

PROSPECH LIMITED
and its controlled entities

A.B.N. 24 602 043 265

FINANCIAL REPORT

FOR THE YEAR
ENDED 31 DECEMBER 2022

PROSPECH LIMITED
and its controlled entities

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**PROSPECH LIMITED
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CHAIRMAN'S LETTER



Dear Fellow Shareholders,

2022 was the Company's second full year as an ASX listed entity. The primary focus of the Company has been the drilling and further understanding of the many drill targets in the Company's portfolio.

At the Hodrusa-Hamre exploration licence four holes were drilled to test shallow, medium strength IP anomalies which had been identified in 2021. The holes were designed to further test the detachment fault (LANF) concept and revealed the presence of considerable epithermal-style alteration, stockworking and veining but returned only anomalous gold and silver. SCDD025 was drilled, but from assay result it missed the Schopfer main high grade shoot evidenced by historical underground sampling.

At the Zemplin prospect within the Cejkov-Zemplin tenement a drill program of six holes was completed during the year. An open, high grade zone, albeit narrow, at the Zemplin prospect epithermal vein system has been discovered in CZDD009 which is above the magnetic zone as currently interpreted and partially tested by CZDD010.

Directors are excited by the addition of the Kolba exploration licence to the Company's portfolio. Rock sampling in the Kolba-Svatodusna target zone returned very encouraging results for silver, copper, cobalt and nickel, and the two lines of ionic leach soil geochemistry completed in late 2022 provided further encouragement.

There is no doubt that Directors and shareholders hoped for higher grades and widths than were achieved from drilling in 2022. There remains an extensive range of prospective drill targets across the Company's existing portfolio which Directors believe warrant further exploration. The Board are in advanced discussions around potential capital raising alternatives to enable this exploration, and throughout the year have assessed numbers of additional opportunities to add to the Company's exploration portfolio.

Again I thank the staff, particularly those based in Slovakia for their continued efforts throughout the year.

Yours sincerely

A handwritten signature in blue ink that reads "Thomas Mann". The signature is fluid and cursive.

Thomas Mann
Chairman

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REVIEW OF OPERATIONS

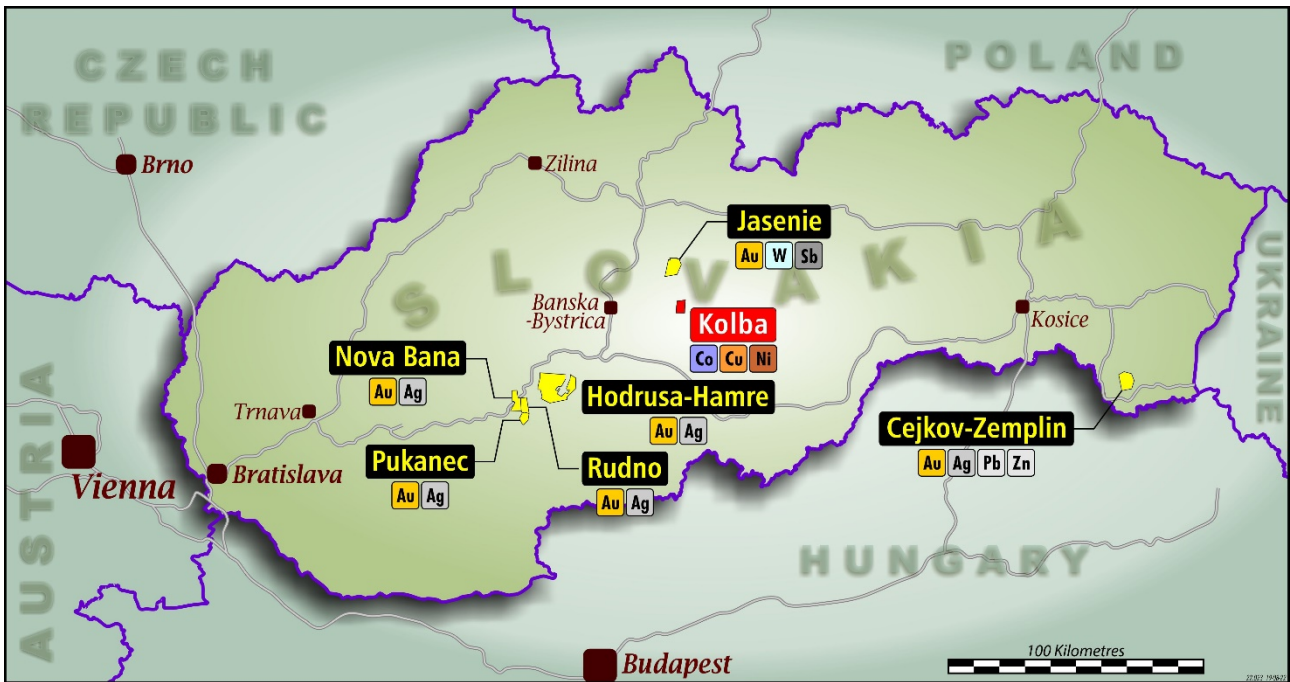
The Directors present their report together with the financial report of Prospech Limited ('the Company') and its controlled entities ('Prospech' or 'the Group'), for the year ended 31 December 2022 and the auditor's report thereon:

Principal Activities and Review of Operations

Introduction

The Company, through its wholly owned subsidiaries Slovenske Kovy s.r.o. ('SLOK') and Prospech Slovakia s.r.o. ('Prospech SK'), owns 100% of seven exploration licences, covering approximately 210 km² in Slovakia:

- Kolba exploration licence with copper, cobalt, silver and nickel focus.
- Hodrusa-Hamre exploration licence with gold and silver focus.
- Nova Bana exploration licence with gold and silver focus.
- Rudno exploration licence with gold and silver focus.
- Pukanec exploration licence with gold and silver focus.
- Jasenie exploration licence with gold, tungsten, lead, silver and antimony focus.
- Cejkov-Zemplin exploration licence with gold and silver focus.



Location of the Company's projects.

Kolba Exploration Licence

Kolba is a newly granted exploration licence located in central Slovakia. The Company's work to date has included two rock-chip sampling programs, two orientation lines of soil sampling and collation and interpretation of historical information.

Kolba is part of the Svatodusna - Podlipa geologic system with mineralisation consisting of cobalt-nickel sulpho-arsenides. The Kolba - Svatodusna structure has not been drilled but has been mapped and sampled by the Slovak government geological service in the early 1990s and recent academic studies indicate copper-cobalt-nickel-silver sulphides in primary mineralisation.

Mineralised zones are typically several hundred metres long with the most abundant sulphide minerals being chalcopyrite (copper-iron-sulphide mineral) and tetrahedrite (copper-antimony-sulfosalt mineral) with common inclusions of gersdorffite (nickel-arsenic-sulphide mineral) and cobaltite (cobalt-arsenic-sulphide mineral).

The Kolba - Svatodusna copper zone historic production graded 2% to 17% copper from mines up until the 1850s. Historical workings indicate a strike of over 300 metres for the Kolba cobalt-nickel prospect and 500 metres for the Svatodusna copper-cobalt-silver prospect.

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REVIEW OF OPERATIONS

Kolba Rock Sampling

Twenty grab rock samples were collected from mullock dumps associate with two historical mine workings at Kolba. The results demonstrated the high-grade tenor of the Kolba mineralisation:

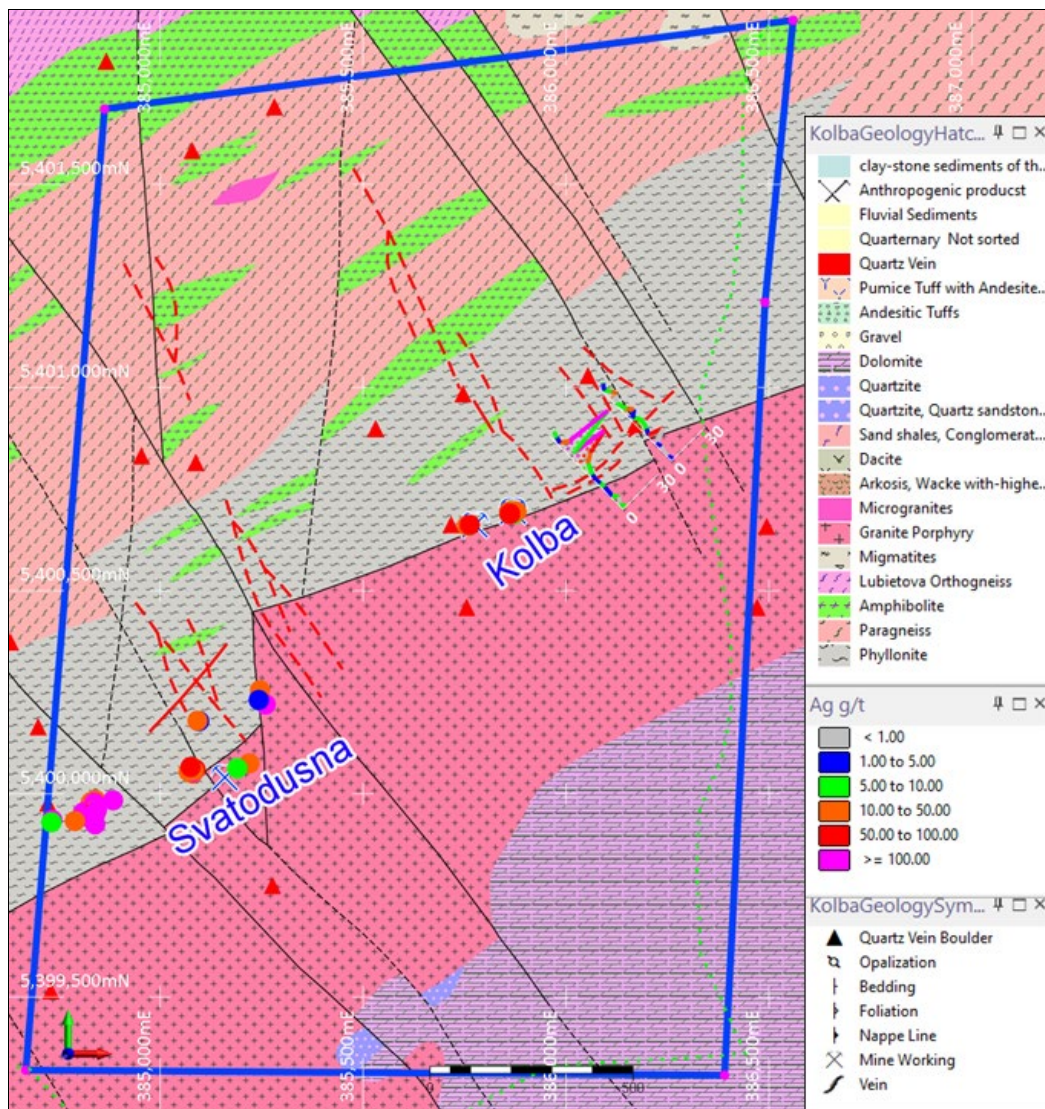
- Silver Average: 22 g/t Ag Maximum: 63 g/t Ag
- Copper Average: 1.88% Cu Maximum: 4.99% Cu
- Cobalt Average: 967 ppm Co Maximum: 8,110 ppm Co
- Nickel Average: 0.73% Ni Maximum: 6.91% Ni

