

PROSPECH LIMITED
and its controlled entities

A.B.N. 24 602 043 265

FINANCIAL REPORT

FOR THE YEAR
ENDED 31 DECEMBER 2023

PROSPECH LIMITED
and its controlled entities

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**PROSPECH LIMITED
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CHAIRMAN'S LETTER



Dear Fellow Shareholders,

Your directors are pleased to present their report for the year ended 31 December 2023 during which time Prospech has enjoyed some very significant achievements, details of which have been announced during the year and are summarised in the following pages.

Exacerbated by global tensions, demand in the European Union for locally supplied critical minerals has become a focus with government interventions such as the European Critical Raw Material Act which is designed to create a European network of raw materials agencies and to take steps to meet as much of European demand for critical minerals from local sources as possible.

As stated by the European Commission President Ursula von der Leyen when introducing the European Critical Raw Material Act:

“Lithium and rare earths are already replacing gas and oil at the heart of our economy.

By 2030 our demand for rare earth metals will increase fivefold. We have to avoid falling into the same dependency [on Russia] as with oil and gas.

We will identify strategic projects all along the supply chain, from extraction to refining, from processing to recycling and we will build up strategic reserves where supply is at risk.”

Within this circumstance, we are delighted to have, firstly, secured the exclusive right to earn-in to acquire a company, Bambra Oy, the holder of a number of highly prospective critical minerals projects in Finland. Secondly, with the objective of satisfying the earn-in expenditure obligations, Prospech successfully completed the acquisition of Bambra Oy during the year, thereby securing the ownership of 100% of the Finland projects.

Our exploration activities include the review and digitisation of a substantial historic geologic database, geologic logging, sampling and assaying of preserved drill core from nearly 500 historic diamond drill holes at the Korsnäs project which was focused on mining for lead and, to our benefit, overlooked the included suite of rare earth elements (**REEs**).

Our exploration expenditure has resulted in the return of spectacular REE assay results and the Korsnäs project now represents a major REE discovery in Europe.

Whilst our efforts and expenditures have been principally directed to earning and advancing our Finland projects, our portfolio of under-explored projects in Slovakia has not been overlooked or forgotten and have all been maintained in good standing for future exploration activities.

Finally, I thank our staff, particularly our geologists who have enjoyed some frosty northern European days and nights to deliver our Company to its present position. We are all excited about the future.

Yours sincerely

A handwritten signature in blue ink that reads "Thomas Mann". The signature is written in a cursive, flowing style.

Thomas Mann
Chairman

PROSPECH LIMITED and its controlled entities

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 2023 and the auditor's report thereon:

Principal Activities and Review of Operations

Introduction

The Company has assembled a portfolio of highly prospective critical minerals and precious metals projects in Northern and Eastern European jurisdictions that are highly supportive of mining.

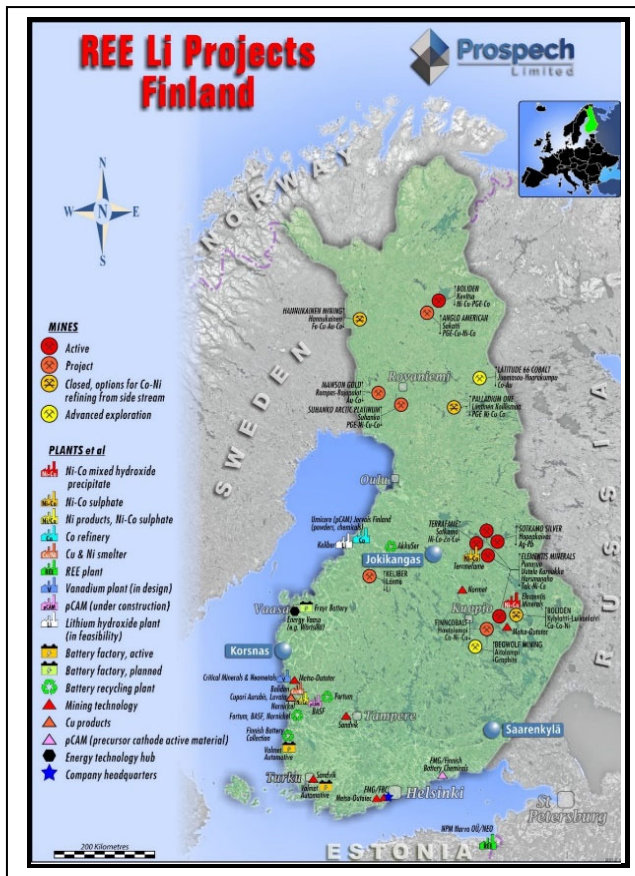
Through its wholly owned subsidiaries Bambra Oy (**Bambra**), Slovenske Kovy s.r.o. (**SLOK**) and Prospech Slovakia s.r.o. (**Prospech SK**), the Company owns 100% of the following exploration projects in Finland and Slovakia:

