolnisi Gold N.L and Cockatoo Coal Limited. He is currently a director of ASX Listed Alpha HPA Limited, Nickel Mines Limited and Planet Gas Limited.

John A. Levings - Director
Director since 17 May 2016.

Mr Levings gained a Bachelor of Science degree from the University of Tasmania in 1977 and then worked for several years as a field geologist and geophysicist for Anglo American Limited. In 1985, as Chief Geologist for Australian Development Limited (later re-named Normandy Gold Limited), Mr Levings was responsible for the discovery of the high-grade White Devil gold deposit (760,000 ounces of gold at 14.6 grams per tonne) in Tennant Creek. In 1986 Australian Development Limited was the best performing stock on the ASX on the back of this discovery. Relocating to Indonesia, Mr Levings became a founding partner of a successful geological consultancy which was very active during the 1990s. In more recent times, he identified the Romang Island polymetallic opportunity which was acquired by Robust Resources Limited.

John remains a director of Robust Resources Limited which is now an unlisted public company and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Richard J. Edwards - Company Secretary
Company Secretary since 26 September 2014.

Mr Edwards graduated with a Bachelor of Commerce degree from the University of New South Wales, is a Fellow of the Governance Institute of Australia, is a member of CPA Australia and holds a Graduate Diploma of Applied Finance and Investment from FINSIA.

Mr Edwards has worked for over ten years providing financial reporting and company secretarial services to a range of publicly listed companies in Australia, with a focus on the mining sector. He is currently Company Secretary of ASX-listed Alpha HPA Limited and Nickel Mines Limited.

Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings	
	Held	Attended
Thomas J. Mann	4	4
Jason M. Beckton	4	4
John A. Levings	4	4
Peter J. Nightingale	4	4

Directors' Interests

At the date of this report, the beneficial interests of each key management personnel of the Company in the issued share capital of the Company are:

Key management personnel	Held at 1 January 2018	Purchased	Held at 31 December 2018
Thomas J. Mann	6,000,000	300,000	6,300,000
Jason M. Beckton	5,256,252	-	5,256,252
John A. Levings	112,500	100,000	212,500
Peter J. Nightingale	9,660,004	500,000	10,160,004

At the date of this report, the number of options over ordinary share of each key management personnel of the Company are:

Key management personnel	Held at 1 January 2018	Granted	Held at 31 December 2018
Thomas J. Mann	4,000,000	-	4,000,000
Jason M. Beckton	5,000,000	-	5,000,000
John A. Levings	2,000,000	-	2,000,000
Peter J. Nightingale	5,000,000	-	5,000,000

Unissued Shares Under Option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of unissued shares	Exercise Price	Expiry Date
468,750	$0.25	30 September 2019
20,000,000	$0.25	31 December 2020*

* Options expire on the earlier of their expiry date or termination of the employee's employment.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018. No dividends have been paid or declared during the year.

State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2018 other than as disclosed elsewhere in the financial report or notes thereto.

Impact of Legislation and Other External Requirements

There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Environmental Regulations

The Group's operations are subject to Slovakian environmental regulations in relation to its activities.

The Board of Directors regularly monitors compliance with environmental regulations. The Directors are not aware of any significant breaches of these regulations during the year covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

Indemnification of Officers and Auditors

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Events Subsequent to Balance Date

There have been no matters arise in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 31 December 2018.

Signed at Sydney this 29th day of March 2019
in accordance with a resolution of the Board of Directors:

Thomas J. Mann
Chairman

Peter J. Nightingale
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Prospech Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Prospech Limited for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adam Twemlow
Partner