Svatodusna Rock Sampling

The encouraging sample results were followed up by a similar exercise at Svatususna prospect which is located 1.5 kilometres south-east of Kolba. The assay results from 36 mullock dump grab rock samples were equally encouraging, particularly for silver:

- Silver Average: 106 g/t Ag Maximum: 796 g/t Ag
- Copper Average: 1.92% Cu Maximum: 4.54% Cu
- Cobalt Average: 622 ppm Co Maximum: 1,785 ppm Co
- Nickel Average: 0.22% Ni Maximum: 1.14% Ni

Considering the recent rock chip results and the soil geochemistry, the Kolba-Svatodusna target zone now extends for 1.8 kilometres and is open along strike.



Kolba - Svatususna geology. Potential strike for the mineralised target extended to 1.8 kilometres. Rock chip mullock samples silver assay results (coloured circles) along with soil geochemistry orientation lines.

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REVIEW OF OPERATIONS

Ionic Leach Soil Geochemistry

In late 2022, two orientation lines of soil sampling we completed across the Kolba prospect.

Both orientation lines show strong copper, cobalt, silver and nickel anomalies with the stronger values on the line over the old workings. The footwall granite is associated with low values in the above elements and is in distinct contrast with the strongly anomalous response over the hosting metamorphic units. The results support the contact between the footwall granite and the host metamorphic sequence may be an important control on mineralisation.

The anomalies are quite wide, extending for at least 150 metres from the granite contact.

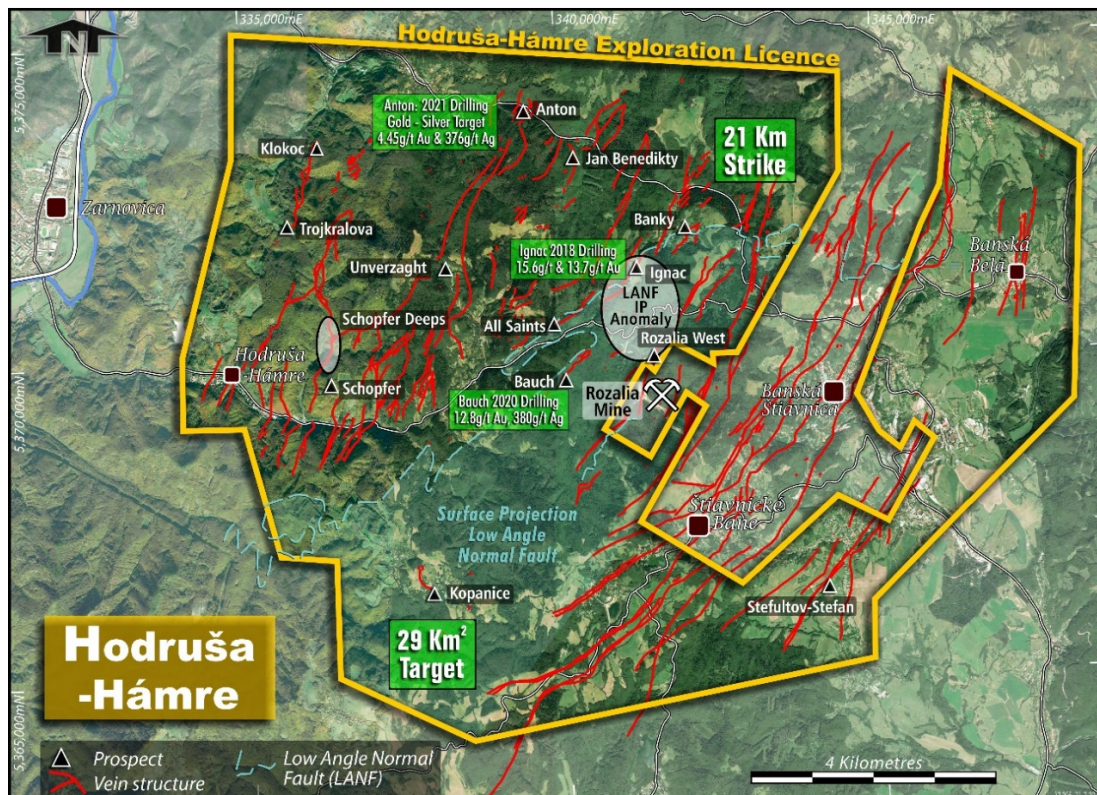
Sampling of residual soils is a promising exploration technique for the Kolba-Svatodusna prospect and it is the Company’s intention to substantially extend the soil geochemistry coverage in the 2023 field season.

Hodrusa-Hamre Exploration Licence

Located 200 kilometres east of Vienna, the 100% owned Hodrusa-Hamre exploration licence is approximately 102 km² in area and covers the majority of the Neogene Stiavnica Stratovolcano caldera within the Central Slovakian Volcanic Belt and includes the historic Hodrusa-Hamre/Banska Stiavnica mining district. The exploration licence encompasses some 120 gold-silver-bearing epithermal veins with the major veins individually reaching a length of up to 6 kilometres.

Schopfer Drilling Results

The Schopfer vein has estimated historical production of 1 million tonnes at 2 g/t to 5 g/t gold and 200 g/t to 500 g/t silver for a total 64,000 to 160,000 ounces of gold and 6 to 16 million ounces of silver.



The Schopfer structure is open to the northwest and southeast and at depth.

SCDD025 was drilled to test historic high grade gold and silver sampling from development drives beneath the lowest level of recorded stoping of the Schopfer Main Shoot.

Drillhole SCDD025 intersected gold and silver mineralisation in the main Schopfer Vein (5.4m downhole length) and in a hanging wall stockwork (29.4m downhole length).

The Schopfer Vein structure is visually strong and there is a significant thickness of stockwork veining in the hanging wall however it is clear from the assays that SCDD025 missed one of the high-grade shoots evidenced by the historical underground sampling.

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REVIEW OF OPERATIONS

Drill intercepts from the hanging wall stockwork include:

- 1.0m @ 1.78 g/t Au and 21 g/t Ag from 569.0m
- 2.2m @ 1.08 g/t Au and 112 g/t Ag from 572.0m; including
 - 1.2m @ 1.67 g/t Au and 183 g/t Ag from 573.0m

Drill intercepts from the Schopfer vein include:

- 3.9m @ 0.45 g/t Au and 31 g/t Ag from 594.6m; including
 - 1.8m @ 0.53 g/t Au and 42 g/t Ag from 595.1m

