

**PROSPECH LIMITED**  
and its controlled entities

A.B.N. 24 602 043 265

**FINANCIAL REPORT**

**FOR THE YEAR**  
**ENDED 31 DECEMBER 2021**

**PROSPECH LIMITED**  
**and its controlled entities**

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**PROSPECH LIMITED  
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**REVIEW OF OPERATIONS**

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Dear Fellow Shareholders,

During the past year your Directors have been busy understanding the many drill targets in the Company's portfolio.

To this endeavour we instigated an IP survey over a portion of the Hodrusa-Hamre exploration licence – the first modern, large scale geophysical survey ever carried out over the Stiavnica caldera, the biggest mineralised centre of central Slovakia and, with the exception of an operating mine within our tenement, entirely held by Prospech.

The IP survey resulted in the delineation of several anomalies supportive of the detachment fault (LANF) concept, providing a fresh perspective and new tool to facilitate the discovery of gold and silver deposits within the Hodrusa-Hamre licence area. A drill program has already been designed and permitted to test these anomalies during the 2022 field and drilling season.

Further, an airborne drone magnetic survey has been carried out over the Zemplin prospect within the Cejkov-Zemplin tenement and is currently being drill tested. Assay results will follow with interest.

Despite the COVID-19 interrupted past year, the outlook is interesting with ongoing drilling on our tenements. To this end, our geologic crew have over sixty drill sites permitted and scheduled to be drilled during the current northern hemisphere summer.

Finally, I would like to thank all our staff particularly the locals in Slovakia. This year we lost to ill health a senior member of our team, Martin Kralovic. We will miss his enthusiasm and dedication and I would like to pass the Directors' condolences to his family.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Thomas Mann', written in a cursive style.

Thomas Mann  
Chairman

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**REVIEW OF OPERATIONS**

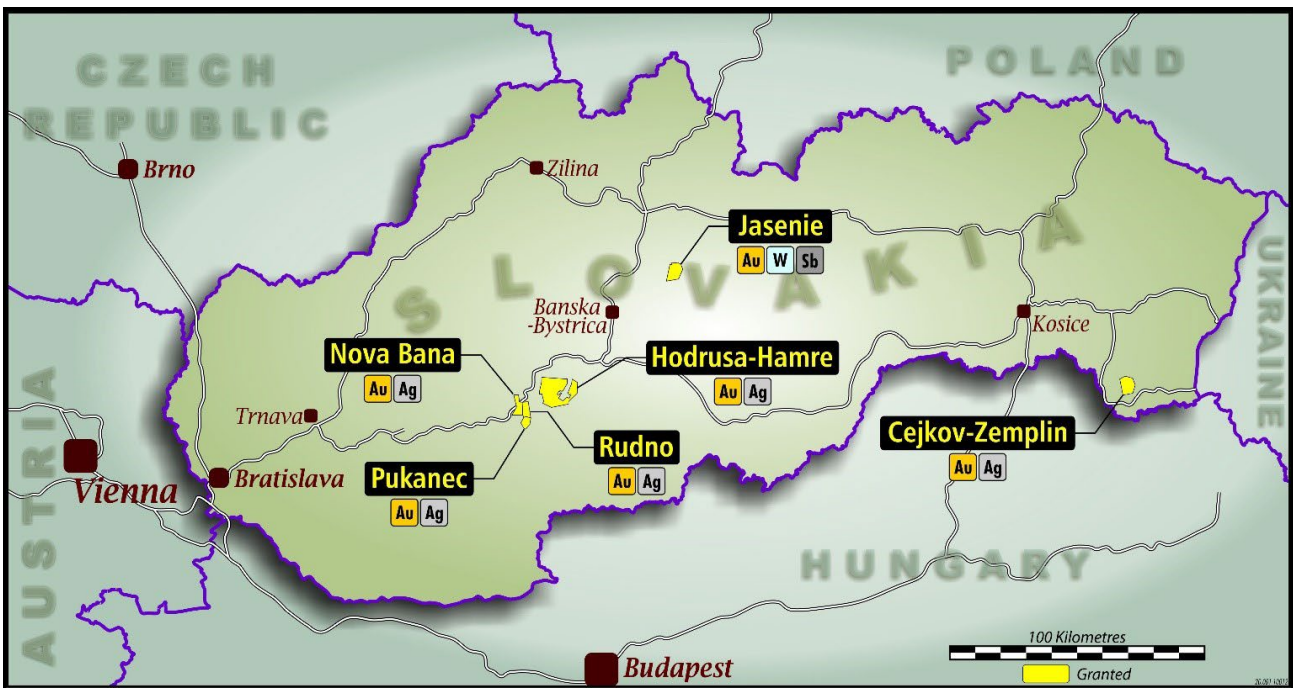
The Directors present their report together with the financial report of Prospech Limited ('the Company') and its controlled entities ('Prospech' or 'the Group'), for the year ended 31 December 2021 and the auditor's report thereon:

**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 six exploration licences, covering approximately 204 km<sup>2</sup> in Slovakia:

- the Hodrusa-Hamre exploration licence;
- the Nova Bana exploration licence;
- the Rudno exploration licence;
- the Pukanec exploration licence;
- the Jasenie exploration licence; and
- the Cejkov-Zemplin exploration licence.



*Location of the Company's projects.*

**Hodrusa-Hamre Exploration Licence**

Located 200 kilometres east of Vienna, the 100% owned Hodrusa-Hamre exploration licence is approximately 102 km<sup>2</sup> in area and covers the majority of the Neogene Stivnica Stratovolcano caldera within the Central Slovakian Volcanic Belt and includes the historic Hodrusa-Hamre/Banská Stivnica 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.

**Drilling**

During the year, Company drilled the Anton prospect, where past records report mining to a depth of over 500 metres below surface. This has been the first modern exploration drilling for the extensive Anton target. Drill targets selected by the Company were generally shallower targets where historical records indicated that effective mining was prevented by water ingress due to the poor capability of primitive pumps of the era.

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**REVIEW OF OPERATIONS**

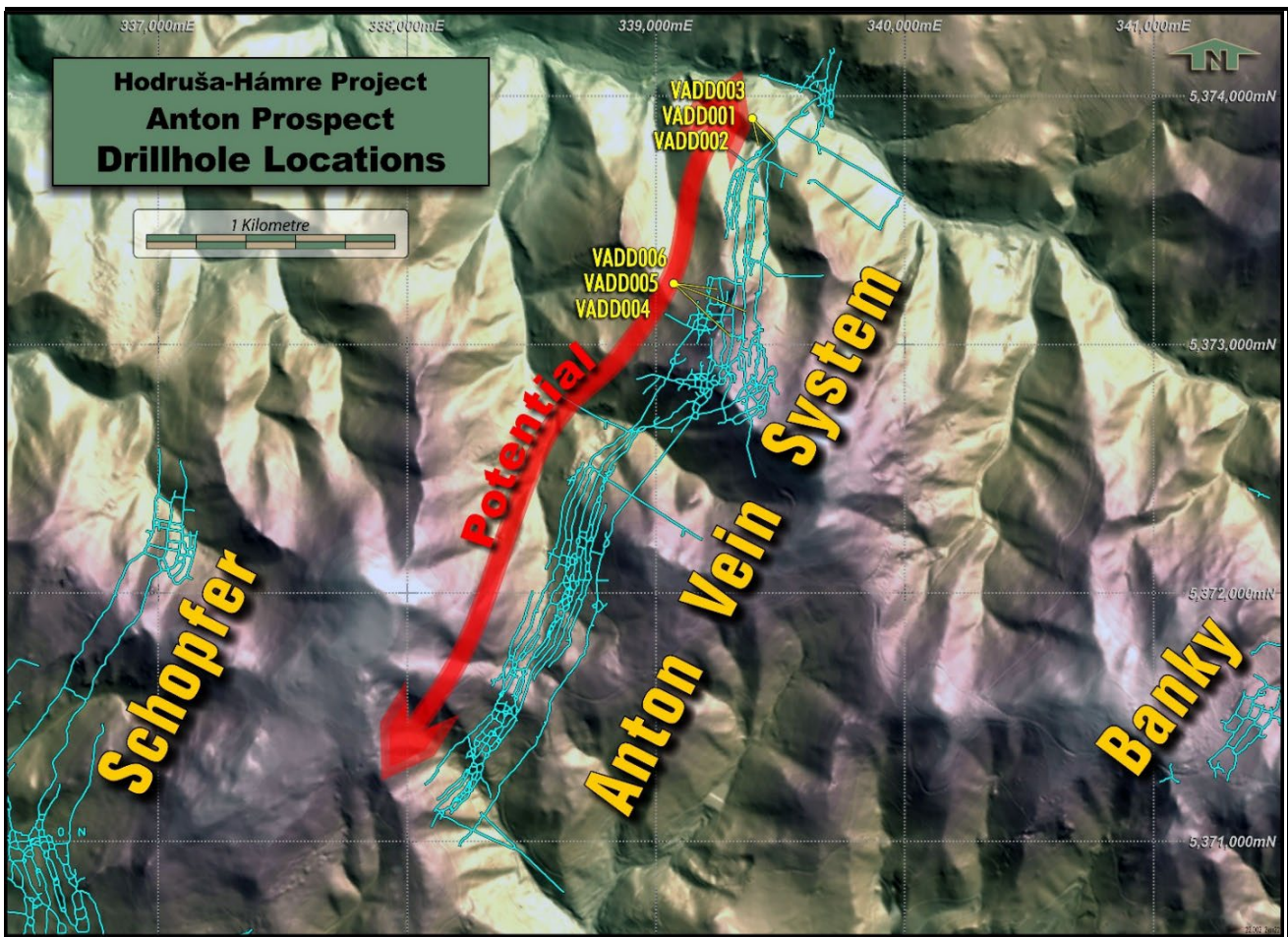
The Anton target is a large system of epithermal gold and silver veins, with a known strike length of at least 3.5 kilometres. The broader Anton structural zone trends further for more than 6.0 kilometres into the Unverzagt and Schopfer historical mines and exploration targets.

Spoil heap samples, which are thought to originate from the Anton structure near the drilling targets, are strongly mineralised. The average of assays from 57 grab samples was 3.95 g/t Au and 214 g/t Ag. The peak assays from this group of samples were 52.6 g/t Au and 1,445 g/t Ag.