Brisbane
29 March 2019

PROSPECH LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $	2017 $
Administration and consultants' expenses		**(515,428)**	(496,742)
Depreciation expense		**(37,566)**	(14,306)
Results from operating activities		**(552,994)**	(511,048)
Financial income	4	**7,388**	14,613
Financial expense	4	**(1,347)**	(566)
Net financial income/(expense)		**6,041**	14,047
Loss before income tax		**(546,953)**	(497,001)
Income tax expense	6	**-**	(273)
Loss for the year		**(546,953)**	(497,274)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**125,182**	68,990
Total comprehensive loss for the year		**(421,771)**	(428,284)
Loss attributable to:			
Owners of the Company		**(546,953)**	(497,622)
Non-controlling interest		**-**	348
Loss for the year		**(546,953)**	(497,274)
Total comprehensive loss attributable to:			
Owners of the Company		**(546,953)**	(436,469)
Non-controlling interest		**-**	8,185
		(546,953)	(428,284)
Earnings per share			
Basic and diluted loss per share (cents)	7	**(0.74)**	(0.79)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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PROSPECH LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $	31 December 2017 $
Current assets			
Cash and cash equivalents		**347,822**	1,240,568
Trade and other receivables	5	**18,277**	31,118
Prepayments		**5,881**	1,690
Total current assets		**371,980**	1,273,376
Non-current assets			
Exploration and evaluation expenditure	8	**4,385,942**	3,211,605
Property, plant and equipment	9	**40,560**	36,084
Total non-current assets		**4,426,502**	3,247,689
Total assets		**4,798,482**	4,521,065
Current liabilities			
Trade and other payables	10	**167,517**	45,829
Total current liabilities		**167,517**	45,829
Total liabilities		**167,517**	45,829
Net assets		**4,630,965**	4,475,236
Equity			
Share capital	11	**5,682,823**	5,105,323
Reserves	11	**964,960**	839,778
Accumulated losses		**(2,016,818)**	(1,469,865)
Total equity		**4,630,965**	4,475,236

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital $	Reserves $	Accumulated losses $	Total $	Non-controlling interest $	Total $
Balance at 1 January 2018		**5,105,323**	**839,778**	**(1,469,865)**	**4,475,236**	**-**	**4,475,236**
Total comprehensive income for the year							
Loss for the period		**-**	**-**	**(546,953)**	**(546,953)**	**-**	**(546,953)**
Total other comprehensive income		**-**	**125,182**	**-**	**125,182**	**-**	**125,182**
Total comprehensive loss for the year		**-**	**125,182**	**(546,953)**	**(421,771)**	**-**	**(421,771)**
Transactions with owners, recorded directly in equity							
Issue of shares	11	**577,500**	**-**	**-**	**577,500**	**-**	**577,500**
Balance at 31 December 2018		**5,682,823**	**964,960**	**(2,016,818)**	**4,630,965**	**-**	**4,630,965**
Balance at 1 January 2017		3,306,269	692,053	(972,243)	3,026,079	228,387	3,254,466
Total comprehensive income for the year							
Loss for the period		-	-	(497,622)	(497,622)	348	(497,274)
Total other comprehensive income		-	61,153	-	61,153	7,837	68,990
Total comprehensive loss for the year		-	61,153	(497,622)	(436,469)	8,185	(428,284)
Transactions with owners, recorded directly in equity							
Issue of shares	11	1,649,054	-	-	1,649,054	-	1,649,054
Acquisition of controlled entity		150,000	86,572	-	236,572	(236,572)	-
Balance at 31 December 2017		5,105,323	839,778	(1,469,865)	4,475,236	-	4,475,236

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Cash payments in the course of operations		(412,877)	(546,473)
Interest received		4,638	9,674
Net cash used in operating activities	14	(408,239)	(536,799)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,024,307)	(872,916)
Payments for property, plant and equipment		(40,451)	(25,250)
Net cash used in investing activities		(1,064,757)	(898,166)
Cash flows from financing activities			
Issue of shares		577,500	1,649,054
Net cash from financing activities		577,500	1,649,054
Net increase in cash and cash equivalents		(895,496)	214,089
Effect of exchange rate adjustments on cash held		2,750	4,939
Cash and cash equivalents at the beginning of the year		1,240,568	1,021,540
Cash and cash equivalents at the end of the year		347,822	1,240,568

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - REPORTING ENTITY

Prospech Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report for the year to 31 December 2018 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is involved in exploration for precious metals.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board ('IASB').