LANF Drilling Results

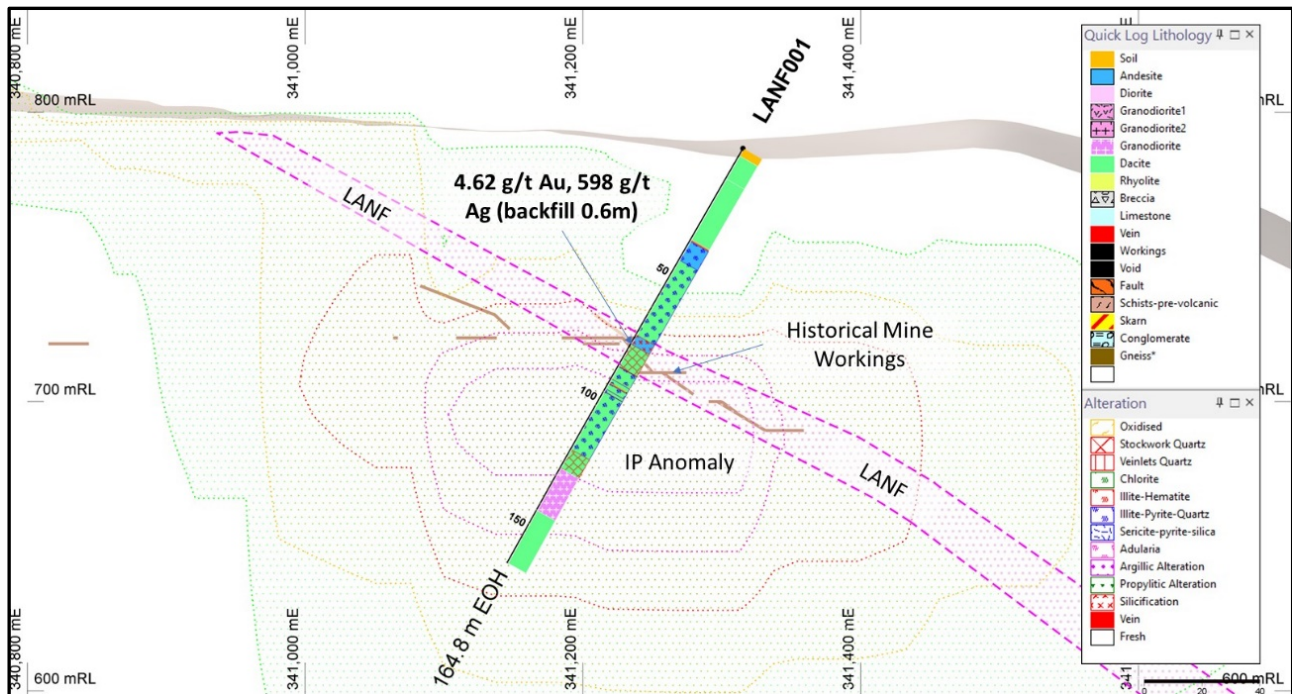
Four holes were drilled to test shallow, medium strength IP anomalies, which also coincided with historical mine workings between the Ignac and Banky prospects which had been previously drilled by Prospech with some encouraging gold and silver results. The recent drilling is considered an important further test of the LANS concept and the use of IP-Resistivity geophysics as an exploration tool at Hodrusa.

The LANS style of mineralisation of high-grade detachment faults is noted elsewhere in the Tethyan Belt at Ada Tepe Bulgaria and for the Emperor Gold deposit in Fiji.

The geological sequence intersected in the drilling revealed the presence of considerable epithermal-style alteration, stockworking and veining, providing proof of concept support for the LANS geologic model and the use of geophysics as an exploration tool at Hodrusa.

The highest assay result from the drilling was returned from hole LANF001, which intersected backfilled old workings between 76.6 and 77.2 metres down hole. Assays of this backfill material, which is not insitu mineralisation, were 4.62 g/t Au and 598 g/t Ag.

All holes intersected promising epithermal stockworks, but assay results returned only anomalous gold and silver



LANF001 intersected stockworking within a package of volcanic rocks considered to represent the LANS structure which hosts the Rozalia gold mine located 1 kilometre to the southeast.

Cejkov-Zemplin Exploration Licence

The Zemplin prospect is part of the 29.23 km², 100%-owned Cejkov-Zemplin licence, located in eastern Slovakia. Zemplin is prospective for epithermal precious metals and base metals vein-style mineralisation and has potential also for VMS deposits. The mineralisation is hosted within a sequence of acid to intermediate volcanic rocks, comprising mainly andesite, rhyodacite and quartz-diorite porphyry.

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REVIEW OF OPERATIONS

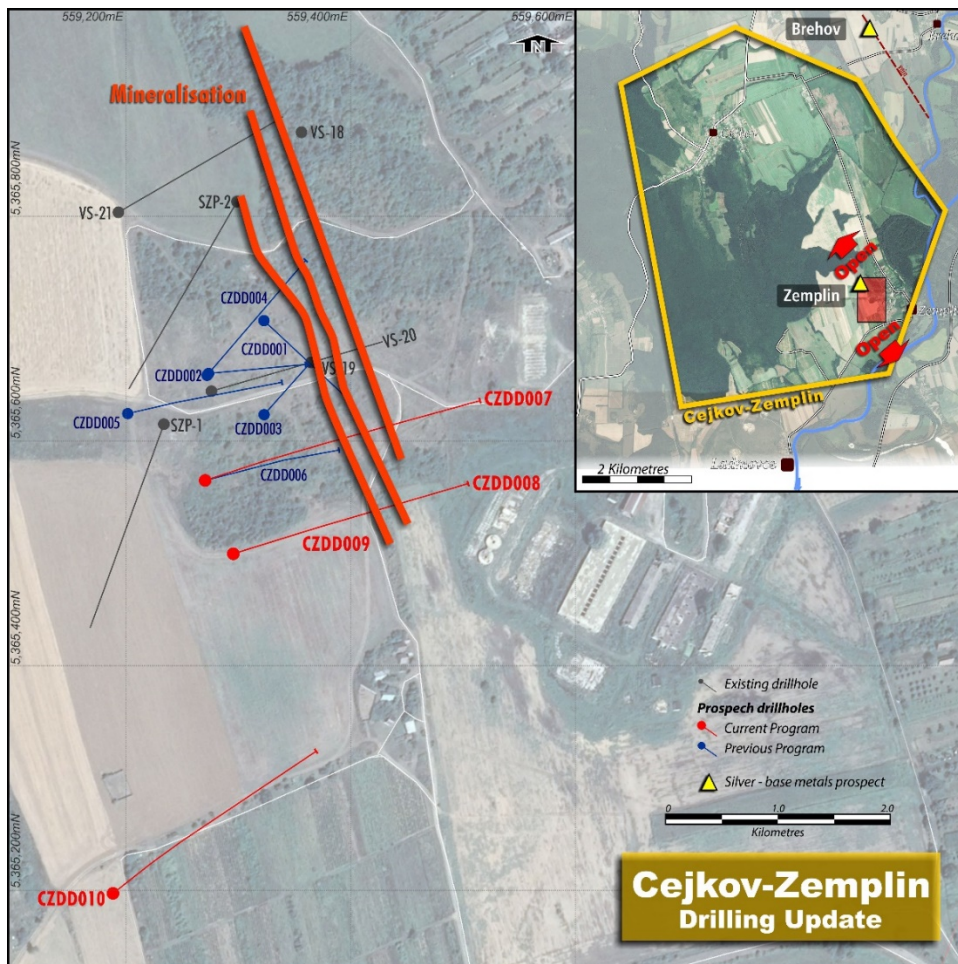
Historical drilling by the Slovak Geological Survey intersected low temperature, banded epithermal veins with significant silver and base metals:

- VS-19: 2.5m at 514 g/t Ag, 8.3% Zn and 13.3 % Pb from 95.0m
- VS-20: 3.7m at 127 g/t Ag, 11.6% Zn and 10.2% Pb from 145.1m

Phase 2 drilling comprising 6 holes was completed at the Zemplin silver-lead-zinc prospect during the year. Mineralised intercepts are listed below:

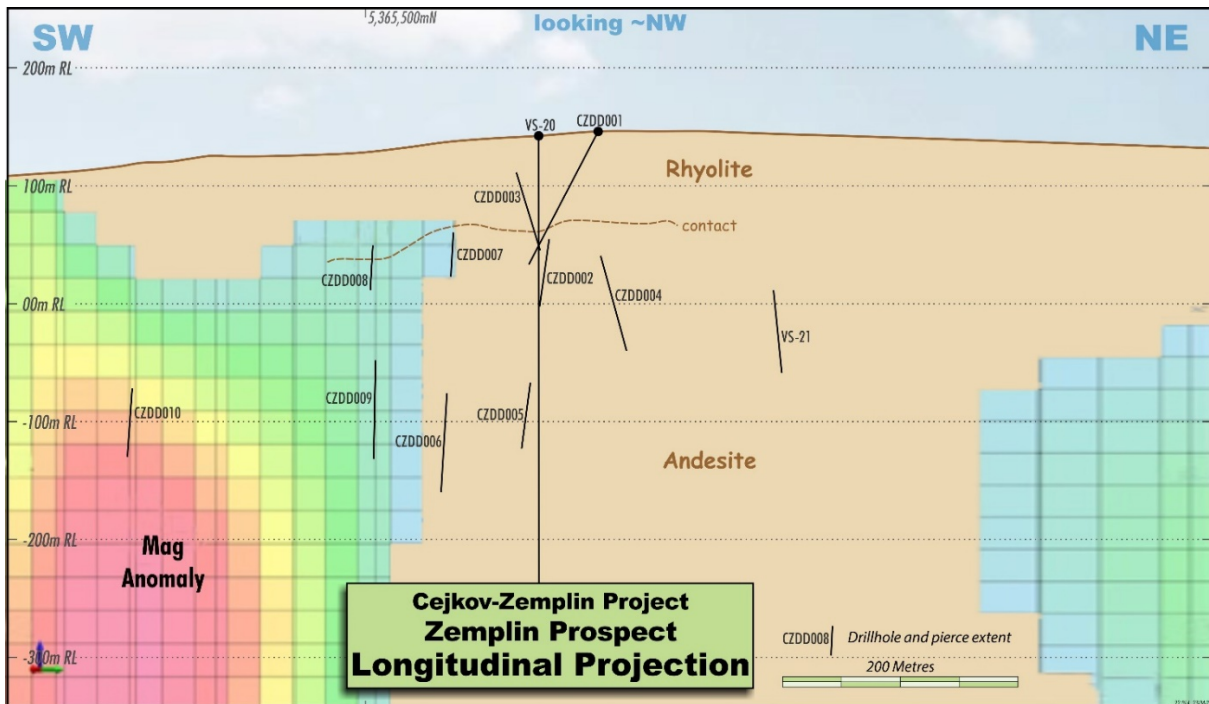
- CZDD005: 0.35m @ 61 g/t Ag from 93.65m
and 1.5m @ 33 g/t Ag from 118m
inc. 1.0m @ 148 g/t Ag and 0.46 g/t Au from 118m
- CZDD006: 3.0m @ 24 g/t Ag from 140m
and 5.0m @ 8 g/t Ag and 0.23 g/t Au from 303m
- CZDD007: 0.5m @ 98 g/t Ag from 103.5m
and 0.5m @ 191 g/t Ag from 171.0m
- CZDD008: 1.0m @ 21 g/t Ag from 269.0m
and 5.0m @ 7 g/t Ag and 0.31 g/t Au from 285.0m
- CZDD009: 1.0m @ 42 g/t Ag from 180.8m
and 0.5m @ 516 g/t Ag and 0.74 g/t Au from 180.8m
and 0.5m @ 23 g/t Ag and 1.35 g/t Au from 194.0m
- CZDD010: 1.0m @ 34 g/t Ag and 0.17 g/t Au from 140.0m