A series of stacked gold and silver mineralised quartz veins were intersected in the drilling. VADD006 was the final drill hole at Anton for the 2021 campaign and returned assay results up to 3.49 g/t Au and 214 g/t Ag. The Sprochova vein target has now been intersected by 3 holes (VADD004, 5 and 6), providing reliable structural data to assist in the design of any follow up drilling program.

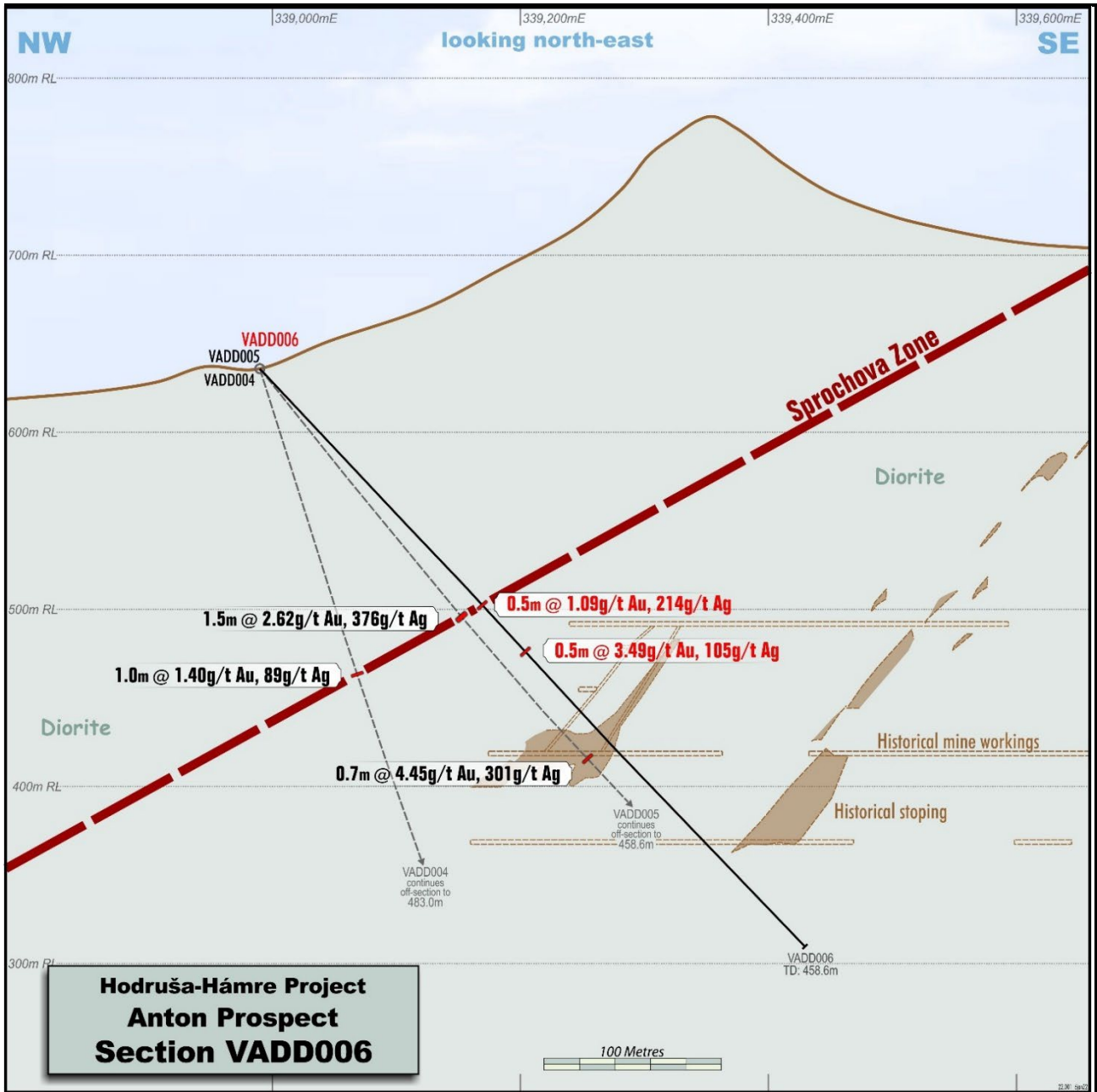
Final results from the first modern exploration drilling at Anton received, with significant intercepts summarised below:

- VADD003: 1.0m @ 2.51 g/t Au and 100 g/t Ag from 25.0m
- VADD004: 1.0m @ 1.40 g/t Au and 89 g/t Ag from 182.4m
- VADD005: 1.1m @ 0.83 g/t Au and 89 g/t Ag from 77.7m  
and 0.6m @ 0.59 g/t Au and 155 g/t Ag from 154.5m  
and 1.5m @ 2.62 g/t Au and 376 g/t Ag from 181.3m  
and 0.7m @ 4.45 g/t Au and 301 g/t Ag from 289.7m
- VADD006: 1.0m @ 1.34 g/t Au and 113 g/t Ag from 124.0m  
and 0.5m @ 1.17 g/t Au and 169 g/t Ag from 168.7m  
and 0.5m @ 1.09 g/t Au and 214 g/t Ag from 184.5m  
and 0.5m @ 3.49 g/t Au and 105 g/t Ag from 220.7m



*Map of the 3.5-kilometre Anton vein system, historical underground mine workings and Prospech drilling.*

REVIEW OF OPERATIONS



*Drill section through VADD006 showing significant Au and Ag results.*

**Geophysics - IP**

Previous drilling by Prospech at Banky, Bauch and Ignac prospects was designed to test shallow surface targets associated with the extension of a major detachment fault (locally known as a Low Angle Normal Fault or LANF). Mineralisation at the nearby, currently operating Rozalia underground gold mine is controlled by the LANF, the up-dip surface trace of which falls mainly on the Company's Hodrusa-Hamre exploration licence.

For the first time within the Hodrusa-Hamre/Banska Stiavnica mining district, an Induced Polarisation-Resistivity (IP) geophysical survey has been conducted to explore the LANF at depth.

A number of IP and resistivity anomalies have been detected by the survey (see figures below). In general, the IP responses could be described as moderate, which is in keeping with the low to moderate sulphide content of the expected mineralisation style and alteration halo. The Hodrusa-Hamre caldera rocks are, in general, relatively conductive, which limits the survey depth of investigation when compared to more resistive terrains.

The survey data is still being evaluated and the anomalies being ranked for drill testing during the 2022 summer field season.

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**REVIEW OF OPERATIONS**

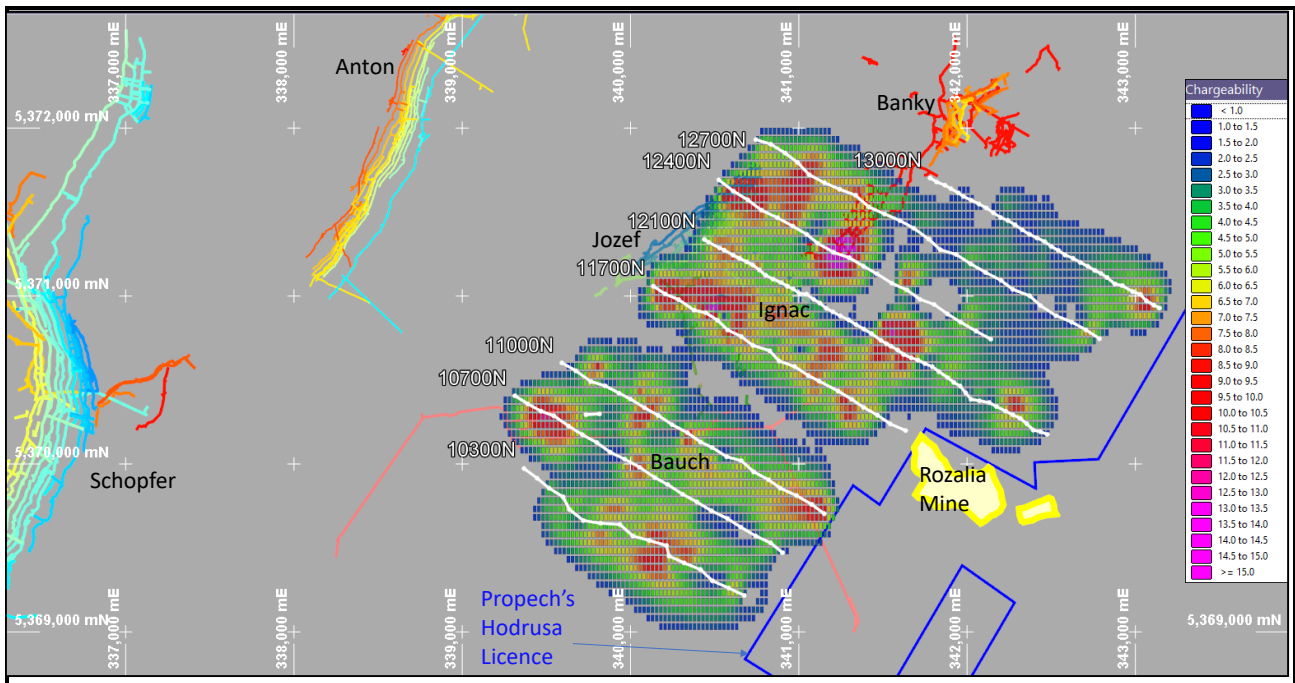
A standout IP anomaly is situated 300 metres along strike from the Ignac prospect, between the Ignac and Banky prospects. The anomaly has a peak chargeability of 16 mV/V and is centred approximately 110 metres below surface.

Ignac was drilled by the Company in late 2018 and encountered classic epithermal style quartz veining, visible gold and assays up to 15.6 g/t Au.

Historic drilling of the Banky working also encountered high grade mineralisation of 120 g/t Au and Prospech drilling at Banky intersected grades up to 3.04 g/t Au.

Recent in-situ underground rock chip sampling located approximately 270 metres north-north-east, along strike from the IP target, assayed up to 36.2 g/t Au and 1,300 g/t Ag.