The Company has adopted the new standards effective as of 1 January 2018 and has applied for the first time, AASB 9 *Financial Instruments*. Accordingly the Group has changed its accounting policy in relation to financial instruments however this had no material financial impact on the Group.

The financial report was authorised for issue by the Directors on 29 March 2019.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's subsidiaries Prospech Slovakia s.r.o and Slovenske Kovy s.r.o is Euros.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2 – Going concern
- Note 8 – Exploration and evaluation expenditure

NOTE 2 - BASIS OF PREPARATION (Con't)

The accounting policies set out below have been applied consistently by entities in the Group.

Going concern

The consolidated financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a loss after tax of $546,953 (2017: $497,274) for the year ended 31 December 2018. At 31 December 2018 the Group had cash and cash equivalents of $347,822 (2017: $1,240,568) and net assets of $4,630,965 (2017: $4,475,236). In addition, the Group used $1,432,546 (2017: $1,409,715) of cash in operations, including exploration activities, for the year ended 31 December 2018.

The ongoing operations of the Group is dependent upon the Group raising additional funding from shareholders or other parties and the Group reducing expenditure in-line with available funding. The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume operating cash outflows continue at least until 31 March 2020 and the Group raises additional funding from shareholders or other parties to continue planned exploration activities. The Group has successfully raised additional funding in prior years, however such funding is inherently uncertain until secured.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. In the event that the Group does not raise additional funding and significantly reduces expenditure in-line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Where a controlled entity issues shares to minority interests which does not result in loss of control by the Group, any gain or loss arising on the Group's interest in the controlled entity is recognised directly in equity.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations
The assets and liabilities of foreign entities are translated at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve ('FCTR'), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

Financial instruments

Non-derivative financial assets

Recognition and initial measurement

The Group initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 3 -SIGNIFICANT ACCOUNTING POLICIES (Con't)
Financial instruments (Cont'd)

Non-derivative financial assets (Cont'd)

Classification and subsequent measurement – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income – equity investment; or
- Fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value through OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

NOTE 3 -SIGNIFICANT ACCOUNTING POLICIES (Con't)
Financial instruments (Cont'd)

Non-derivative financial assets (Cont'd)

Classification and subsequent measurement – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

NOTE 3 -SIGNIFICANT ACCOUNTING POLICIES (Con't)

Financial instruments (Cont'd)

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost. The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Other financial liabilities comprise loans and borrowings and trade and other payables.

Impairment

Financial assets

Policy applicable from 1 January 2018

The Group recognises expected credit losses ('ECLs') on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 January 2018

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Non-financial assets
The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Calculation of recoverable amount
The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

Trade and other payables
Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

Expenses
Net financing income
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest earned and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

Share based payments
The Group issues share based payments to its Employees. Share based payments are measured at fair value at the date of grant. The fair value at the grant date of the share based payments is expensed on a straight line basis over the vesting period, unless the shares vest immediately in which case the full value of the share based payment is expensed immediately.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are directly attributable to the Group's exploration and evaluation and development activities are capitalised in relation to qualifying assets.

Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land, and the related expense, is recognised when the land is disturbed.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised at cost or fair value, as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

	2018	**2017**
	$	**$**

NOTE 4 - FINANCIAL INCOME/(EXPENSE)

Interest income	**4,718**	9,674
FX gain	**2,670**	4,939
Interest expense	**(1,347)**	(566)
	6,041	14,047