An open, high grade zone, albeit narrow, at the Zemplin prospect epithermal vein system has been discovered in CZDD009 which is above the magnetic zone as currently interpreted and partially tested by CZDD010.



Drilling was designed to test the strike and depth potential of a fully preserved silver and base metal mineralised system.

REVIEW OF OPERATIONS



A high grade (>500 g/t Ag) zone is open, albeit narrow in CZDD009.

Pukanec Exploration Licence

Pukanec, an extensive system gold and silver mineralised veins and more than 800 historic workings, lies on the western side of the Hodrusa Caldera. Surface rock chip samples, collected from some of these workings, returned gold and silver assays up to 31.2 g/t Au and 1,703 g/t Ag.

Drill permits for a 17 hole, 2,800 metre program, covering targets over a 2 kilometre strike length, have been approved. Drilling, subject to target priority ranking and weather conditions permitting, is expected to be carried out in early 2023.

Other Exploration Licences

No field work was carried out during 2022 on the Nova Bana, Rudno or Jasenie exploration licences.

Competent Person Statement

The information in this Report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Jason Beckton, who is a Member of the Australian Institute of Geoscientists. Mr Beckton, who is Managing Director of the Company, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Beckton consents to the inclusion in this Report of the matters based on the information in the form and context in which it appears.

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DIRECTORS' REPORT

Corporate Governance Statement

The Board is committed to maintaining standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practises against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The Corporate Governance Statement is dated as at 24 February 2023, reflecting the corporate governance practises throughout the 2022 financial year and was approved by the Board of Directors of the Company on 24 February 2023. A description of the Company's current corporate governance practises is set out in the Company's Corporate Governance Statement which can be viewed at <https://prospech.com.au/corporate-governance>.

Financial position

The Group reported a loss for the year ended 31 December 2022 of \$1,750,601 (2021 - \$903,939).

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.

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.

Mr Beckton commenced his career with Pancontinental and Goldfields Ltd throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently, he was Project Manager for the Palmarejo silver-gold project in Mexico during 2004. More recently, Mr Beckton was 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.

Mr Beckton is the course founder for EU - EIT Frieberg Raw Materials Academy 'Creating Exploration Companies - Start Up Template' and Corporate Advisor for Investment Bank DGWA - Deutsche Gesellschaft für Wertpapieranalyse GmbH, Germany. Mr Beckton was a director of ASX listed company Dark Horse Resources Limited (now NewPeak Metals Limited) from April 2018 until October 2020.

Mr Beckton is a Non-Executive Director of Lode Resources Ltd and White Rock Minerals Ltd and is a Member of the Australian Institute of Geoscientists.

Peter J. Nightingale - Director and Chief Financial Officer

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 35 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 including Bolnisi Gold N.L. and Nickel Industries Limited. He is currently a director of ASX listed Alpha HPA Limited.

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DIRECTORS' REPORT

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 is a Fellow of the Australasian Institute of Mining and Metallurgy.

Stephen G. Gemell - Director

Director since 4 March 2021.

Mr Gemell holds an Honours Degree in Mining Engineering and has more than 45 years' experience in the mining industry, having worked throughout Australasia and in Africa, North and South America, Asia, Eastern and Western Europe. He has been Principal of Gemell Mining Engineers since its formation in Kalgoorlie in 1984, specialising in mineral property assessment, strategic studies and valuation.

Steve is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Chartered Professional (Mining), and a Member of the American Institute of Mining, Metallurgical and Petroleum Engineers. He was an AusIMM representative on the VALMIN Committee from 2010 until 2021 and was also a VALMIN representative to the International Mineral Valuation Committee (IMVAL), which he chaired in 2018 and 2019.

In the past three years, he held appointments as a non-executive director of Astro Resources NL from March 2018 until October 2020 and Greenvale Mining Limited from June 2019 until September 2020.

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 twenty 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 Industries 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	8	8
Jason M. Beckton	8	8
Stephen G. Gemell	8	8
John A. Levings	8	8
Peter J. Nightingale	8	8

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DIRECTORS' REPORT

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 and options, each exercisable to acquire one fully paid ordinary share of the Company are:

Director	Fully Paid Ordinary Shares	Options	Option Terms (Exercise Price and Term)
Thomas J. Mann	4,418,749	2,500,000	\$0.30 from 30/09/20 up to 30/09/2023
Jason M. Beckton	3,910,159	3,125,000	\$0.30 from 30/09/20 up to 30/09/2023
Stephen G. Gemell	-	-	-
John A. Levings	4,291,563	1,250,000	\$0.30 from 30/09/20 up to 30/09/2023
Peter J. Nightingale	7,692,798	3,125,000	\$0.30 from 30/09/20 up to 30/09/2023

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
12,031,250	\$0.30	30 September 2023*
5,000,000	\$0.30	30 November 2023

* 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 2022. No dividends have been paid or declared during the year.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs or financial position of the Group that occurred during the year ended 31 December 2022 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 exploration 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.

Business Risks

The Group's exploration and evaluation activities are in a region bordering the Ukraine. The Group have assessed the current and future potential impacts of ongoing political conflict in the region and have not been or expect to be impacted by any trade or supply restrictions and the planned exploration and evaluation activities have continued as planned.

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DIRECTORS' REPORT

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.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

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.

Non-Audit Services

During the year ended 31 December 2022 KPMG, the Group's auditor, did not perform other services in addition to the audit and review of the financial statements.

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

	2022	2021
	\$	\$
Other services		
Audit and review of financial statements	<u>84,000</u>	<u>79,250</u>
	<u>84,000</u>	<u>79,250</u>

Remuneration Report - (Audited)

All amounts in this remuneration report are in Australian Dollars unless otherwise stated.

Principles of Compensation - (Audited)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Company. No other employees have been deemed to be key management personnel. The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Compensation levels have been, and will be, set to be in line with Australian listed entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel but also having regard to the prevailing financial capacity of the Company.

The Board is responsible for reviewing and evaluating its own performance. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally consists of salary payments comprising both short-term salaries and share based payments. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements. Share based payments are issued to directors to incentivise performance that contributes to shareholder wealth.

There were no remuneration consultants used by the Company during the year ended 31 December 2022, or in the prior year.

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DIRECTORS' REPORT

Remuneration Report - (Audited)

Consultancy Agreements with key management personnel

Consultancy Agreement – Managing Director

The Company entered into an executive consultancy agreement with a company associated with Jason Beckton, Beckton Gledhill Pty Ltd ('Beckton Gledhill') on 10 September 2020. Under this executive consultancy agreement, Beckton Gledhill agrees to make Mr Beckton available to perform the duties and responsibilities of the position of Managing Director of the Company. Beckton Gledhill receives a monthly fee of \$20,000 (exclusive of GST). As a Director of the Company, Mr Beckton will also be eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or Beckton Gledhill by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Beckton.

Consultancy Agreement – Chief Financial Officer and Executive Director

The Company has entered into an executive consultancy agreement with a company associated with Peter Nightingale, Rosignol Consultants Pty Ltd ('Rosignol'). Under this executive consultancy agreement, Rosignol agrees to make Mr Nightingale available to perform the duties and responsibilities of the position of Chief Financial Officer and Executive Director of the Company. Rosignol receives a monthly fee of \$10,000 (exclusive of GST). As a Director of the Company, Mr Nightingale will also be eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or Rosignol by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Nightingale.

Consultancy Agreement – Executive Director

The Company has entered into an executive consultancy agreement with a company associated with John Levings, International Business Services Ltd ('IBS'). Under this executive consultancy agreement, IBS agrees to make Mr Levings available to perform the duties and responsibilities of Executive Director. IBS received a monthly fee of \$10,000 per month (exclusive of GST), and Mr Levings move from Non-Executive to Executive Director. As a Director of the Company, Mr Levings is also eligible to participate in the Company's Incentive Option Plan.