Sample ID	East (m)	North (m)	RL (m)	Au (g/t)	Ag (g/t)
PR1578	341373	5371522	732	5.55	183
PR1579	341373	5371522	732	1.06	82
PR1580	341373	5371495	732	36.20	1,300



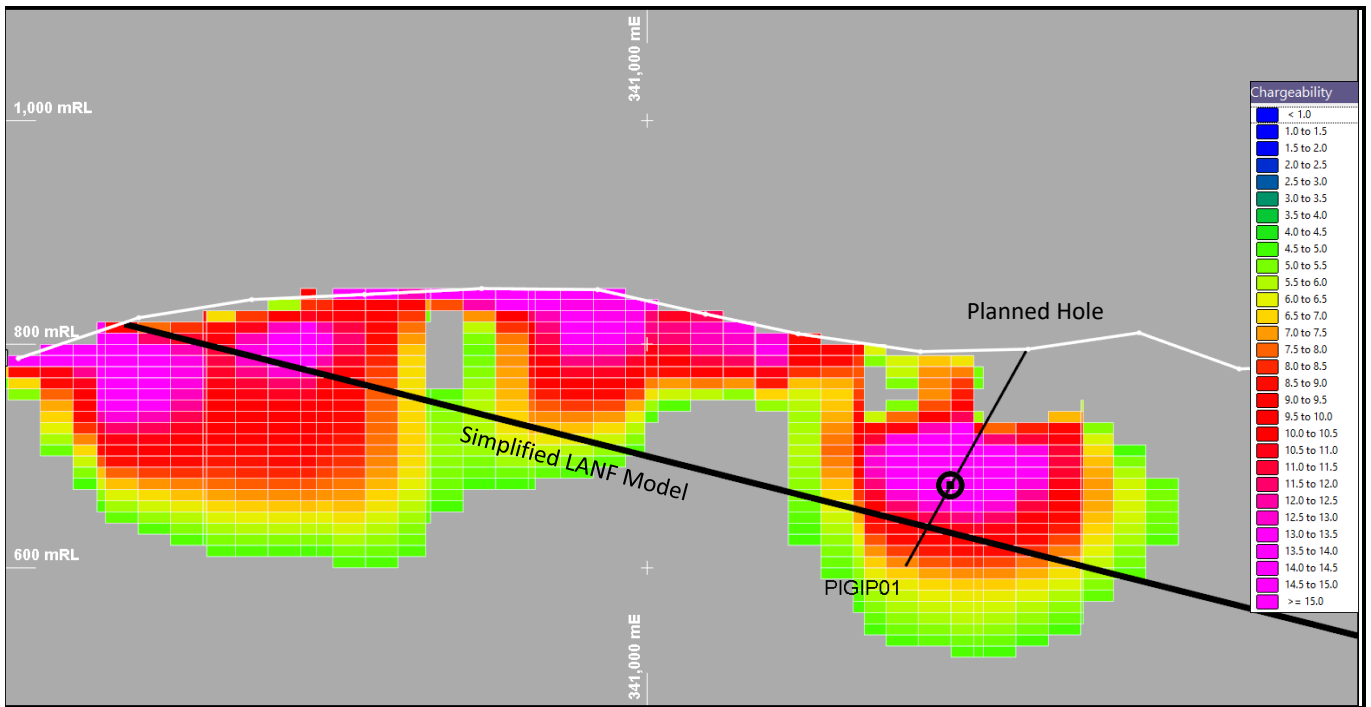
*Hodrusa-Hamre IP survey located in the eastern part of the Hodrusa-Hamre exploration licence.  
White lines with dots are the as-surveyed lines and IP receiver stations and the coloured blocks are the IP chargeability in mV/V at 100m below surface. The adjacent Rozalia Mine footprint is shown along with nearby historical mine workings such as Schopfer, Anton, Banky, Ignac and Bauch which are all located within the Company's exploration licence.  
Historical mine workings are coloured by RL.*

The completion of the IP survey at Hodrusa-Hamre signals a new approach for the goldfield. It allows the Company to drill targets that may not necessarily be identifiable by surface outcrops.

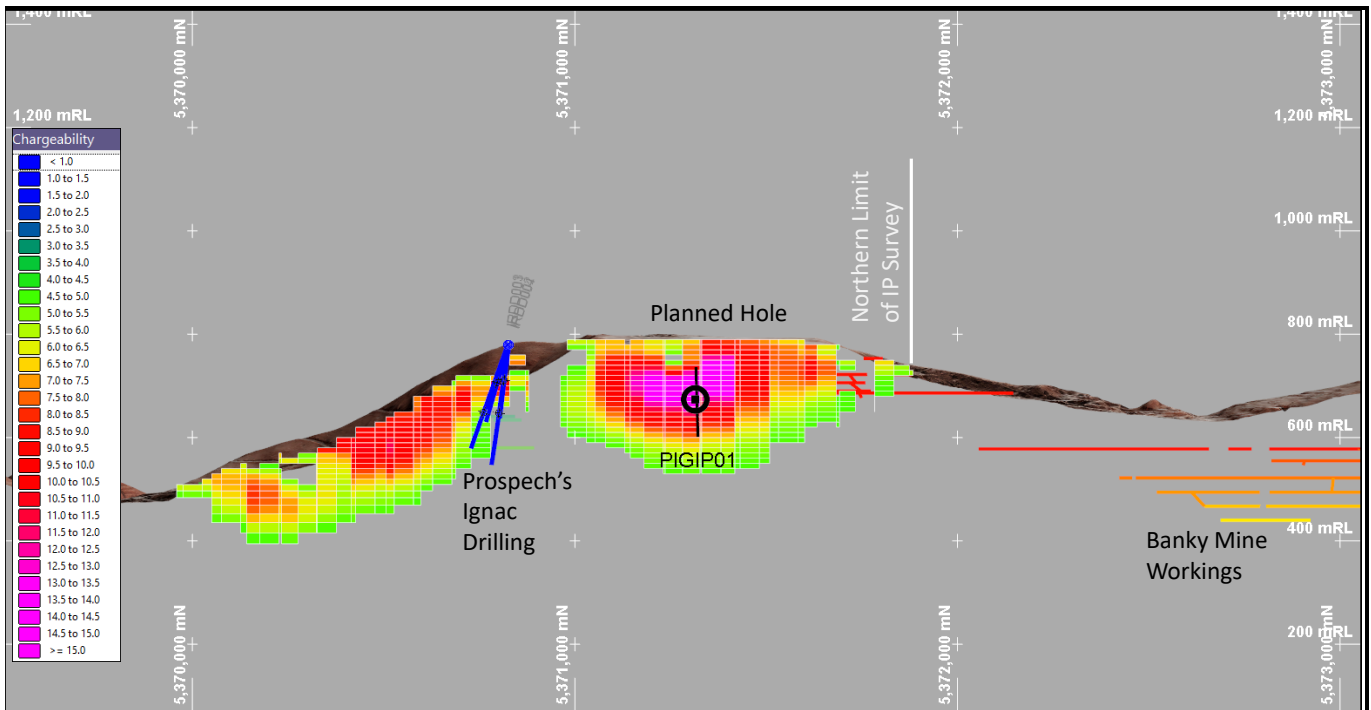
First pass evaluation of the IP and resistivity data indicates that it supports the LANF concept and will allow for the development of a more accurate and nuanced structural model and, importantly, provides Prospech with several high-priority targets for drilling in the summer of 2022.

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**REVIEW OF OPERATIONS**



*Cross section along IP line 12,400N showing a moderate IP anomaly centred just above the plane of the LANF model. Planned hole PIGIP01 is designed to test this anomaly. The anomaly is along strike from Ignac and Banky mine workings.*



*Long section view of the IP anomaly. The anomaly is considered to be a valid drill target due to the strength of the IP response and the geological setting. The IP survey did not extend far enough to cover the Banky workings due to the presence of habitations and infrastructure.*