NOTE 5 - TRADE AND OTHER RECEIVABLES

GST/VAT receivable	**18,277**	31,118
	18,277	31,118

NOTE 6 - INCOME TAX EXPENSE

	2018 $	2017 $
Current tax expense		
Current period	(82,046)	727
Adjustments for prior year	-	(454)
De-recognition of losses	82,046	-
Total income tax expense in income statement	-	273
Deferred tax expense		
Current period	-	-
De-recognition of temporary differences	-	-
Deferred tax expense	-	-
Loss before tax – continuing operations	(546,953)	(497,001)
Prima facie income tax expense at the Australian tax rate of 30% (2017 – 27.5%)	(164,086)	(136,675)
Impact of tax in foreign jurisdiction	13,011	97
Increase in income tax expense due to:		
- Non-deductible expenses	66,032	137,305
Tax adjustments to prior year	-	(454)
- Effect of deferred tax assets for tax losses not brought to account	85,040	-
- Effect of net deferred tax assets not brought to account	-	-
Income tax expense – current and deferred	-	273
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.		
Deferred tax asset for tax losses	187,391	83,281
Deferred tax asset for temporary differences	-	-
Total deferred tax asset not brought to account	187,391	83,281

At 31 December 2018, the Group has an unrecognised deferred tax asset for tax losses not brought to account of $114,674 that relate to the Slovakian operations. These tax losses expire after four years.

	2018	2017
	$	$

NOTE 7 – LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

	2018	2017
Net loss for the year attributable to equity holders of the Company	**(546,953)**	(497,622)

Weighted average number of ordinary shares	**Nº of shares**	**Nº of shares**
- Issued ordinary shares at the beginning of the year	**72,039,098**	60,795,010
- Effect of shares issued on 1 October 2017	**-**	2,526,069
- Effect of shares issued on 1 October 2018	**1,455,616**	-
Weighted average number of shares at the end of the year	**73,494,714**	63,321,079

As the Group is loss making, none of the potentially dilutive securities are currently dilutive.

NOTE 8 - EXPLORATION AND EVALUATION EXPENDITURE

	2018	2017
	$	$
Reconciliation of the carrying amount is set out below:		
Opening balance	**3,211,605**	2,253,221
Additions, including impact of FX movements	**1,174,337**	958,384
Closing balance	**4,385,942**	3,211,605

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Motor vehicles		
Motor vehicles – cost	**73,516**	30,140
Accumulated depreciation	**(33,217)**	(14,037)
Net book value	**40,299**	16,103
Software		
Office equipment assets – cost	**25,250**	25,250
Accumulated depreciation	**(25,250)**	(6,312)
Net book value	**-**	18,938
Office equipment		
Office equipment assets – cost	**2,345**	2,345
Accumulated depreciation	**(2,084)**	(1,302)
Net book value	**261**	1,043
Total property, plant and equipment	**40,560**	36,084

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2018 $	2017 $
Motor vehicles		
Carrying amount at beginning of period	**16,103**	22,455
Additions	**41,633**	-
Depreciation	**(17,846)**	(7,213)
Exchange movements	**409**	861
Net book value	**40,299**	16,103
Software		
Carrying amount at beginning of period	**18,938**	-
Additions	**-**	25,250
Depreciation	**(18,938)**	(6,312)
Net Book Value	**-**	18,938
Office equipment		
Carrying amount at beginning of period	**1,043**	1,824
Additions	**-**	-
Depreciation	**(782)**	(781)
Net book value	**261**	1,043

	2018	2017
	$	$

NOTE 10 - TRADE AND OTHER PAYABLES

	2018	2017
Creditors	**129,184**	25,829
Accruals	**38,333**	20,000
	167,517	45,829

NOTE 11 - CAPITAL AND RESERVES

	2018		2017	
	Number of shares	$	Number of shares	$
Opening balance – fully paid	**72,039,098**	**5,105,323**	60,795,010	3,306,269
Issue of shares	**5,775,000**	**577,500**	11,244,088	1,799,054
Ordinary shares on issue at 31 December – fully paid	**77,814,098**	**5,682,823**	72,039,098	5,105,323

During the year ended 31 December 2018:

- The Company issued 5,775,000 shares, at $0.10 each for cash totalling $577,500. There were no amounts unpaid on the shares issued. There were no share issue costs.