The consultancy agreement may be terminated by the Company or IBS by either party giving three months' notice without any contractual termination payments. The Company may terminate the consultancy agreement without notice in certain circumstances, including breach of contract, criminal activity or serious misconduct involving the consultancy company or Mr Levings.

The consultancy agreement has a commencement date of 14 September 2020 and continues until terminated in accordance with its terms.

Letter of Appointment – Non-Executive Chairman

The Company's Non-Executive Chairman Thomas Mann has entered into a Letter of Appointment with the Company to serve as Non-Executive Chairman. The Letter of Appointment provides that, amongst other things, in consideration for his services, the Company will pay Mr Mann \$80,000 per annum for his services. As a Director of the Company, Mr Mann is also eligible to participate in the Company's Incentive Option Plan and there are no termination payments within the contract.

Letter of Appointment – Non-Executive Director

The Company's Non-Executive Director Stephen Gemell (appointed as a Director on 4 March 2021) has entered into a Letter of Appointment with the Company to serve as a Non-Executive Director. The Letter of Appointment provides that, amongst other things, in consideration for his services, the Company will pay Mr Gemell \$40,000 per annum for his services. As a Director of the Company, Mr Gemell is also eligible to participate in the Company's Incentive Option Plan and there are no termination payments within the contract.

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DIRECTORS' REPORT

Remuneration Report - (Audited)

Consequences of performance on shareholders' wealth - (Audited)

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years.

	2022 \$	2021 \$	2020 \$	2019 \$
Net loss attributable to equity holders of the parent	1,750,601	903,939	1,398,053	394,826
Dividends paid	-	-	-	-
Change in share price	\$(0.036)	\$(0.135)	\$0.04*	n/a

* Based on an opening share price of \$0.10 per share, adjusted to \$0.16 per share following the 10 for 16 consolidation of capital in August 2020 and a closing share price on 31 December 2020 of \$0.20.

The overall level of key management personnel's compensation has been determined based on market conditions, the advancement of the Group's projects and the financial performance of the Group.

Details of Remuneration for the Year Ended 31 December 2022 - (Audited)

Details of Director remuneration and the nature and amount of each major element of the remuneration of each Director of the Company are set out below.

Remuneration for year ended 31 December 2022:

Key management personnel	Short term Salary and fees \$	Post-employment Superannuation \$	Share based payments Options \$	Total \$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Executive Directors						
Jason Beckton	240,000	-	-	240,000	-	-
John Levings	120,000	-	-	120,000	-	-
Peter Nightingale	120,000	-	-	120,000	-	-
Non-Executive Directors						
Thomas Mann	80,000	-	-	80,000	-	-
Stephen Gemell	40,000	-	-	40,000	-	-
Total	600,000	-	-	600,000	-	-

The total expense from salaries and fees paid to key management personnel for the year ended 31 December 2022 of \$600,000.

PROSPECH LIMITED
and its controlled entities

DIRECTORS' REPORT

Remuneration Report - (Audited)

Remuneration for year ended 31 December 2021:

Key management personnel	Short term Salary and fees \$	Post-employment Superannuation \$	Share based payments Options \$	Total \$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Executive Directors						
Jason Beckton	240,000	-	-	240,000	-	-
John Levings	120,000	-	-	120,000	-	-
Peter Nightingale	120,000	-	-	120,000	-	-
Non-Executive Directors						
Thomas Mann	80,000	-	-	80,000	-	-
Stephen Gemell	32,903	-	-	32,903	-	-
Total	592,903	-	-	592,903	-	-

The total expense from salaries and fees paid to key management personnel for the year ended 31 December 2021 of \$592,903.

Movement in shares and options - (Audited)

The movement during the reporting year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key management personnel	Held at 1 January 2022	Purchased	Sold	Held at 31 December 2022
Thomas J. Mann	4,418,749	-	-	4,418,749
Jason M. Beckton	3,910,159	-	-	3,910,159
Stephen G. Gemell	-	-	-	-
John A. Levings	507,813	3,783,750	-	4,291,563
Peter J. Nightingale	7,692,798	-	-	7,692,798

Key management personnel	Held at 1 January 2021	Purchased	Sold	Held at 31 December 2021
Thomas J. Mann	4,418,749	-	-	4,418,749
Jason M. Beckton	3,910,159	-	-	3,910,159
Stephen G. Gemell*	-	-	-	-
John A. Levings	507,813	-	-	507,813
Peter J. Nightingale	7,692,798	-	-	7,692,798

* Appointed as a Director on 4 March 2021.

PROSPECH LIMITED
and its controlled entities

DIRECTORS' REPORT

Remuneration Report - (Audited)

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 2022	Exercised	Options Vested at 31 December 2022	Exercisable Options Held at 31 December 2022
Thomas J. Mann	2,500,000	-	2,500,000	2,500,000
Jason M. Beckton	3,125,000	-	3,125,000	3,125,000
Stephen G. Gemell	-	-	-	-
John A. Levings	1,250,000	-	1,250,000	1,250,000
Peter J. Nightingale	3,125,000	-	3,125,000	3,125,000

Key management personnel	Held at 1 January 2021	Exercised	Options Vested at 31 December 2021	Exercisable Options Held at 31 December 2021
Thomas J. Mann	2,500,000	-	2,500,000	2,500,000
Jason M. Beckton	3,125,000	-	3,125,000	3,125,000
Stephen G. Gemell*	-	-	-	-
John A. Levings	1,250,000	-	1,250,000	1,250,000
Peter J. Nightingale	3,125,000	-	3,125,000	3,125,000

* Appointed as a Director on 4 March 2021.

Transactions with Key Management Personnel - (Audited)

Peter Nightingale has an interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including administrative, accounting, company secretarial and investor relations staff, rental accommodation, services and supplies to the Group. Fees charged by MIS Corporate Pty Limited during the year ended 31 December 2022 amounted to \$120,000 (31 December 2021: \$120,000), a fee of \$10,000 per month. At 31 December 2022 \$40,000 (2021 - \$0) remained outstanding.

No loans were made to key management personnel or their related parties during the year and no amounts were outstanding at 31 December 2022.

Other than outlined above there were no additional transactions with key management personnel or their related parties.

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

The lead auditor's independence declaration is set out on page 16 and forms part of the Directors' Report for the year ended 31 December 2022.

Signed at Sydney this 24th day of February 2023

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 2022 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

Jeff Frazer
Partner

Brisbane
24 February 2023

PROSPECH LIMITED
and its controlled entities

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022	2021
		\$	\$
Other income		1,971	-
Administration and consultants' expenses		(789,754)	(893,407)
Depreciation expense		(8,547)	(13,591)
Impairment		<u>(910,795)</u>	<u>-</u>
Results from operating activities		(1,707,125)	(906,998)
Financial income/(expense)	4	<u>(43,476)</u>	<u>3,059</u>
Loss before income tax		(1,750,601)	(903,939)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss for the year		<u>(1,750,601)</u>	<u>(903,939)</u>
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		<u>33,653</u>	<u>(65,918)</u>
Total comprehensive loss for the year		<u>(1,716,948)</u>	<u>(969,857)</u>
Earnings per share			
Basic and diluted loss per share (cents)	7	<u>(1.98)</u>	<u>(1.02)</u>

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

PROSPECH LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022 \$	31 December 2021 \$
Current assets			
Cash and cash equivalents	14	227,807	2,036,694
Trade and other receivables	5	30,408	31,704
Prepayments		<u>29,294</u>	<u>38,354</u>
Total current assets		<u>287,509</u>	<u>2,106,752</u>
Non-current assets			
Exploration and evaluation expenditure	8	7,835,617	7,385,094
Property, plant and equipment	9	<u>21,486</u>	<u>35,437</u>
Total non-current assets		<u>7,857,103</u>	<u>7,420,531</u>
Total assets		<u>8,144,612</u>	<u>9,527,283</u>
Current liabilities			
Trade and other payables	10	<u>418,123</u>	<u>83,846</u>
Total current liabilities		<u>418,123</u>	<u>83,846</u>
Total liabilities		<u>418,123</u>	<u>83,846</u>
Net assets		<u>7,726,489</u>	<u>9,443,437</u>
Equity			
Share capital	11	12,081,396	12,081,396
Reserves	11	1,900,540	1,866,887
Accumulated losses		<u>(6,255,447)</u>	<u>(4,504,846)</u>
Total equity		<u>7,726,489</u>	<u>9,443,437</u>

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

PROSPECH LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	Share capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 January 2022	12,081,396	1,866,887	(4,504,846)	9,443,437
Total comprehensive income for the year				
Loss for the period	-	-	(1,750,601)	(1,750,601)
Total other comprehensive income	-	33,653	-	33,653
Total comprehensive loss for the year	-	33,653	(1,750,601)	(1,716,948)
Balance at 31 December 2022	12,081,396	1,900,540	(6,255,447)	7,726,489
Balance at 1 January 2021	12,081,396	1,932,805	(3,600,907)	10,413,294
Total comprehensive income for the year				
Loss for the period	-	-	(903,939)	(903,939)
Total other comprehensive income	-	(65,918)	-	(65,918)
Total comprehensive loss for the year	-	(65,918)	(903,939)	(969,857)
Balance at 31 December 2021	12,081,396	1,866,887	(4,504,846)	9,443,437

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

PROSPECH LIMITED
and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Cash payments in the course of operations		(508,154)	(945,034)
Interest received		<u>3,046</u>	<u>7</u>
Net cash used in operating activities	14b	<u>(505,108)</u>	<u>(945,027)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,257,257)	(1,499,335)
Payments for property, plant and equipment		<u>-</u>	<u>(36,978)</u>
Net cash used in investing activities		<u>(1,257,257)</u>	<u>(1,536,313)</u>
Net decrease in cash and cash equivalents		(1,762,365)	(2,481,340)
Effect of exchange rate adjustments on cash held		(46,522)	3,052
Cash and cash equivalents at the beginning of the year		<u>2,036,694</u>	<u>4,514,982</u>
Cash and cash equivalents at the end of the year	14a	<u>227,807</u>	<u>2,036,694</u>

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1 – REPORTING ENTITY

Prospech Limited (the ‘Company’) is a company domiciled in Australia. The consolidated financial report for the year to 31 December 2022 comprises the Company and its subsidiaries (together referred to as ‘Prospech’ or ‘the Group’). The Group is a for-profit entity and is involved in exploration for mineral resources.