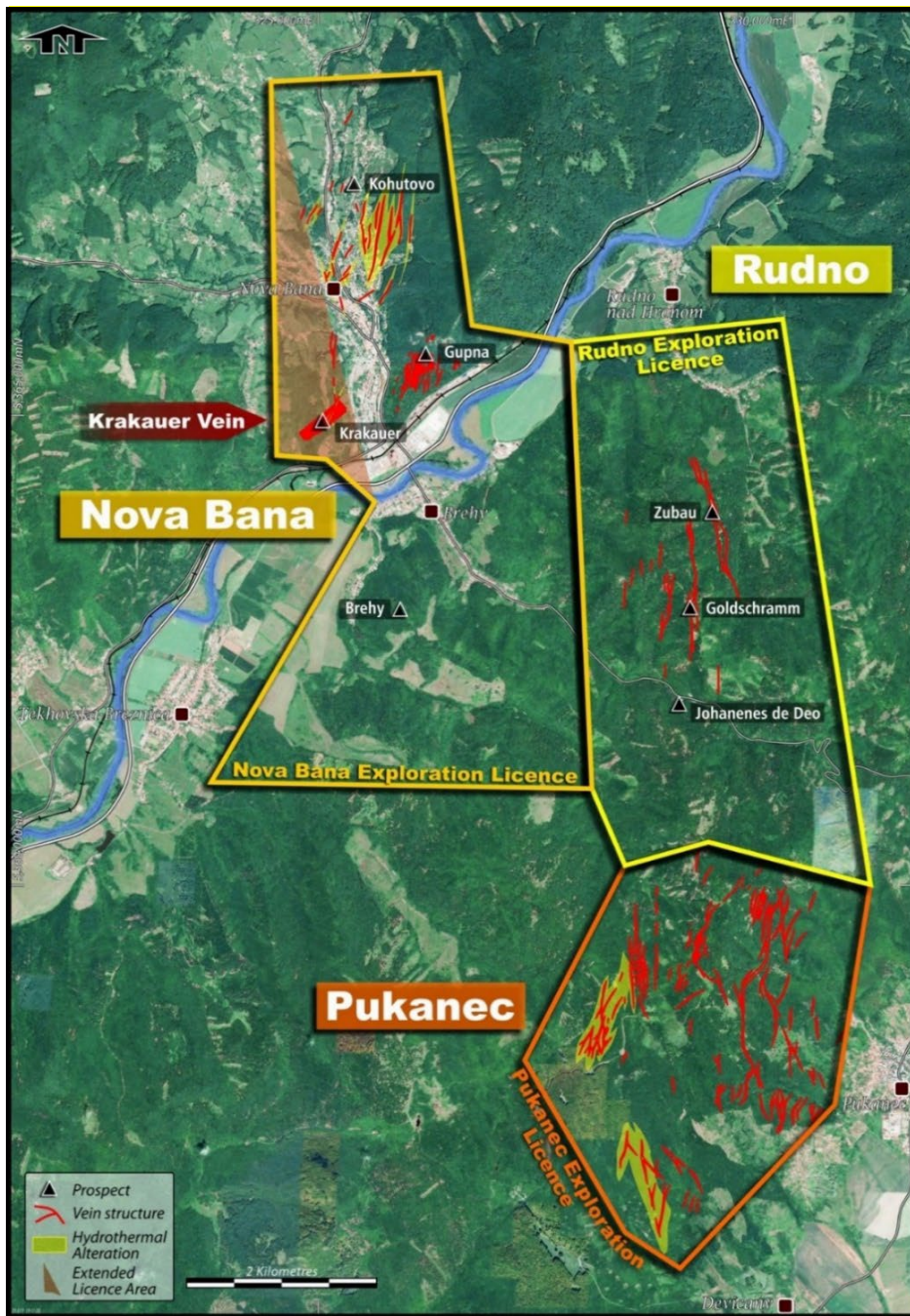
**Nova Bana Exploration Licence**

Located on the western flanks of the Stiavnica Strato Volcano within the Central Slovakian Volcanic Belt, the Nova Bana exploration licence contains the newly discovered, high grade epithermal silver and gold mineralisation within the Krakauer vein system.



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**REVIEW OF OPERATIONS**



*Prospech's western exploration licences showing the extended Nova Bana area and the location of the Krakauer discovery.*

Rock chip grab samples were collected from historical spoil heaps at Krakauer and have returned precious metals assays as follows:

Sample ID	East (m)	North (m)	RL (m)	Au (g/t)	Ag (g/t)
PR1420	325203	5364988	285.9	283.00	1,700
PR1422	325198	5364988	285.4	1.07	81
PR1425	325197	5364987	288.6	3.10	39
PR1426	325197	5364987	288.6	8.03	26

*Krakauer rock chip sample results.*

**REVIEW OF OPERATIONS**



*Location of sample PR 1420 (283.00 g/t Au and 1,700.0 g/t Ag) within historical Krakauer workings.*

Mineralisation style is typical of low-sulfidation epithermal, banded veins (ginguro). Krakauer is an almost fully preserved epithermal system with demonstrated depth potential.

Every drill hole in the Phase 1 drilling program intercepted gold-silver mineralised veining. The vein is remarkably geometrically consistent and predictable, slightly flattening at depth with the thickest intercept of veining to date in KVDD006.

Provisional analysis of the grade-thickness shows an increase in metal content to the north-east (right of page in the longitudinal projection below). This may be a vector to a high grade shoot.

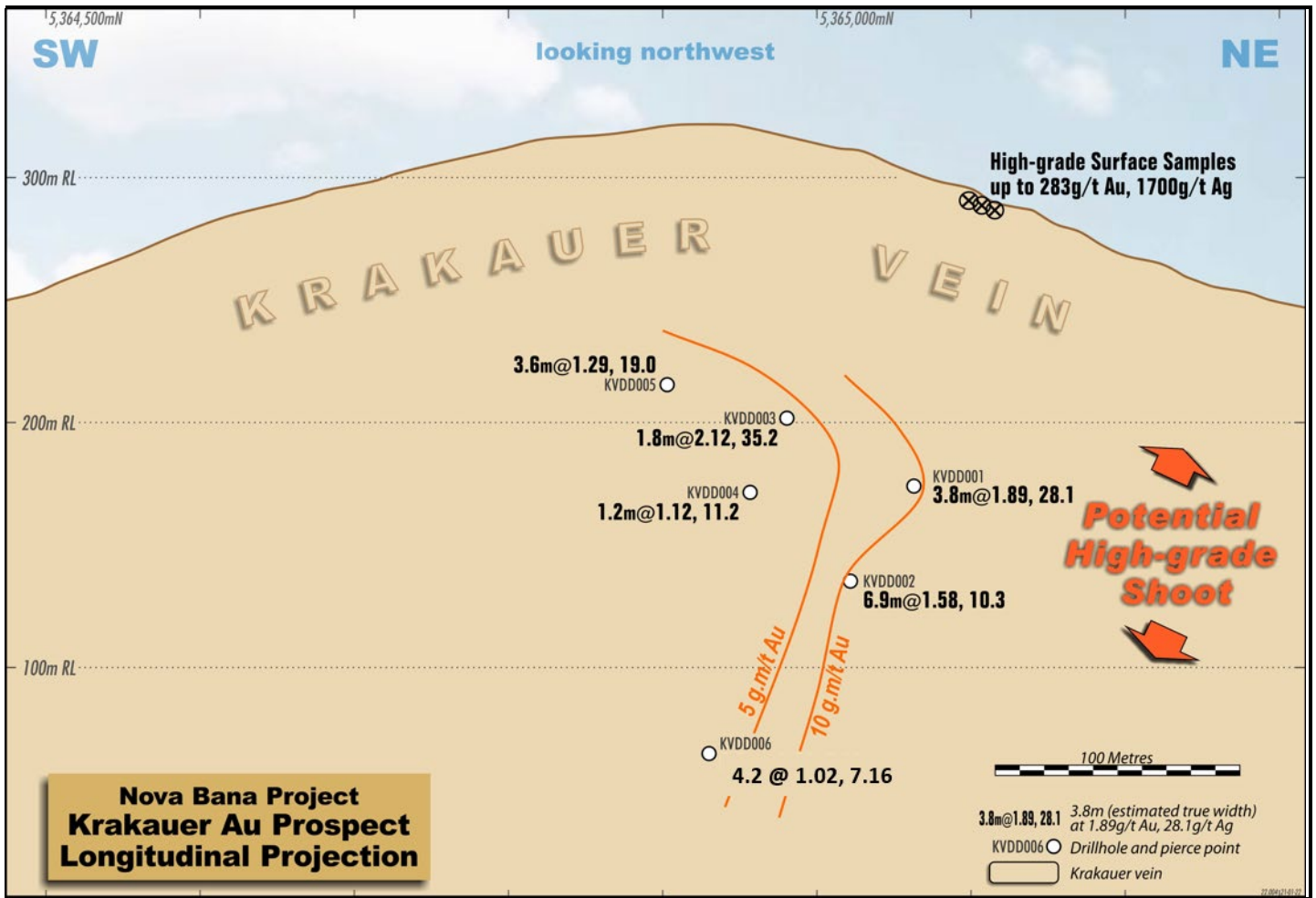
Six holes are reported below:

- KVDD001: 5.0m (3.8m ETW<sup>1</sup>) @ 1.89 g/t Au and 28 g/t Ag from 162.8m including 0.5m (0.4m ETW) @ 6.95 g/t Au and 84 g/t Ag from 163.7m
- KVDD002: 9.0m (6.9m ETW) @ 1.58 g/t Au and 10 g/t Ag from 170.5m including 0.5m (0.4m ETW) @ 3.34 g/t Au and 7 g/t Ag from 170.5m and 3.0m (2.3m ETW) @ 2.19 g/t Au and 4 g/t Ag from 176.5m
- KVDD003: 2.5m (1.8m ETW) @ 2.12 g/t Au and 35 g/t Ag from 127.7m
- KVDD004: 1.7m (1.2m ETW) @ 1.12 g/t Au and 11 g/t Ag from 140.1m
- KVDD005: 4.0m (3.6m ETW) @ 1.29 g/t Au and 19 g/t Ag from 107.6m including 0.5m (0.4m ETW) @ 4.59 g/t Au and 42 g/t Ag from 107.6m
- KVDD006: 1.0m (0.9m ETW) @ 1.64 g/t Au and 1.5 g/t Ag from 227.5m. and 1.5m (1.2m ETW) @ 1.44 g/t Au and 7.4 g/t Ag from 229.5m

<sup>1</sup> Estimated true width.

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**REVIEW OF OPERATIONS**



*The Krakauer drill program has been designed to investigate the down dip continuation of high grade surface mineralisation.*

**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 2022.

**Rudno Exploration Licence**

No field work was completed during the period.

**Jasenie Exploration Licence**

The process of renewing the tenement is complete. No field activities were undertaken during the quarter. Two holes are planned during the 2022 field season to test an outcropping gold structure at the Kysla gold-tungsten prospect. Surface grab samples from this structure assayed up to 30 g/t Au.