Finland Projects

- Korsnäs (35.3 km²) – rare earth elements (**REEs**).
- Jokikangas (70.6 km²) – REE and vanadium.
- Saarenkylä (31.3 km²) – lithium and beryllium

Slovakia Projects

- Kolba (4.2 km²) – copper-cobalt-nickel.
- Hodrusa-Hamre (77.6 km²) – gold and silver.
- Cejkov-Zemplin (29.2 km²) – silver-lead-zinc.
- Jasenie (29.4 km²) – gold, tungsten and antimony.
- Nova Bana (20.1 km²) and Pukanec (10.7 km²) – gold and silver.



Location maps of the Company's projects in Finland and Slovakia.

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REVIEW OF OPERATIONS

Finland is recognised as a favourable location for mining activities within the European Union (EU). It was ranked ninth globally in the 2021 Fraser Institute Annual Survey of Mining Companies, particularly in terms of the Policy Perception Index. Additionally, it secured the 13th position in the Investment Attractiveness Index, surpassing other regions such as Queensland, New South Wales, and Victoria.

Prospech's geologic team has prior experience operating in Finland and the strategic, staged acquisition of Bambra has engaged a dedicated local permitting and administration team with extensive knowledge and experience in the country.

In Slovakia, the Company's projects are located approximately 180 kilometres east of the capital, Bratislava. Adjacent to Austria, Slovakia is a member country of the EU and the Eurozone and, with modern western-style legislation, rule of law under an independent legal system, low wages, low tax rates and a well-educated labour force, is an attractive jurisdiction for foreign investment.

Demand in the EU for locally supplied critical minerals is supported with government interventions such as the European Critical Raw Material Act which is designed to create a European network of raw materials agencies and to take steps to meet as much of European demand for critical minerals from local sources as possible.

Significant Achievements Summary

Since the end of the previous financial year, the Company has successfully completed a number of significant corporate and operational achievements to position the Company to take advantage of the EU's stated move towards self-determination for the supply of critical minerals which include REEs, lithium, beryllium, cobalt, vanadium, tungsten and antimony.

Corporate

- Negotiated an earn-in agreement to acquire Bambra, the holder of 100% of the Finland projects.
- Completed the earn-in conditions to acquire 100% of Bambra.
- Completed an entitlement offer and a placement to raise \$2.6 million to advance exploration of the Company's exploration projects in Finland and Slovakia.
- Completed an SPP and a placement to raise \$1.4 million to advance exploration of the Company's exploration projects in Finland and Slovakia.

Details of these Corporate activities are disclosed in the Financial Statements as part of this Annual Report.

Finland Projects

- Extensive Korsnäs historic dataset digitised, logged and sampled.
- Drill core from 471 drill holes preserved by the Geologic Survey of Finland (GTK) available for sampling and assaying.
- Assay results report spectacular, thick high-grade REE results from Korsnäs sampling.
- Korsnäs tailings storage facility drilled.
- Based on spectacular assay results and with Municipality support, Korsnäs project expanded by Reservation Notifications.
- High-grade REE and hafnium mineralisation identified at Jokikangas.
- Jokikangas project expanded by Reservation Notifications.

Slovakia Projects

- High grade copper-cobalt-nickel assay results from Kolba.
- Ongoing regional exploration activities in an extensive portfolio of underexplored exploration licences.