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 financial report was authorised for issue by the Directors on 24 February 2023.

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 6 – Income tax expense and the recoverability of deferred tax assets.
- Note 8 – Exploration and evaluation expenditure

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 2 – BASIS OF PREPARATION (Con't)

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 31 December 2022 the Group has incurred a loss of \$1,750,601 and has accumulated losses of \$6,255,447 as at 31 December 2022. The Group used \$505,108 of cash in operations, in addition to \$1,257,257 of cash for exploration and evaluation expenditure for the year ended 31 December 2022 and had cash on hand of \$227,807 at 31 December 2022.

The Directors have prepared cash flow projections for the period from 1 January 2023 to 31 March 2024 that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group continues substantial exploration activities in the areas of interest, which will require additional funding from shareholders or other parties that is yet to be secured at the date of this report.

The Group has engaged a broker to assist in capital raising activities. The Group have successfully raised additional funding in prior years, however such fundraising is inherently uncertain until secured.

The Group's trade and other payables at 31 December 2022 of \$418,123 include payments owing to Directors and related parties of \$266,440. The Directors and related parties have provided a commitment to not call these outstanding amounts owing from the Group, or amounts incurred in the future, until the Group has sufficient funds available to enable repayment of the outstanding amounts without adversely impacting the ability of the Group to continue as a going concern. Further, the Group has significantly reduced all discretionary expenditure until such time that there are sufficient funds to continue with the exploration and evaluation activities as planned in the cash flow projections.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operations of the Group are dependent upon the Group raising additional funding from shareholders or other parties and continuing to significantly reduce discretionary expenditure.

In the event that the Group does not obtain additional funding, the achievement of which is inherently uncertain, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets, including capitalised exploration and evaluation expenditure of \$7,835,617, and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial report.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions (except for foreign exchange transaction gains or losses), 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.

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. 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. Foreign exchange differences arising on translation are recognised in the income statement.

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 recognised in Other Comprehensive Income ('OCI') and presented 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 foreign operation and are recognised in OCI and presented in the FCTR.

Financial instruments

Recognition and initial measurement

Non-derivative financial assets

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.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con’t)

Financial instruments (Cont’d)

Non-derivative financial assets (Cont’d)

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.

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

- amortised cost;
- fair value through other comprehensive income; 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.

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. <u>Any gain or loss on derecognition is recognised in profit or loss.</u>
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.

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.

PROSPECH LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Impairment

Financial assets

The Group recognises expected credit losses ('ECLs') on financial assets measured at amortised cost and contract assets.

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.

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

Incremental costs directly attributable to 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.

PROSPECH LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

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.

Equity settled share based payments

The grant-date fair value of equity settled share based payment awards granted is recognised as an administration and consultants' expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at vesting date. For market conditions and non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Income tax (Cont'd)

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; and
- 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.

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.

Segment Reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided internally to Executive Director and the CFO, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 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:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)

Exploration, evaluation and development expenditure (Cont'd)

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.

Share based payment transactions

The fair value of the share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), expected dividends, and the risk-free interest rate (based on government bonds).

Changes in significant accounting policies

All new standards and interpretations effective for periods after 1 January 2022 have been adopted by the Group in the preparation of these financial statements and have not had any material effect on the financial statements presented.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are able to be early adopted for annual periods beginning after 1 January 2022 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

2022	2021
\$	\$

NOTE 4 – FINANCIAL INCOME/(EXPENSE)

Interest income	3,046	7
Foreign exchange gain/(loss)	(46,522)	3,052
	<u>(43,476)</u>	<u>3,059</u>

NOTE 5 – TRADE AND OTHER RECEIVABLES

GST/VAT receivable	<u>30,408</u>	<u>31,704</u>
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	2022	2021
	\$	\$
NOTE 6 – INCOME TAX EXPENSE		
Current tax expense		
Current period	(50,829)	(139,599)
Non-recognition of losses	50,829	139,599
Total income tax expense in income statement	-	-
Loss before tax – continuing operations	(1,710,601)	(903,939)
Prima facie income tax expense at the Australian tax rate of 30% (2021 – 30%)	(513,180)	(271,182)
Impact of tax in foreign jurisdiction	-	10,599
Increase in income tax expense due to:		
- Non-deductible expenses	488,619	221,467
- Effect of deferred tax assets for tax losses not brought to account	50,829	39,116
- Effect of deferred tax assets for temporary differences not brought to account	(26,268)	-
Income tax expense – current and deferred	-	-
Deferred tax asset /(liability)		
Deferred tax assets brought to account	58,367	50,917
Deferred tax liability brought to account	(58,367)	(50,917)
Total deferred tax asset/(liability) brought to account	-	-
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 temporary differences not brought to account	118,235	170,602
Deferred tax asset for tax losses not brought to account	223,307	406,775
Total deferred tax asset not brought to account	341,542	577,377

At 31 December 2022, the Group has an unrecognised deferred tax asset for tax losses not brought to account of \$223,307 (2021 - \$172,554) that relate to the Slovakian operations. These tax losses expire after four years. There are judgements made to determine the timing and amount of deferred tax assets that can be recognised based on whether it is probable that future taxable profit will be available against which the Group can use the benefits therefrom.

In accordance with Slovakian tax legislation, the Group capitalises Slovakian exploration costs as ‘complex future expenses’ that are able to be carried forward against future income and are able to be deducted in later years when a taxable income is produced.

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	2022	2021
	\$	\$
NOTE 7 – LOSS PER SHARE		
Basic and diluted loss per share have been calculated using:		
Net loss for the year	<u>(1,750,601)</u>	<u>(903,939)</u>
	N° of shares	N° of shares
Weighted average number of ordinary shares – post 10 for 16 share consolidation		
Issued ordinary shares at the beginning of the year	<u>88,298,593</u>	<u>88,298,593</u>
Weighted average number of shares at the end of the year	<u>88,298,593</u>	<u>88,298,593</u>

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

NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE

Judgements are made in regard to the technical feasibility and commercial viability of the exploration and evaluation assets which includes evaluation of results from exploration activities by a competent person. The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest. Following a review by the Directors of the carrying value of the Company's exploration and evaluation assets, the carrying value of the Cejkov Zemplin was impaired (\$910,795).

Reconciliation of the carrying amount is set out below:

Opening balance	7,385,094	5,960,567
Additions, including impact of FX movements	1,357,982	1,424,527
Impairment	<u>(910,795)</u>	-
Closing balance	<u>7,835,617</u>	<u>7,385,094</u>
Hodrusa	5,704,213	5,078,652
Nova Bana	1,002,221	905,876
Rudno	378,749	369,947
Jasenie	534,947	520,345
Pukanec	186,487	130,723
Cejkov Zemplin	-	379,551
Kolba	<u>29,000</u>	-
	<u>7,835,617</u>	<u>7,385,094</u>
Hodrusa		
Carrying amount at beginning of year	5,078,652	4,308,569
Additions	617,406	797,974
FCTR	<u>8,155</u>	<u>(27,891)</u>
Net book value	<u>5,704,213</u>	<u>5,078,652</u>

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	2022	2021
	\$	\$
NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE (Con't)		
Nova Bana		
Carrying amount at beginning of year	905,876	602,240
Additions	93,725	311,010
FCTR	2,620	(7,374)
Net book value	1,002,221	905,876
Rudno		
Carrying amount at beginning of year	369,947	362,712
Additions	7,750	11,696
FCTR	1,052	(4,461)
Net book value	378,749	369,947
Jasenie		
Carrying amount at beginning of year	520,345	466,901
Additions	13,660	57,224
FCTR	942	(3,780)
Net book value	534,947	520,345
Pukanec		
Carrying amount at beginning of year	130,723	118,406
Additions	55,435	13,667
FCTR	329	(1,350)
Net book value	186,487	130,723
Cejkov Zemplin		
Carrying amount at beginning of year	379,551	101,739
Additions	541,005	279,139
FCTR	(9,761)	(1,327)
Impairment	(910,795)	-
Net book value	-	379,551
Kolba		
Carrying amount at beginning of year	-	-
Additions	29,000	-
FCTR	-	-
Net book value	29,000	-
 Total exploration and evaluation expenditure	 7,835,617	 7,385,094

Judgements are made in regard to the technical feasibility and commercial viability of the exploration and evaluation assets which includes evaluation of results from exploration activities by a competent person. The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