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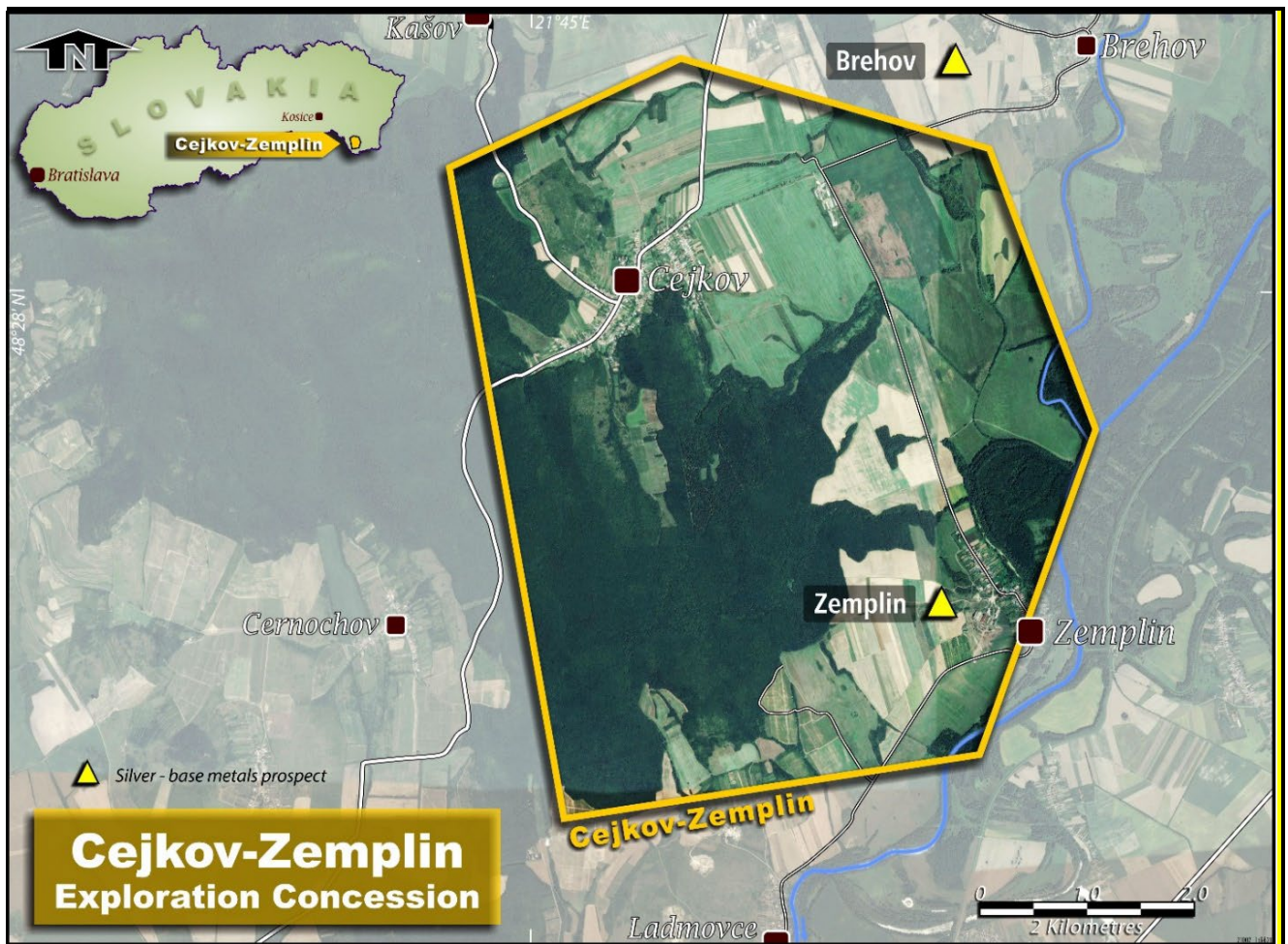
**REVIEW OF OPERATIONS**

**Cejkov-Zemplin Exploration Licence**

The Zemplin prospect is part of the 29.23 km<sup>2</sup>, 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.

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



*Zemplin structure highlighted to the south which trends 4km to the NE*

The 2021 field season commenced with drilling at Zemplin, a silver rich epithermal vein discovery, made by the Slovak Government and Rio Tinto in the early 1990s but not followed up until this program which includes the following results:

- CZDD001: 3.0m @ 136 g/t Ag from 59.0m  
and including 4.5m @ 147 g/t Ag from 85.3m  
2.3m @ 240 g/t Ag from 87.5m
- CZDD002: 6.0m @ 30 g/t Ag from 111.0m
- CZDD003: 6.0m @ 117 g/t Ag from 94.0m  
including 1.8m @ 291 g/t Ag from 97.2m
- CZDD004: 4.4m @ 34 g/t Ag, from 49.6m  
and including 4.3m @ 201 g/t Ag from 92.5m  
0.5m @ 1,220 g/t Ag from 92.5m

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**REVIEW OF OPERATIONS**

A LIDAR topographical survey (with detailed orthophotography) was flown in December 2021 and data has been processed and is now available. The benefits of the LIDAR information are numerous including accurate topography control for drilling, geological and thematic mapping and geophysical survey control.

A drone magnetics program was completed in February 2022 and a drill program of 5 planned holes for approximately 1,500 metres was commenced.

Sample ID	East (m)	North (m)	RL (m)	Au (g/t)	Ag (g/t)
PR1420	325203	5364988	285.9	283.00	1,700
PR1422	325198	5364988	285.4	1.07	81
PR1425	325197	5364987	288.6	3.10	39
PR1426	325197	5364987	288.6	8.03	26

**MINERAL RESOURCE STATEMENT**

**Jasenie Mineral Resource Estimate – Kysla Prospect**

Resource Category	Mass (Mt)	Au (g/t)	Au (oz)	WO <sub>3</sub> (%)	WO <sub>3</sub> (kg)
Inferred	1.82	1.22	71,000	0.36	6,612,000

*Jasenie-Kysla Mineral Resource (cut off 1 g/t Au or 0.13% WO<sub>3</sub> - on a sliding scale)*

**Resource Comparison 2021 to 2020**

In late 2018, Prospech prepared an in-house JORC 2012 compliant inferred mineral resource estimate, quoted in the table above. The details of this were presented in the Company's 2020 Mineral Resource Statement.

A review of the Jasenie project concluded that no adjustment to the resource estimate at the project was necessary at this time.

**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**

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**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 30 March 2022, reflecting the corporate governance practises throughout the 2021 financial year and was approved by the Board of Directors of the Company on 30 March 2022. 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 2021 of \$903,939 (2020 - \$1,398,053).

**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 unlisted Lode Resources Ltd (NSW), Jamieson Minerals Pty Ltd (Victoria) and Bambra Oy (Finland) and is a Member of the Australian Institute of Geoscientists.

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**DIRECTORS' REPORT**

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**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, Nickel Mines Limited and Planet Gas Limited (now Sky Metals Limited). He is currently a director of ASX Listed Alpha HPA Limited.

**John A. Levings - Director**

Director since 17 May 2016.

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

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

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**DIRECTORS' REPORT**

**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	7	7
Jason M. Beckton	7	7
Stephen G. Gemell*	5	5
John A. Levings	7	7
Peter J. Nightingale	7	6

\* Appointed as a Director on 4 March 2021.

**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	507,813	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

\* Appointed as a Director on 4 March 2021.

**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 2021. No dividends have been paid or declared during the year.



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**DIRECTORS' REPORT**

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**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 2021 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.

**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.

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**DIRECTORS' REPORT**

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**Non-Audit Services**

During the year ended 31 December 2021 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.

	2021	2020
	\$	\$
<b>Services other than audit and review of financial statements:</b>		
Other services	-	-
Audit and review of financial statements	<u>79,250</u>	<u>54,000</u>
	<u>79,250</u>	<u>54,000</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 2021, or in the prior year.

**PROSPECH LIMITED**  
**and its controlled entities**

**DIRECTORS' REPORT**

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**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.

**PROSPECH LIMITED**  
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**DIRECTORS' REPORT**

**Remuneration Report - (Audited)**

***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.

**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.

	2021 \$	2020 \$	2019 \$	2018 \$
Net loss attributable to equity holders of the parent	903,939	1,398,053	394,826	546,953
Dividends paid	-	-	-	-
Change in share price	\$(0.135)	\$0.04*	n/a	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 2021 - (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 2021:

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

\* Appointed as a Director on 4 March 2021.

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

**PROSPECH LIMITED**  
and its controlled entities

**DIRECTORS' REPORT**

**Remuneration Report - (Audited)**

Remuneration for year ended 31 December 2020:

Key management personnel	Short term Salary and fees \$	Post-employment Superannuation \$	Share based payments Options \$	Total \$	Proportion of remuneration related %	Value of options as a proportion of remuneration %
<b>Executive Directors</b>						
Jason Beckton	229,000	-	198,305	427,305	-	46.4
John Levings	37,500	-	79,322	116,822	-	67.9
Peter Nightingale	65,000	-	198,305	263,305	-	75.3
<b>Non-Executive Directors</b>						
Thomas Mann	43,333	-	158,645	201,978	-	78.5
<b>Total</b>	<b>374,833</b>	<b>-</b>	<b>634,577</b>	<b>1,009,410</b>	<b>-</b>	<b>62.9</b>

The total expense from salaries and fees paid to key management personnel for the year ended 31 December 2020 of \$1,009,410, including share based payment expense of \$634,577 arising from options issued to key management personnel, has been recognised in the Statement of Profit or Loss.

**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 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.

Key management personnel	Held at 1 January 2020	Adjustment on 10 for 16 consolidation	Purchased	Held at 31 December 2020
Thomas J. Mann	6,300,000	(2,362,500)	481,249	4,418,749
Jason M. Beckton	5,256,252	(1,971,093)	625,000	3,910,159
John A. Levings	312,500	(117,187)	312,500	507,813
Peter J. Nightingale	10,660,004	(3,997,500)	1,030,294	7,692,798

**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 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.

Key management personnel	Held at 1 January 2021	Cancelled	Granted	Options Vested at 31 December 2020	Exercisable Options Held at 31 December 2020
Thomas J. Mann	4,000,000	(4,000,000)	2,500,000	2,500,000	2,500,000
Jason M. Beckton	5,000,000	(5,000,000)	3,125,000	3,125,000	3,125,000
John A. Levings	2,000,000	(2,000,000)	1,250,000	1,250,000	1,250,000
Peter J. Nightingale	5,000,000	(5,000,000)	3,125,000	3,125,000	3,125,000

All options granted during the year end vested on their grant date of 30 September 2020. The Directors valued the options at \$0.079 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the grant date, a volatility factor of 100%, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%. There is no other performance condition or period of service related to the options issued to key management personnel during the period.

**Cancellation and issue of options**

On 30 September 2020 12,500,000 options with a strike price of \$0.25 and an expiry date of 31 December 2020 were cancelled and 12,031,250 replacement options with a strike price of \$0.30 and an expiry date of 30 September 2023 were issued on 30 September 2020. The fair value of the options at date of cancellation was \$160,000 and the fair value of the options issued was \$955,976.

The options cancelled on 30 September 2020 were valued at date of cancellation at \$0.010 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the cancellation date, a volatility factor of 100%, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%.

Options issued to Directors were not dependent on the satisfaction of a specific performance condition, due to the difficulty in setting appropriate performance criteria for all parties at this stage of the Company's development.

**PROSPECH LIMITED  
and its controlled entities**

**DIRECTORS' REPORT**

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**Remuneration Report - (Audited)**

**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 2020 amounted to \$120,000 (31 December 2021: \$65,000), a fee of \$10,000 per month. At 31 December 2021 \$nil (2020 - \$5,000) 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 2021.