During the year ended 31 December 2017:

- The Company issued 10,306,588 shares, at $0.16 each for cash totalling $1,649,054. There were no amounts unpaid on the shares issued. There were no share issue costs.
- The Company issued 937,500 shares at $0.16 each to acquire the remaining 19% shareholding in Slovenske Kovy s.r.o. The transaction was recorded at a fair value of $150,000. In addition, 468,750 options with a fair value of $9,984 were also issued as consideration for the acquisition.

There were no amounts unpaid at period end.

NOTE 11 – CAPITAL AND RESERVES (con't)

Issue of Options

The Company has an executive option plan that entitles eligible employees including the key management personnel to be granted options in the Company.

No options issued under the executive option plan during the period ended 31 December 2018.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2018 are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted	Balance at end of the period
					Number	Number
28 November 2016	31 December 2020	28 November 2016	$0.25	$403,790	20,000,000	20,000,000
				$403,790	20,000,000	20,000,000

During the prior year, the Company issued 468,750 options to acquire the remaining 19% interest in Slovenske Kovy s.r.o. The terms and conditions are as follows.

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Granted during the period	Balance at end of the period
					Number	Number
10 October 2017	30 September 2019	10 October 2017	$0.25	$9,984	468,750	468,750
				$9,984	468,750	468,750

Dividends

There were no dividends paid or declared during the year ended 31 December 2018 or 31 December 2017.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Nature and purpose of reserves

Acquisition reserve

The acquisition reserve reflects the transaction with the non-controlling interest following the acquisition by the Company of an additional 30% interest in SLOK on completion of tranche 3 on 31 December 2016 and the remaining 19% in October 2017.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Option premium reserve

The option premium reserve is used to recognise the grant date fair value of options issued but not exercised.

NOTE 11 – CAPITAL AND RESERVES (con't)

	2018 $	2017 $
Acquisition reserve	**375,578**	375,578
Foreign currency translation reserve	**175,608**	50,426
Option premium reserve	**413,774**	413,774
	964,960	839,778
Movements during the period		
Acquisition reserve		
Balance at the beginning of the period	**375,578**	298,990
Acquisition of controlled entity	**-**	76,588
Balance at the end of the period	**375,578**	375,578
Foreign currency translation reserve		
Balance at the beginning of the period	**50,426**	(10,727)
Currency translation difference	**125,182**	61,153
Balance at the end of the period	**175,608**	50,426
Option premium reserve		
Balance at the beginning of the period	**413,774**	403,790
Issue of options	**-**	9,984
Balance at the end of the period	**413,774**	413,774

NOTE 12 - CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares – Group interest	
	2018 **%**	**2017** **%**
Parent Entity		
Prospech Limited		
Controlled entities		
Prospech Slovakia s.r.o	**100**	100
Slovenske Kovy s.r.o	**100**	100

- Prospech Slovakia s.r.o. is incorporated in Slovakia.
- Slovenské Kovy s.r.o. is incorporated in Slovakia.

NOTE 13 - RELATED PARTIES

During the year ended 31 December 2018, Peter Nightingale, a director had an interest in an entity, MIS Corporate Pty Limited ('MIS'), which provided full administrative services, including administrative and accounting staff rental accommodation, services and supplies, to the Group. Fees charged by MIS Corporate Pty Limited during the year amounted to $60,000 (2017 - $55,000). Outstanding amounts at 31 December 2018 total $nil (2017 - $nil).

	2018	2017
	$	$
NOTE 14 - STATEMENTS OF CASH FLOWS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the period as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:		
Bank balances	**347,822**	1,240,568
(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after tax	**(546,953)**	(497,274)
Non-cash items		
Depreciation	**37,566**	14,306
Foreign exchange loss	**82**	566
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**9,571**	(9,840)
Decrease/(increase) in trade and other payables	**91,496**	(44,557)
Net cash used in operating activities	**(408,238)**	(536,799)

NOTE 15 - KEY MANAGEMENT PERSONNEL DISCLOSURES

There are no key management personnel of the Company or Group that are not Directors.