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	2022	2021
	\$	\$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT		
Motor vehicles		
Motor vehicles – cost	105,957	105,621
Accumulated depreciation	(84,911)	(73,113)
Net book value	21,046	32,508
Office equipment		
Office equipment assets – cost	5,705	5,705
Accumulated depreciation	(5,265)	(2,776)
Net book value	440	2,929
 Total property, plant and equipment	 21,486	 35,437

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

Motor vehicles		
Carrying amount at beginning of period	32,508	10,165
Additions	-	33,903
Disposal	(5,066)	-
Depreciation	(6,058)	(11,113)
Exchange movements	(338)	(447)
Net book value	21,046	32,508
Office equipment		
Carrying amount at beginning of period	2,929	1,818
Additions	-	3,523
Depreciation	(2,489)	(2,412)
Net book value	440	2,929

NOTE 10 – TRADE AND OTHER PAYABLES

Creditors	363,123	53,846
Accruals	55,000	30,000
	418,123	83,846

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – CAPITAL AND RESERVES

	2022		2021	
	Number of shares	\$	Number of shares	\$
Opening balance – fully paid	<u>88,298,593</u>	<u>12,081,396</u>	88,298,593	12,081,396
Ordinary shares on issue at 31 December – fully paid	<u>88,298,593</u>	<u>12,081,396</u>	88,298,593	12,081,396

There were no shares issued during the year ended 31 December 2022 or 31 December 2021.

Issue of Options

The Company has an executive option plan ('Plan') that entitles eligible employees including the key management personnel to be granted options in the Company. There are no service nor performance conditions related to the options issued during the period. Options issued are not dependent on the satisfaction of any performance condition, due to the difficulty in setting appropriate performance criteria for all parties at this stage of the Company's development.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2022 were as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted	Balance at end of the period (Exercisable)
			\$	\$	Number	Number
30 September 2020	30 September 2023	30 September 2020	0.30	955,976	12,031,250	12,031,250
				<u>955,976</u>	<u>12,031,250</u>	<u>12,031,250</u>

There were no options issued or exercised during the year ended 31 December 2022.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2021 were as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted	Total Granted	Balance at end of the period (Exercisable)
			\$	\$	Number	Number
30 September 2020	30 September 2023	30 September 2020	0.30	955,976	12,031,250	12,031,250
				<u>955,976</u>	<u>12,031,250</u>	<u>12,031,250</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 11 – CAPITAL AND RESERVES (Con't)

Issue of Options (Con't)

	2022		2021	
	Number of options	Weighted average	Number of options	\$
Outstanding at 1 January	17,031,250	\$0.30	17,031,250	\$0.30
Outstanding at 31 December	17,031,250	\$0.30	17,031,250	\$0.30
Exercisable at 31 December	17,031,250	\$0.30	17,031,250	\$0.30

Dividends

There were no dividends paid or declared during the year ended 31 December 2022 or 31 December 2021.

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 voting rights and 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 Slovenske Kovy s.r.o ('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.

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NOTE 11 – CAPITAL AND RESERVES (Con't)

	2022	2021
	\$	\$
Acquisition reserve	375,578	375,578
Foreign currency translation reserve	25,701	(7,952)
Option premium reserve	1,499,261	1,499,261
	1,900,540	1,866,887
 <i>Movements during the period</i>		
<i>Acquisition reserve</i>		
Balance at the beginning of the period	375,578	375,578
Balance at the end of the period	375,578	375,578
 <i>Foreign currency translation reserve</i>		
Balance at the beginning of the period	(7,952)	57,966
Currency translation difference	33,653	(65,918)
Balance at the end of the period	25,701	(7,952)
 <i>Option premium reserve</i>		
Balance at the beginning of the period	1,499,261	1,499,261
Balance at the end of the period	1,499,261	1,499,261

NOTE 12 – CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares – Group interest	
	2022	2021
	%	%
<i>Parent Entity</i>		
Prospech Limited		
<i>Controlled entities</i>		
Prospech Slovakia s.r.o.	100	100
Slovenske Kovy s.r.o.	100	100

Prospech Slovakia s.r.o. and Slovenské Kovy s.r.o. are incorporated in Slovakia.

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NOTE 13 – RELATED PARTIES

During the year ended 31 December 2022, Peter Nightingale, a director had an interest in an entity, MIS Corporate Pty Limited, 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 ended 31 December 2022 amounted to \$120,000 (2021 - \$120,000), a fee of \$10,000 per month . At 31 December 2021 \$40,000 (2021 - \$nil) remained outstanding.

	2022	2021
	\$	\$

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	227,807	2,036,694
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(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after tax	(1,750,601)	(903,939)
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Non-cash items

Depreciation	8,547	13,591
Foreign exchange gain	46,522	(3,052)
Impairment	910,795	-

Changes in assets and liabilities

Decrease in trade and other receivables	1,290	26,060
(Increase)/decrease in prepayments	9,060	(33,663)
Increase/(decrease) in trade and other payables	269,279	(44,024)

Net cash used in operating activities	(505,108)	(945,027)
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PROSPECH LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2022

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 \$240,000 (2021 - \$240,000) for his services during the year ended 31 December 2022. Outstanding amounts at 31 December 2022 were \$80,000 (2021 - \$nil).

Thomas Mann, a Director, was compensated \$80,000 (2021 - \$80,000) for his services during the year ended 31 December 2022. Outstanding amounts at 31 December 2022 were \$26,667 (2021 - \$nil).

Stephen Gemell, a Director, was compensated \$40,000 (2021 - \$32,903) for his services during the year ended 31 December 2022. Outstanding amounts at 31 December 2022 were \$6,667 (2021 - \$3,333).

John Levings, a Director, was compensated \$120,000 (2021 - \$120,000) for his services during the year ended 31 December 2022. Outstanding amounts at 31 December 2022 were \$ 30,000 (2021 - \$10,000).

Peter Nightingale, a Director, was compensated \$120,000 (2021 - \$120,000) for his services during the year ended 31 December 2022. Outstanding amounts at 31 December 2022 were \$ 60,000 (2021 - \$nil).

No other key management personnel were remunerated for their services during the year ended 31 December 2022. 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 2022	Bought	Held at 31 December 2022
Thomas J. Mann	4,418,749	-	4,418,749
Jason M. Beckton	3,910,159	-	3,910,159
Stephen G. Gemell	-	-	-
John A. Levings	507,813	3,783,750	4,291,563
Peter J. Nightingale	7,692,798	-	7,692,798

Key management personnel	Held at 1 January 2021	Held at 31 December 2021
Thomas J. Mann	4,418,749	4,418,749
Jason M. Beckton	3,910,159	3,910,159
Stephen G. Gemell	-	-
John A. Levings	507,813	507,813
Peter J. Nightingale	7,692,798	7,692,798

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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)

Movement in options

Key management personnel	Held at 1 January 2022	Held at 31 December 2022
Thomas J. Mann	2,500,000	2,500,000
Jason M. Beckton	3,125,000	3,125,000
Stephen G. Gemell	-	-
John A. Levings	1,250,000	1,250,000
Peter J. Nightingale	3,125,000	3,125,000
Key management personnel	Held at 1 January 2021	Held at 31 December 2021
Thomas J. Mann	2,500,000	2,500,000
Jason M. Beckton	3,125,000	3,125,000
Stephen G. Gemell	-	-
John A. Levings	1,250,000	1,250,000
Peter J. Nightingale	3,125,000	3,125,000

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

NOTE 16 – FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments comprise deposits with banks, receivables, trade and other payables and from time to time short term loans from related parties. The Group does not trade in derivatives.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present 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.

Risk management framework

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 primary responsibility to monitor the financial risks lies with the Managing Director and the Company Secretary under the authority of the Board.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

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:

	2022	2021
	\$	\$
Cash and cash equivalents	227,807	2,036,694
Trade and other receivables	30,408	31,704
	258,215	2,068,398

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

Australia	220,229	1,976,340
Slovakia	37,986	92,058
	258,215	2,068,398

At 31 December 2022, the Group held cash and cash equivalents of \$227,807 (2021 - \$2,036,694), 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 of 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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

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.

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 2022					
Trade and other payables	418,123	418,123	418,123	-	-
	418,123	418,123	418,123	-	-
31 December 2021					
Trade and other payables	83,846	83,846	83,846	-	-
	83,846	83,846	83,846	-	-

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.

	31 December 2022		31 December 2021	
	Foreign currency	\$	Foreign currency	\$
Euros				
Cash at bank	€23,584	37,037	€698,145	1,092,875

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
EUR to AUD	1.5162	1.5743	1.5704	1.5654

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

For the year ended 31 December 2022, 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:

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Currency risk (Con't)

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2022 \$	Post tax loss (Higher)/Lower 2021 \$	Total equity (Higher)/Lower 2022 \$	Total equity (Higher)/Lower 2021 \$
+ 10% higher AUD to EUR exchange rate	(1,628)	(107,303)	(1,628)	(107,303)
- 5% lower AUD to EUR exchange rate	814	53,652	814	53,652

Market risk

Market risk is the risk that change in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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:

	2022 \$	2021 \$
Financial Assets		
Cash and cash equivalents	<u>227,807</u>	<u>2,036,694</u>

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 projects.

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.

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 2022, approximate their fair values, given the short time frames to maturity and or variable interest rates.