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

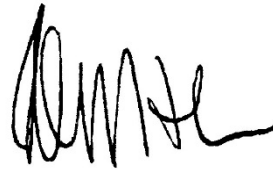
**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the year ended 31 December 2021.

Signed at Sydney this 30th day of March 2022  
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 2021 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

Gold Coast  
30 March 2022



**PROSPECH LIMITED**  
and its controlled entities

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021	2020
		\$	\$
Other income		-	8,994
Administration and consultants' expenses		<b>(893,407)</b>	(632,731)
Depreciation expense		<b>(13,591)</b>	(13,365)
Share based payments		-	<u>(760,976)</u>
Results from operating activities		<b>(906,998)</b>	(1,398,078)
Financial income	4	<u>3,059</u>	<u>25</u>
<b>Loss before income tax</b>		<b>(903,939)</b>	(1,398,053)
Income tax expense	6	-	-
<b>Loss for the year</b>		<u><b>(903,939)</b></u>	<u>(1,398,053)</u>
Other comprehensive income			
<b>Items that may be classified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		<u>(65,918)</u>	<u>(39,731)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(969,857)</b></u>	<u><b>(1,437,784)</b></u>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents)	7	<u><b>(1.02)</b></u>	<u>(2.31)</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 2021**

	Notes	31 December 2021 \$	31 December 2020 \$
<b>Current assets</b>			
Cash and cash equivalents	14	2,036,694	4,514,982
Trade and other receivables	5	31,704	57,961
Prepayments		<u>38,354</u>	<u>4,691</u>
<b>Total current assets</b>		<u>2,106,752</u>	<u>4,577,634</u>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	8	7,385,094	5,960,567
Property, plant and equipment	9	<u>35,437</u>	<u>11,983</u>
<b>Total non-current assets</b>		<u>7,420,531</u>	<u>5,972,550</u>
<b>Total assets</b>		<u>9,527,283</u>	<u>10,550,184</u>
<b>Current liabilities</b>			
Trade and other payables	10	<u>83,846</u>	<u>136,890</u>
<b>Total current liabilities</b>		<u>83,846</u>	<u>136,890</u>
<b>Total liabilities</b>		<u>83,846</u>	<u>136,890</u>
<b>Net assets</b>		<u>9,443,437</u>	<u>10,413,294</u>
<b>Equity</b>			
Share capital	11	12,081,396	12,081,396
Reserves	11	1,866,887	1,932,805
Accumulated losses		<u>(4,504,846)</u>	<u>(3,600,907)</u>
<b>Total equity</b>		<u>9,443,437</u>	<u>10,413,294</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 2021**

	Notes	Share capital \$	Reserves \$	Accumulated losses \$	Total \$
<b>Balance at 1 January 2021</b>		12,081,396	1,932,805	(3,600,907)	10,413,294
<b>Total comprehensive income for the year</b>					
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)
<b>Transactions with owners, recorded directly in equity</b>					
<b>Balance at 31 December 2021</b>		<b>12,081,396</b>	<b>1,866,887</b>	<b>(4,504,846)</b>	<b>9,443,437</b>
<b>Balance at 1 January 2020</b>		6,767,823	877,065	(2,401,660)	5,243,228
<b>Total comprehensive income for the year</b>					
Loss for the period		-	-	(1,398,053)	(1,398,053)
Total other comprehensive income		-	(39,731)	-	(39,731)
Total comprehensive loss for the year		-	(39,731)	(1,398,053)	(1,437,784)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares	11	6,261,361	-	-	6,261,361
Costs of issue		(947,788)	-	-	(947,788)
Modification of options		-	(198,806)	198,806	-
Issue of options	11	-	1,294,277	-	1,294,277
<b>Balance at 31 December 2020</b>		<b>12,081,396</b>	<b>1,932,805</b>	<b>(3,600,907)</b>	<b>10,413,294</b>

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

**PROSPECH LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Cash payments in the course of operations		(945,034)	(287,965)
Interest received		<u>7</u>	<u>25</u>
<b>Net cash used in operating activities</b>	14	<u>(945,027)</u>	<u>(287,940)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation expenditure		(1,499,335)	(936,857)
Payments for property, plant and equipment		<u>(36,978)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(1,536,313)</u>	<u>(936,857)</u>
<b>Cash flows from financing activities</b>			
Issue of shares	11	-	5,750,000
Costs of issue		<u>-</u>	<u>(414,487)</u>
<b>Net cash from financing activities</b>		<u>-</u>	<u>5,335,513</u>
<b>Net increase in cash and cash equivalents</b>		<b>(2,481,340)</b>	4,110,716
Effect of exchange rate adjustments on cash held		<b>3,052</b>	-
<b>Cash and cash equivalents at the beginning of the year</b>		<u>4,514,982</u>	<u>404,266</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>2,036,694</b></u>	<u>4,514,982</u>

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

**PROSPECH LIMITED**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 1 – REPORTING ENTITY**

Prospech Limited (the ‘Company’) is a company domiciled in Australia. The consolidated financial report for the year to 31 December 2021 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 precious metals.

**NOTE 2 – BASIS OF PREPARATION**

**Statement of compliance**

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

The financial report was authorised for issue by the Directors on 30 March 2022.

**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**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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 2021 the Group has incurred a loss of \$969,857 and has accumulated losses of \$4,504,846 as at 31 December 2021. The Group used \$945,027 of cash in operations, in addition to \$1,499,335 of cash for exploration and evaluation expenditure for the year ended 31 December 2021, and had cash on hand of \$2,036,694 at 31 December 2021.

The Directors have prepared cash flow projections for the period from 1 January 2022 to 31 March 2023 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. If such funding is not secured, the Group plans to reduce expenditure to the level of funding available.

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/or the Group reducing expenditure in-line with available funding.

In the event that the Group does not obtain additional funding and/or reduce expenditure in line with available funding, the achievement of which is significantly uncertain until secured or realised, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations at the amounts stated in the consolidated financial report.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

***Subsidiaries***

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

***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.

**PROSPECH LIMITED**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)**

***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**

***Non-derivative financial assets***

***Recognition and initial measurement***

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

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

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

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.

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

**Financial instruments (Cont’d)**

*Non-derivative financial assets (Cont’d)*

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.

<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Equity instruments at fair value through other comprehensive income</b>	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.

**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.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**Impairment (con't)**

***Financial assets (con't)***

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.

**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.

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

**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.

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.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**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.

**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.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**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.

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.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**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 2020 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 2021 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.

2021	2020
\$	\$

**NOTE 4 – FINANCIAL INCOME/(EXPENSE)**

Interest income	7	25
Foreign exchange gain	<u>3,052</u>	-
	<u>3,059</u>	<u>25</u>

**NOTE 5 – TRADE AND OTHER RECEIVABLES**

GST/VAT receivable	<u>31,704</u>	<u>57,961</u>
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**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	\$	\$
<b>NOTE 6 – INCOME TAX EXPENSE</b>		
<b>Current tax expense</b>		
Current period	(139,599)	(100,834)
Non-recognition of losses	139,599	100,834
Total income tax expense in income statement	-	-
Loss before tax – continuing operations	(903,939)	(1,398,053)
Prima facie income tax expense at the Australian tax rate of 30% (2020 – 30%)	(271,182)	(419,416)
Impact of tax in foreign jurisdiction	10,599	10,014
Increase in income tax expense due to:		
- Non-deductible expenses	221,467	372,943
- Effect of deferred tax assets for tax losses not brought to account	39,116	36,459
Income tax expense – current and deferred	-	-
<b>Deferred tax asset /(liability)</b>		
Deferred tax assets brought to account	50,917	51,616
Deferred tax liability brought to account	(50,917)	(51,616)
Total deferred tax asset/(liability) brought to account	-	-
<b>Unrecognised deferred tax assets</b>		
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	170,602	227,469
Deferred tax asset for tax losses not brought to account	406,775	220,537
Total deferred tax asset not brought to account	577,377	448,006

At 31 December 2021, the Group has an unrecognised deferred tax asset for tax losses not brought to account of \$172,554 (2020 - \$84,633) 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.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	2021	2020
	\$	\$
<b>NOTE 7 – LOSS PER SHARE</b>		
<b>Basic and diluted loss per share have been calculated using:</b>		
Net loss for the year	<u>(903,939)</u>	<u>(1,398,053)</u>
	<b>N° of shares</b>	<b>N° of shares</b>
<b>Weighted average number of ordinary shares – post 10 for 16 share consolidation</b>		
- Issued ordinary shares at the beginning of the year	<b>88,298,593</b>	55,415,061
- Effect of shares issued in July 2020	-	2,016,267
- Effect of shares issued in September 2020	-	1,059,498
- Effect of shares issued in December 2020	-	2,054,794
Weighted average number of shares at the end of the year	<u><b>88,298,593</b></u>	<u>60,545,620</u>

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

**NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE**

Reconciliation of the carrying amount is set out below:

Opening balance	<b>5,960,567</b>	5,180,565
Additions, including impact of FX movements	<b>1,424,527</b>	780,002
Closing balance	<u><b>7,385,094</b></u>	<u>5,960,567</u>
Hodrusa	<b>5,078,652</b>	4,308,569
Nova Bana	<b>905,876</b>	602,240
Rudno	<b>369,947</b>	362,712
Jasenie	<b>520,345</b>	466,901
Pukanec	<b>130,723</b>	118,406
Cejkov Zemplin	<b>379,551</b>	101,739
	<u><b>7,385,094</b></u>	<u>5,960,567</u>

	2021	2020
	\$	\$
<b>Hodrusa</b>		
Carrying amount at beginning of year	<b>4,308,569</b>	3,748,306
Additions	<b>797,974</b>	570,301
FCTR	<b>(27,891)</b>	(10,038)
Net book value	<u><b>5,078,652</b></u>	<u>4,308,569</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	2021	2020
	\$	\$
<b>NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE (Con't)</b>		
<b>Nova Bana</b>		
Carrying amount at beginning of year	602,240	564,399
Additions	311,010	41,040
FCTR	(7,374)	(3,199)
Net book value	905,876	602,240
<b>Rudno</b>		
Carrying amount at beginning of year	362,712	362,371
Additions	11,696	2,380
FCTR	(4,461)	(2,039)
Net book value	369,947	362,712
<b>Jasenie</b>		
Carrying amount at beginning of year	466,901	391,855
Additions	57,224	76,756
FCTR	(3,780)	(1,710)
Net book value	520,345	466,901
<b>Pukanec</b>		
Carrying amount at beginning of year	118,406	49,262
Additions	13,667	69,386
FCTR	(1,350)	(242)
Net book value	130,723	118,406
<b>Cejkov Zemplin</b>		
Carrying amount at beginning of year	101,739	64,373
Additions	279,139	37,742
FCTR	(1,327)	(376)
Net book value	379,551	101,739
Total exploration and evaluation expenditure	7,385,094	5,960,567