Jason Beckton, a Director, was compensated $192,000 (2017 - $180,000) for his services during the year ended 31 December 2018. Outstanding amounts at 31 December 2018 were nil (2017 – nil).

Thomas Mann, a Director, was compensated $40,000 (2017 - $40,000) for his services during the year ended 31 December 2018. Outstanding amounts at 31 December 2018 were $3,333 (2017 – $3,333).

John Levings, a Director, was compensated $30,000 (2017 - $43,000) for his services during the year ended 31 December 2018. Outstanding amounts at 31 December 2018 were $5,000 (2017 – $2,500).

Peter Nightingale, a Director, was compensated $60,000 (2017 - $60,000) for his services during the year ended 31 December 2018. Outstanding amounts at 31 December 2018 were $10,000 (2017 – nil).

NOTE 15 - KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)

No other key management personnel were remunerated for their services during the year ended 31 December 2018. There are no service contracts with key management personnel, and no bonuses or other performance related compensation paid.

Movement in shares

Key management personnel	Held at 1 January 2018	Purchased	Held at 31 December 2018
Thomas J. Mann	6,000,000	300,000	6,300,000
Jason M. Beckton	5,256,252	-	5,256,252
John A. Levings	112,500	100,000	212,500
Peter J. Nightingale	9,660,004	500,000	10,160,004

Key management personnel	Held at 1 January 2017	Purchased	Held at 31 December 2017
Thomas J. Mann	6,000,000	-	6,000,000
Jason M. Beckton	5,000,002	256,250	5,256,252
John A. Levings*	-	112,500	112,500
Peter J. Nightingale	9,660,004	-	9,660,004

* held at the date of becoming a director.

Refer Note 11 for the fair value of shares granted to key management personnel.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company during the year and there were no material contracts involving director's interests existing at period end.

Movement in options

Key management personnel	Held at 1 January 2018	Granted	Held at 31 December 2018
Thomas J. Mann	4,000,000	-	4,000,000
Jason M. Beckton	5,000,000	-	5,000,000
John A. Levings	2,000,000	-	2,000,000
Peter J. Nightingale	5,000,000	-	5,000,000

Key management personnel	Held at 1 January 2017	Granted	Held at 31 December 2017
Thomas J. Mann	4,000,000	-	4,000,000
Jason M. Beckton	5,000,000	-	5,000,000
John A. Levings*	2,000,000	-	2,000,000
Peter J. Nightingale	5,000,000	-	5,000,000

* held at the date of becoming a director.

Refer Note 11 for the fair value of options granted to key management personnel.

NOTE 16 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below presents information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Credit risk
Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	2018	**2017**
	$	**$**
Cash and cash equivalents	**347,822**	1,240,568
Trade and other receivables	**18,277**	31,118
	366,099	1,271,686

The Group's maximum exposure to credit risk at the reporting date by geographic region was:

Australia	**240,036**	1,136,300
Slovakia	**126,063**	135,386
	366,099	1,271,686

At 31 December 2018, the Group held cash and cash equivalents of $347,822 (2017 - $1,240,568), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's. Credit risk of trade and other receivables is very low as it consists primarily amounts recoverable from the Australian Taxation Authority and Slovakian taxation authorities.

Impairment losses

No impairment has been taken up against the Group's financial assets.

None of the Company's or Group's trade and other receivables are past due.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTE 16 - FINANCIAL INSTRUMENTS DISCLOSURE (con't)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
31 December 2018					
Trade and other payables	**167,517**	**167,517**	**167,517**	-	-
	167,517	**167,517**	**167,517**	-	-
31 December 2017					
Trade and other payables	45,829	45,829	45,829	-	-
	45,829	45,829	45,829	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is Australian dollars. The Group is exposed to foreign currency risks due to the fact that the functional currency of its Slovakian operating subsidiaries is in Euros and that it holds a portion of its cash in Euros.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2018**	**2017**	**2018**	**2017**
EUR	1.5805	1.4733	1.6267	1.5378

The following sensitivity analysis is based on the exchange rate risk exposures at balance date.