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NOTES TO THE FINANCIAL STATEMENTS
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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 relate to corporate operations in Australia and 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 2022, the Group had one segment, being mineral exploration in Slovakia. The Group has one reportable geographical segment as follows:

	Slovakia	Unallocated	Total
	\$	\$	\$
31 December 2022			
External revenues	-	-	-
Reportable segment loss before tax	938,381	812,220	1,750,601
Interest income	-	3,046	3,046
Impairment of exploration and evaluation	910,795	-	910,795
Reportable segment assets	7,900,416	244,196	8,144,612
Reportable segment non-current assets	7,856,663	440	7,857,103
Reportable segment liabilities	41,773	376,350	418,123
31 December 2021			
External revenues	-	-	-
Reportable segment loss before tax	117,772	786,167	903,939
Interest income	-	7	7
Reportable segment assets	7,515,672	2,011,611	9,527,283
Reportable segment non-current assets	7,417,603	2,929	7,420,532
Reportable segment liabilities	39,006	44,840	83,846

PROSPECH LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 19 – PARENT ENTITY DISCLOSURES

As at, and throughout the year ended 31 December 2022 the parent entity of the Group was Prospech Limited.

	2022	2021
	\$	\$
Result of the parent entity		
Net loss	1,233,232	851,307
Total comprehensive loss	<u>1,233,232</u>	<u>851,307</u>
Financial position of the parent entity at period end		
Current assets	243,756	2,008,682
Non-current assets	5,051,310	4,188,107
Total assets	<u>5,295,066</u>	<u>6,196,789</u>
Current liabilities	376,349	44,840
Total liabilities	<u>376,349</u>	<u>44,840</u>
Net Assets	<u>4,918,717</u>	<u>6,151,949</u>
Equity		
Share capital	12,081,396	12,081,396
Reserves	1,499,261	1,499,261
Accumulated losses	(8,661,940)	(7,428,708)
Total Equity	<u>4,918,717</u>	<u>6,151,949</u>

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:

	2022	2021
	\$	\$
Statutory Audit		
Auditors of the Company		
Audit of financial reports - KPMG	84,000	79,250
	<u>84,000</u>	<u>79,250</u>

NOTE 21 – COMMITMENTS AND CONTINGENCIES

At 31 December 2022 the Group does not have any commitments or contingencies.

PROSPECH LIMITED
and its controlled entities

DIRECTORS' DECLARATION

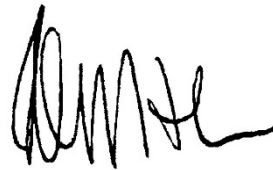
In the opinion of the Directors of Prospech Limited ('the Company'):

1. (a) the consolidated financial statements and notes set out on pages 17 to 44 and the Remuneration Report on pages 11 to 15, 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 2022 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, 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.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2022.

Signed at Sydney this 24th day of February 2023
in accordance with a resolution of the Board of Directors:



Thomas J. Mann
Chairman



Peter J. Nightingale
Director



Independent Auditor's Report

To the shareholders of Prospech Limited

Report on the audit of the Financial Report

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 2022 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 2022
- 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating 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 in relation to 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.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in relation to the Group’s assessment of going concern. This included:

- Analysing the cash flow projections by:
 - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group’s intentions, and past results and practices;
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group’s historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows, including the expected impact of planned capital raisings for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty.
- Reading minutes of Directors’ meetings and relevant correspondence with the Group’s advisors to understand the Group’s ability to raise additional shareholder funds, and assessed the level of associated uncertainty;
- Evaluating the Group’s going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projections assessment, the Group’s plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Capitalised exploration and evaluation expenditure - \$7,835,617	
Refer to Note 8 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Capitalised exploration and evaluation expenditure (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> ● The significance of E&E activities to the Group’s business, with the balance of capitalised E&E expenditure being 96% of total assets; and ● The greater level of audit effort required to evaluate the Group’s application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), in particular, the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group’s determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> ● The determination of the areas of interest (areas); ● Documentation available regarding rights to tenure, via licensing and compliance with relevant conditions, to maintain current rights to an area of interest and the Group’s intention and capacity to continue the relevant E&E activities; and ● The Group’s determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focussed on those that may draw into question the commercial continuation</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> ● Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the requirements of AASB 6; ● We assessed the Group’s determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes; ● Assessing the Group’s current rights to tenure for each area of interest by corroborating the ownership of the relevant licence underlying documentation. We also tested for compliance with licence conditions, such as minimum expenditure requirements. ● We tested the Group’s additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to invoices from third parties or other underlying documentation; ● For the samples identified above, checking the nature of the expenditure for consistency with its classification as exploration and evaluation assets in accordance with the Group’s accounting policy and the requirements of the accounting standard; ● Testing the completeness of exploration and evaluation expenditure recorded in the twelve-month period by checking payments recorded since 31 December 2022 for evidence of the timing of the transactions. For this procedure, we selected our sample from the Group’s payments since balance date, trade payable schedule and unprocessed invoices post balance date, and the underlying documentation of the transaction; ● We analysed the Group’s determination of

<p>of E&E activities for each area of interest where significant capitalised E&E exists. We paid particular attention to:</p> <ul style="list-style-type: none"> ● The strategic direction of the Group and their intent to continue exploration activities in each area of interest; ● The ability of the Group to fund the continuation of activities in each area of interest; and ● Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest. 	<p>recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for each area of interest;</p> <ul style="list-style-type: none"> ● Evaluating Group documents, such as minutes of Directors meetings and the Group's cash flow projections, for consistency with their stated strategic intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key personnel; ● We compared the results from the Group's publicly available exploration and evaluation activities regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard; and ● We obtained project and corporate budgets identifying areas with existing funding. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities.
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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, with the exception of the Remuneration Report and our related assurance opinion.

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 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 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 the 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Prospech Limited for the year ended 31 December 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 11 to 15 of the Directors' report for the year ended 31 December 2022

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Jeff Frazer
Partner

Gold Coast

24 February 2023

**PROSPECH LIMITED
and its controlled entities**

ADDITIONAL ASX INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 January 2023.

Distribution of Equity Securities

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	9	2,070
1,001 to 5,000	26	104,480
5,001 to 10,000	55	502,572
10,001 to 100,000	169	8,023,873
Above 100,001	116	79,665,598
	375	88,298,593

The number of shareholders holding less than a marketable parcel is 100.

Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

N°	ORDINARY SHARES SHAREHOLDER	Number of Shares	Total %
1	Rosignol Pty Ltd <Nightingale Family A/C>	6,031,044	6.83
2	Robust Resources Limited	5,122,500	5.80
3	1147 Pty Ltd <TJ & CJ Mann S/F Penn A/C>	4,418,749	5.00
4	John Andrew Levings	4,291,563	4.86
5	Jason Michael Beckton + Denise Lea Gledhill <Beckton Gledhill Family A/C>	3,750,002	4.25
6	James Norman Cran	3,125,002	3.54
7	Mrs Susan Holt	3,000,000	3.40
8	Lonway Pty Limited	2,511,093	2.84
9	Lonergan Foundation Pty Ltd <Lonergan Foundation A/C>	2,500,000	2.83
10	Wapimala Pty Limited <Lonergan Super Fund A/C>	2,500,000	2.83
11	Lonergan Foundation Pty Limited <Lonergan Foundation A/C>	2,062,500	2.34
12	Wapimala Pty Limited <Lonergan Super Fund A/C>	1,546,145	1.75
13	Jeff Towler Building Pty Ltd	1,500,000	1.70
14	D&J Redelman Pty Ltd <David&Judi Redelman Sup A/C>	1,450,000	1.42
15	Rosignol Consultants Pty Ltd	1,381,250	1.56
16	Lorraine Alyssa Goldsmith	1,250,002	1.42
17	Timo Jaakko Kamarainen	1,199,219	1.36
18	Mr Juha Saarela	1,193,442	1.35
19	Holicarl Pty Limited <Hunter Grain S/F A/C>	1,000,000	1.13
20	HSBC Custody Nominees (Australia) Limited	938,146	1.06
Total in Top 20		50,770,657	57.50

PROSPECH LIMITED
and its controlled entities

ADDITIONAL ASX INFORMATION

Substantial Shareholders

Substantial shareholders and the number of equity securities in which it has an interest, as shown in the Company's Register of Substantial Shareholders is:

Shareholder	N° of Shares Held	% of Issued Shares
Peter James Nightingale	7,692,798	8.7
Robust Resources Limited	5,122,500	5.8
Thomas Joseph Mann	4,418,749	5.0

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

Tenement Schedule

Project	Tenement number	Interest %
Hodrusa-Hamre Exploration Licence		100%
Nova Bana Exploration Licence		100%
Rudno Exploration Licence		100%
Pukanec Exploration Licence		100%
Jasenie Exploration Licence		100%
Cejkov-Zemplin Exploration Licence		100%

PROSPECH LIMITED
and its controlled entities

CORPORATE DIRECTORY

Directors:

Thomas Mann
Jason Beckton
Stephen Gemell
John Levings
Peter Nightingale

Company Secretary:

Richard Edwards

Principal Place of Business and Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone : 61-2 9300 3333
Fax : 61-2 9221 6333
Email : info@prospech.com.au
Website : www.prospech.com.au

Auditors:

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Share Registrar:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Phone : 1300 787 272
Overseas Callers : 61-3 9415 4000
Fax : 61-3 9473 2500