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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**NOTES TO THE FINANCIAL STATEMENTS**  
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	2021	2020
	\$	\$
<b>NOTE 9 – PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Motor vehicles</b>		
Motor vehicles – cost	105,621	72,165
Accumulated depreciation	(73,113)	(62,000)
Net book value	32,508	10,165
<b>Office equipment</b>		
Office equipment assets – cost	5,705	2,182
Accumulated depreciation	(2,776)	(364)
Net book value	2,929	1,818
Total property, plant and equipment	35,437	11,983

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

<b>Motor vehicles</b>		
Carrying amount at beginning of period	10,165	23,124
Additions	33,903	-
Depreciation	(11,113)	(12,512)
Exchange movements	(447)	(447)
Net book value	32,508	10,165
<b>Office equipment</b>		
Carrying amount at beginning of period	1,818	-
Additions	3,523	2,182
Depreciation	(2,412)	(364)
Net book value	2,929	1,818

**NOTE 10 – TRADE AND OTHER PAYABLES**

Creditors	53,846	116,890
Accruals	30,000	20,000
	83,846	136,890

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 11 – CAPITAL AND RESERVES**

	2021		2020	
	Number of shares	\$	Number of shares	\$
Opening balance – fully paid	88,298,593	12,081,396	88,664,098	6,767,823
Issue of shares – pre 10 for 16 share consolidation	-	-	7,500,000	750,000
10 for 16 share consolidation	-	-	(36,061,510)	-
Issue of shares - post 10 for 16 share consolidation	-	-	28,196,005	5,511,361
Costs of share issuance	-	-	-	(947,788)
Ordinary shares on issue at 31 December – fully paid	<u>88,298,593</u>	<u>12,081,396</u>	<u>88,298,593</u>	<u>12,081,396</u>

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

During the year ended 31 December 2020:

- The Company issued 7,500,000 shares, pre the 10 for 16 share consolidation, for cash totalling \$750,000. There were no amounts unpaid on the shares issued. There were no share issue costs.
- At an Extraordinary Shareholders Meeting held in August 2020 shareholders unanimously approved a 10 for 16 share consolidation, resulting in a reduction of 36,061,510 in the number of fully paid ordinary shares on issue.
- The Company issued 2,883,505 shares, post the 10 for 16 share consolidation, to settle amounts owed to creditors including related parties totalling \$461,361.
- The Company issued 312,500 shares, post the 10 for 16 share consolidation, to Peloton Capital Pty Ltd ('Peloton'), for services related to the pre-IPO capital raising in August 2020.
- In December 2020 in the Company's Initial Public Offering, post the 10 for 16 share consolidation, the Company issued 25,000,000 shares, at \$0.20 each for cash totalling \$5,000,000. There were no amounts unpaid on the shares issued. Share issue costs totalled \$947,788, which included non-cash of \$533,301 relating to the issue of options to a nominee of Peloton, lead manager of the Company's IPO.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 11 – CAPITAL AND RESERVES (Con’t)**

**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 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
				955,976	12,031,250	12,031,250

There were no options issued or exercised during the year ended 31 December 2021.

The terms and conditions of the options held by key management personnel and Prospech staff at 31 December 2020 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
				955,976	12,031,250	12,031,250

The Directors have valued the Options at \$0.079 per option. The Black-Scholes formula model inputs were a Company share price of \$0.16 at the grant date, a volatility factor of 100% based on historical market data on similar natured entities, a risk-free interest rate of 0.27% based on government bonds, and a dividend yield of 0%.

At the same time as issuing the 12,031,250 Options under the Plan, the Company cancelled 12,500,000 existing options issued under the Plan previously. The Options cancelled had a strike price of \$0.40 and an expiry date of 31 December 2020.

All existing options with expiry dates of 31 December 2020 were cancelled on 30 September 2020 and replacement options as detailed above were issued.

The cancellation and issue of new options on 30 September 2020 has been accounted for as a beneficial modification. These options are fair valued at the date of modification for both the original share based payment (\$160,000) and the modified arrangement (\$955,976), with the incremental beneficial value to the employee recognised over the modified vesting period.

In addition, options issued during the year ended 31 December 2020, to a nominee of the Lead Manager of the Company’s IPO Peloton, are 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 November 2020	30 November 2023	30 November 2020	0.30	\$533,301	5,000,000	5,000,000
				\$533,301	5,000,000	5,000,000

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 11 – CAPITAL AND RESERVES (Con't)**

**Issue of Options (Con't)**

The Directors have valued the Options at \$0.107 per option. The Black-Scholes formula model inputs were a Company share price of \$0.20 at the grant date, a volatility factor of 100% based on historical market data on similar natured entities, a risk-free interest rate of 0.11% based on government bonds, and a dividend yield of 0%.

	2021		2020	
	Number of options	Weighted average	Number of options	\$
Outstanding at 1 January	17,031,250	\$0.30	12,500,000*	\$0.40*
Cancelled during the year	-	-	(12,500,000)	\$0.40
Granted during the year	-	-	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

\* Numbers adjusted for the 10 for 16 consolidation of capital in August 2020.

**Dividends**

There were no dividends paid or declared during the year ended 31 December 2021 or 31 December 2020.

**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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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 11 – CAPITAL AND RESERVES (Con't)**

	2021	2020
	\$	\$
Acquisition reserve	375,578	375,578
Foreign currency translation reserve	(7,952)	57,966
Option premium reserve	<u>1,499,261</u>	<u>1,499,261</u>
	<u><b>1,866,887</b></u>	<u><b>1,932,805</b></u>
 <i>Movements during the period</i>		
<i>Acquisition reserve</i>		
Balance at the beginning of the period	<u>375,578</u>	<u>375,578</u>
Balance at the end of the period	<u><b>375,578</b></u>	<u><b>375,578</b></u>
 <i>Foreign currency translation reserve</i>		
Balance at the beginning of the period	57,966	97,697
Currency translation difference	<u>(65,918)</u>	<u>(39,731)</u>
Balance at the end of the period	<u><b>(7,952)</b></u>	<u><b>57,966</b></u>
 <i>Option premium reserve</i>		
Balance at the beginning of the period	1,499,261	403,790
Modification of options	-	(198,806)
Issue of options	-	<u>1,294,277</u>
Balance at the end of the period	<u><b>1,499,261</b></u>	<u><b>1,499,261</b></u>

**NOTE 12 – CONTROLLED ENTITIES**

Particulars in relation to controlled entities:

	<b>Ordinary shares – Group interest</b>	
	<b>2021</b>	<b>2020</b>
	%	%
<i>Parent Entity</i>		
Prospech Limited		
<i>Controlled entities</i>		
Prospech Slovakia s.r.o.	<b>100</b>	100
Slovenske Kovy s.r.o.	<b>100</b>	100

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

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 13 – RELATED PARTIES**

During the year ended 31 December 2021, 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 2021 amounted to \$120,000 (2020 - \$65,000), a fee of \$10,000 per month. At 31 December 2021 \$nil (2020 - \$5,000) remained outstanding.

	<b>2021</b>	<b>2020</b>
	\$	\$

**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	<b>2,036,694</b>	4,514,982
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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	<b>(903,939)</b>	(1,398,053)
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**Non-cash items**

Depreciation	13,591	13,365
Share based payment expense	-	760,976
Foreign exchange gain	<b>(3,052)</b>	-

**Changes in assets and liabilities**

(Increase)/decrease in trade and other receivables	<b>26,060</b>	(47,673)
Increase in prepayments	<b>(33,663)</b>	(2,761)
Decrease in trade and other payables	<b>(44,024)</b>	(126,819)

<b>Net cash used in operating activities</b>	<b>(945,027)</b>	<b>(800,965)</b>
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**PROSPECH LIMITED**  
**and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 (2020 - \$229,000) for his services during the year ended 31 December 2021. Outstanding amounts at 31 December 2021 were \$nil (2020 - \$nil).

Thomas Mann, a Director, was compensated \$80,000 (2020 - \$43,333) for his services during the year ended 31 December 2021. Outstanding amounts at 31 December 2021 were \$nil (2020 - \$6,667).

Stephen Gemell was appointed as a Director on 4 March 2021 and compensated \$32,903 (2020 - \$nil) for his services during the year ended 31 December 2021. Outstanding amounts at 31 December 2021 were \$3,333 (2020 - \$nil).

John Levings, a Director, was compensated \$120,000 (2020 - \$37,500) for his services during the year ended 31 December 2021. Outstanding amounts at 31 December 2021 were \$10,000 (2020 - \$10,000).

Peter Nightingale, a Director, was compensated \$120,000 (2020 - \$65,000) for his services during the year ended 31 December 2021. Outstanding amounts at 31 December 2021 were \$nil (2020 - \$10,000).

No other key management personnel were remunerated for their services during the year ended 31 December 2021. There are no service contracts with key management personnel, and no bonuses or other performance related compensation paid.

**Movement in shares**

<b>Key management personnel</b>	<b>Held at 1 January 2021</b>	<b>Held at 31 December 2021</b>
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

<b>Key management personnel</b>	<b>Held at 1 January 2020</b>	<b>Adjustment in 10 for 16 consolidation</b>	<b>Purchased</b>	<b>Held at 31 December 2020</b>
Thomas J. Mann	6,300,000	(2,362,500)	481,249	4,418,749
Jason M. Beckton	5,256,252	(1,971,093)	625,000	3,910,159
Stephen G. Gemell	-	-	-	-
John A. Levings	312,500	(117,187)	312,500	507,813
Peter J. Nightingale	10,660,004	(3,997,500)	1,030,294	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.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)**

**Movement in options**

<b>Key management personnel</b>	<b>Held at 1 January 2021</b>	<b>Held at 31 December 2021</b>		
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		

<b>Key management personnel</b>	<b>Held at 1 January 2020</b>	<b>Cancelled</b>	<b>Granted</b>	<b>Held at 31 December 2020</b>
Thomas J. Mann	4,000,000	(4,000,000)	2,500,000	2,500,000
Jason M. Beckton	5,000,000	(5,000,000)	3,125,000	3,125,000
Stephen G. Gemell	-	-	-	-
John A. Levings	2,000,000	(2,000,000)	1,250,000	1,250,000
Peter J. Nightingale	5,000,000	(5,000,000)	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.