For the year ended 31 December 2018, if the exchange rate between the Australian dollar to the Euro had moved, with all other variables held constant, the impact on post-tax loss and equity would have been affected as follows:

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2018 $	Post tax loss (Higher)/Lower 2017 $	Total equity (Higher)/Lower 2018 $	Total equity (Higher)/Lower 2017 $
+ 10% higher AUD to EUR exchange rate	**(3,867)**	(85,563)	**(3,867)**	85,563
- 5% lower AUD to EUR exchange rate	**1,934**	42,782	**1,934**	(42,782)

NOTE 16 - FINANCIAL INSTRUMENTS DISCLOSURE (con't)

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:-

	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents	**347,822**	1,240,568

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) loss for the year by an immaterial amount.

Capital management

The Board's policy is to raise capital sufficient to meet its project earn-in expenditure commitments and advance the exploration program on the Slovakian project.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Company and the Group, for the year ended 31 December 2018, approximate their net fair values, given the short time frames to maturity and or variable interest rates.

NOTE 17 - SUBSEQUENT EVENTS

There have been no matters arise in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 18 - FINANCIAL REPORTING BY SEGMENTS

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year in that geographic region.

Geographical segments

For the year ended 31 December 2018, the Group had one segment, being mineral exploration in Slovakia. The Group has one reportable geographical segment as follows:

	Slovakia $	Unallocated $	Total $
31 December 2018			
External revenues	-	-	-
Reportable segment loss before tax	**144,603**	**402,350**	**546,953**
Interest income	**2,784**	**1,854**	**4,638**
Reportable segment assets	**4,558,185**	**240,297**	**4,798,482**
Reportable segment liabilities	**97,015**	**70,502**	**167,517**

	Slovakia $	Unallocated $	Total $
31 December 2017			
External revenues	-	-	-
Reportable segment loss before tax	1,494	495,779	497,274
Interest income			
Reportable segment assets	3,364,785	1,156,280	4,521,065
Reportable segment liabilities	23,334	22,495	45,829

NOTE 19 - PARENT ENTITY DISCLOSURE

As at, and throughout the year ended 31 December 2018 the parent entity of the Group was Prospech Limited.

	2018	2017
	$	$
Result of the parent entity		
Net loss	**1,288,617**	1,342,363
Total comprehensive loss	**1,288,617**	1,342,363
Financial position of the parent entity at period end		
Current assets	**240,036**	1,136,300
Non-current assets	**1,571,260**	1,338,106
Total assets	**1,811,296**	2,474,406
Current liabilities	**70,502**	22,495
Total liabilities	**70,502**	22,495
Net Assets	**1,740,794**	2,451,911
Equity		
Share capital	**5,682,823**	5,105,323
Reserves	**413,774**	413,774
Accumulated losses	**(4,355,803)**	(3,067,186)
Total Equity	**1,740,794**	2,451,911

At balance sheet date the company has no capital commitments or contingencies.

NOTE 20 - AUDITOR REMUNERATION

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2018	2017
	$	$
Statutory Audit		
Auditors of the Company		
Audit of financial reports - KPMG	**64,938**	39,750
	64,938	39,750

PROSPECH LIMITED
and its controlled entities

DIRECTOR'S DECLARATION

In the opinion of the Directors of Prospech Limited ('the Company'):

1. (a) the financial statements and notes set out on pages 13 to 39, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

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

Signed at Sydney this 29th day of March 2019
in accordance with a resolution of the Board of Directors:

Thomas J. Mann	**Peter J. Nightingale**
Chairman	**Director**

Independent Auditor's Report

To the shareholders of Prospech Limited

Opinion

We have audited the ***Financial Report*** of Prospech Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the financial report. The conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Prospech Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf . This description forms part of our Auditor's Report.

KPMG

KPMG

Adam Twemlow
Partner

Brisbane
29 March 2019