**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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

	<b>2021</b>	<b>2020</b>
	\$	\$
Cash and cash equivalents	<b>2,036,694</b>	4,514,982
Trade and other receivables	<b>31,704</b>	57,961
	<b>2,068,398</b>	4,572,943

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

	<b>2021</b>	<b>2020</b>
	\$	\$
Australia	<b>1,976,340</b>	4,524,660
Slovakia	<b>92,058</b>	48,283
	<b>2,068,398</b>	4,572,943

At 31 December 2021, the Group held cash and cash equivalents of \$2,036,694 (2020 - \$4,514,982), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's. Credit risk of trade and other receivables is very low as it consists primarily amounts recoverable from the Australian Taxation Authority and Slovakian taxation authorities.

***Impairment losses***

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

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

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 \$
<b>31 December 2021</b>					
Trade and other payables	83,846	83,846	83,846	-	-
	<u>83,846</u>	<u>83,846</u>	<u>83,846</u>	<u>-</u>	<u>-</u>
<b>31 December 2020</b>					
Trade and other payables	136,890	136,890	136,890	-	-
	<u>136,890</u>	<u>136,890</u>	<u>136,890</u>	<u>-</u>	<u>-</u>

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 2021		31 December 2020	
	Foreign currency	\$	Foreign currency	\$
<b>Euros</b>				
Cash at bank	€698,145	1,092,875	€26,308	41,748

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
EUR to AUD	1.5743	1.6549	1.5654	1.5869

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

For the year ended 31 December 2021, 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**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)**

**Currency risk (Con't)**

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2021 \$	Post tax loss (Higher)/Lower 2020 \$	Total equity (Higher)/Lower 2021 \$	Total equity (Higher)/Lower 2020 \$
+ 10% higher AUD to EUR exchange rate	(107,303)	858	(107,303)	858
- 5% lower AUD to EUR exchange rate	53,652	(429)	53,652	(429)

**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:

	2021 \$	2020 \$
<b>Financial Assets</b>		
Cash and cash equivalents	<u>2,036,694</u>	<u>4,514,982</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 2021, approximate their fair values, given the short time frames to maturity and or variable interest rates.

**PROSPECH LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 2021, the Group had one segment, being mineral exploration in Slovakia. The Group has one reportable geographical segment as follows:

	Slovakia	Unallocated	Total
	\$	\$	\$
<b>31 December 2021</b>			
External revenues	-	-	-
Reportable segment loss before tax	<u>117,772</u>	<u>786,167</u>	<u>903,939</u>
Interest income	-	7	7
Reportable segment assets	<u>7,515,672</u>	<u>2,011,611</u>	<u>9,527,283</u>
Reportable segment non-current assets	<u>7,417,603</u>	<u>2,929</u>	<u>7,420,532</u>
Reportable segment liabilities	<u>39,006</u>	<u>44,840</u>	<u>83,846</u>
<b>31 December 2020</b>			
External revenues	8,994	-	8,994
Reportable segment loss before tax	<u>111,264</u>	<u>1,286,789</u>	<u>1,398,053</u>
Interest income	-	25	25
Reportable segment assets	<u>6,023,706</u>	<u>4,526,478</u>	<u>10,550,184</u>
Reportable segment non-current assets	<u>5,972,550</u>	-	<u>5,972,550</u>
Reportable segment liabilities	<u>61,557</u>	<u>75,333</u>	<u>136,890</u>

**PROSPECH LIMITED**  
and its controlled entities

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 19 – PARENT ENTITY DISCLOSURES**

As at, and throughout the year ended 31 December 2021 the parent entity of the Group was Prospech Limited.

	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Result of the parent entity</b>		
Net loss	<u>851,307</u>	1,340,156
Total comprehensive loss	<u>851,307</u>	1,340,156
<b>Financial position of the parent entity at period end</b>		
Current assets	2,008,682	4,524,660
Non-current assets	<u>4,188,107</u>	2,553,930
Total assets	<u>6,196,789</u>	7,078,590
Current liabilities	<u>44,840</u>	75,334
Total liabilities	<u>44,840</u>	75,334
<b>Net Assets</b>	<u>6,151,949</u>	7,003,256
<b>Equity</b>		
Share capital	12,081,396	12,081,396
Reserves	1,499,261	1,499,261
Accumulated losses	<u>(7,428,708)</u>	(6,577,401)
<b>Total Equity</b>	<u>6,151,949</u>	7,003,256

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:

	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Statutory Audit</b>		
<i>Auditors of the Company</i>		
Audit of financial reports - KPMG	<u>79,250</u>	54,000
	<u>79,250</u>	54,000

**NOTE 21 – COMMITMENTS AND CONTINGENCIES**

At 31 December 2021 the Group does not have any commitments or contingencies.

**PROSPECH LIMITED**  
**and its controlled entities**

**DIRECTORS' DECLARATION**

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

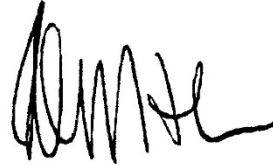
1. (a) the financial statements and notes set out on pages 23 to 51 and the Remuneration Report on pages 16 to 20, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 30th day of March 2022

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 2021 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 2021
- 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 on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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 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 - \$7,385,094

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&amp;E) is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of E&amp;E activities to the Group’s business, with the balance of capitalised E&amp;E expenditure being 78% of total assets; and</li> <li>• 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&amp;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.</li> </ul> <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> <li>• The determination of the areas of interest (areas);</li> <li>• 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&amp;E activities; and</li> <li>• The Group’s determination of whether the E&amp;E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> <p>In assessing the presence of impairment indicators, we focussed on those that may draw into question the commercial continuation of E&amp;E activities for each area of interest where significant capitalised E&amp;E exists. We paid particular attention to:</p> <ul style="list-style-type: none"> <li>• The strategic direction of the Group and their intent to continue exploration activities in each area of interest;</li> <li>• The ability of the Group to fund the</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the requirements of AASB 6;</li> <li>• 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;</li> <li>• Assessing the Group’s current rights to tenure for each area of interest by corroborating the ownership of the relevant licence to government registers or other underlying documentation such as agreements in place with third parties. We also tested for compliance with licence conditions, such as minimum expenditure requirements on a sample of licenses;</li> <li>• We tested the Group’s additions to E&amp;E for the year by evaluating a statistical sample of recorded expenditure for consistency to invoices from third parties or other underlying documentation;</li> <li>• 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;</li> <li>• Testing the completeness of exploration and evaluation expenditure recorded in the twelve-month period by checking payments recorded since 31 December 2021 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;</li> <li>• We analysed the Group’s determination of 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</li> </ul>
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<p>continuation of activities in each area of interest; and</p> <ul style="list-style-type: none"> <li>Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest.</li> </ul>	<p>budgets for each area of interest;</p> <ul style="list-style-type: none"> <li>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;</li> <li>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&amp;E and the requirements of the accounting standard; and</li> <li>We obtained project and corporate budgets identifying areas with existing funding. We compared this for consistency with areas with E&amp;E, for evidence of the ability to fund continued activities.</li> </ul>
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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](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 2021, 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 16 to 21 of the Directors' report for the year ended 31 December 2021.

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  
30 March 2022

**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 28 February 2022.

**Distribution of Equity Securities**

ORDINARY SHARES		
Range	Number of Holders	Number of Shares
1 to 1,000	8	2,078
1,001 to 5,000	29	114,094
5,001 to 10,000	63	581,111
10,001 to 100,000	190	8,735,853
Above 100,001	124	78,865,457
	<b>414</b>	<b>88,298,593</b>

The number of shareholders holding less than a marketable parcel is 101.

**Twenty Largest Shareholders**

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

N°	ORDINARY SHARES SHAREHOLDER	Number of Shares	Total %
1	Robust Resources Pty Ltd	8,906,250	10.09
2	Rosignol Pty Ltd <Rosignol Super Fund A/C>	5,625,000	6.37
3	1147 Pty Ltd <TJ & CJ Mann S/F Penn A/C>	4,418,749	5.00
4	Jason Michael Beckton + Denise Lea Gledhill <Beckton Gledhill Family A/C>	3,750,002	4.25
5	James Norman Cran	3,125,002	3.54
6	Wapimala Pty Limited <Lonergan Super Fund A/C>	2,937,500	3.33
7	Mrs Susan Holt	2,600,000	2.94
8	Lonway Pty Limited	2,511,093	2.84
9	Lonergan Foundation Pty Ltd <Lonergan Foundation A/C>	2,500,000	2.83
10	Lonergan Foundation Pty Limited <Lonergan Foundation A/C>	1,625,000	1.84
11	Wapimala Pty Limited <Lonergan Super Fund A/C>	1,546,145	1.75
12	Jeff Towler Building Pty Ltd	1,500,000	1.70
13	Rosignol Consultants Pty Ltd	1,381,250	1.56
14	Lorraine Alyssa Goldsmith	1,250,002	1.42
15	D&J Redelman Pty Ltd <David&Judi Redelman Sup A/C>	1,250,000	1.42
16	Timo Jaakko Kamarainen	1,199,219	1.36
17	Mr Juha Saarela	1,193,442	1.35
18	CRX Investments Pty Limited	1,125,000	1.27
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
<b>Total in Top 20</b>		<b>50,381,800</b>	<b>57.06</b>

**PROSPECH LIMITED**  
**and its controlled entities**

**ADDITIONAL ASX INFORMATION**

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**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
Robust Resources Pty Ltd	8,906,250	10.0
Peter James Nightingale	7,692,798	8.7
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**

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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**

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**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](mailto:info@prospech.com.au)  
Website : [www.prospech.com.au](http://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