REVIEW OF OPERATIONS

Finland Projects

Korsnäs – REEs (100% Prospech)

Prospech has entered into an agreement with GTK enabling access to a comprehensive, archived dataset at Korsnäs including preserved drill core from 471 drill holes, drill logs, plans and sections of the old Korsnäs lead mine and surrounding areas. The Company is in the enviable position of being able to undertake an extensive REE sampling program of the historical Korsnäs core held by the GTK at their data storage facility without having to incur the cost of drilling.

The Korsnäs REE project surrounds a lead mine that operated from 1959 to 1972, extracting 0.87 million metric tons of ore with a reported average lead content of 3.6%. The mine also produced a concentrate containing lanthanides. Archived information indicates that between 1966 and 1972 the mine yielded 47,150 metric tons of lanthanide concentrate with an average lanthanum grade of 3.12%. The grades of other REEs were not recorded.

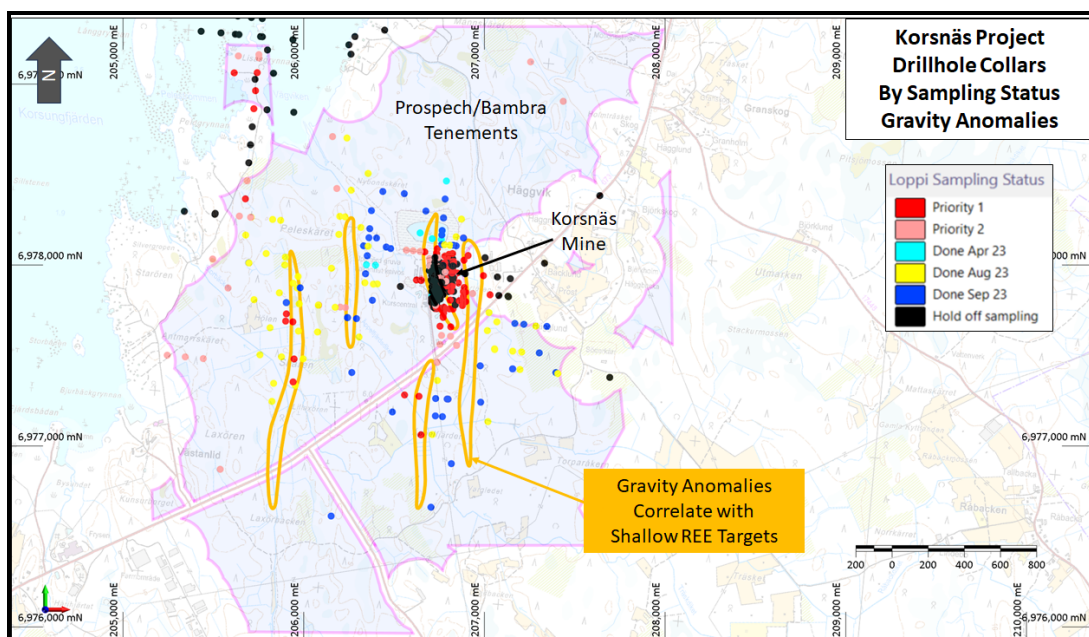
In addition to the REEs found within the mine, there are several other exploration targets that were drilled by Outokumpu from the 1950s to the 1970s. Although the Outokumpu exploration focus was on discovering lead mineralisation, some drilling identified zones of carbonatite that may contain REEs.

Importantly, historically, REEs were partially or completely overlooked in assays and in the database and drill core was not sampled if no visible ore grade lead was present in the drill core.

Prospech geologists have now, with a focus on REEs, digitised the archived dataset, completed geologic logging of the preserved drill core from 471 historic drill holes and taken more than 3,000 samples for assaying. Details of these geologic inspections and assay results which have been received have been reported in ASX announcements dated 11 May 2023, 14 June 2023, 5 September 2023, 24 October 2023, 21 November 2023, 12 December 2023, 16 January 2024, 5 February 2024 and 26 March 2024.

Key conclusions currently postulated by Prospech geologists are:

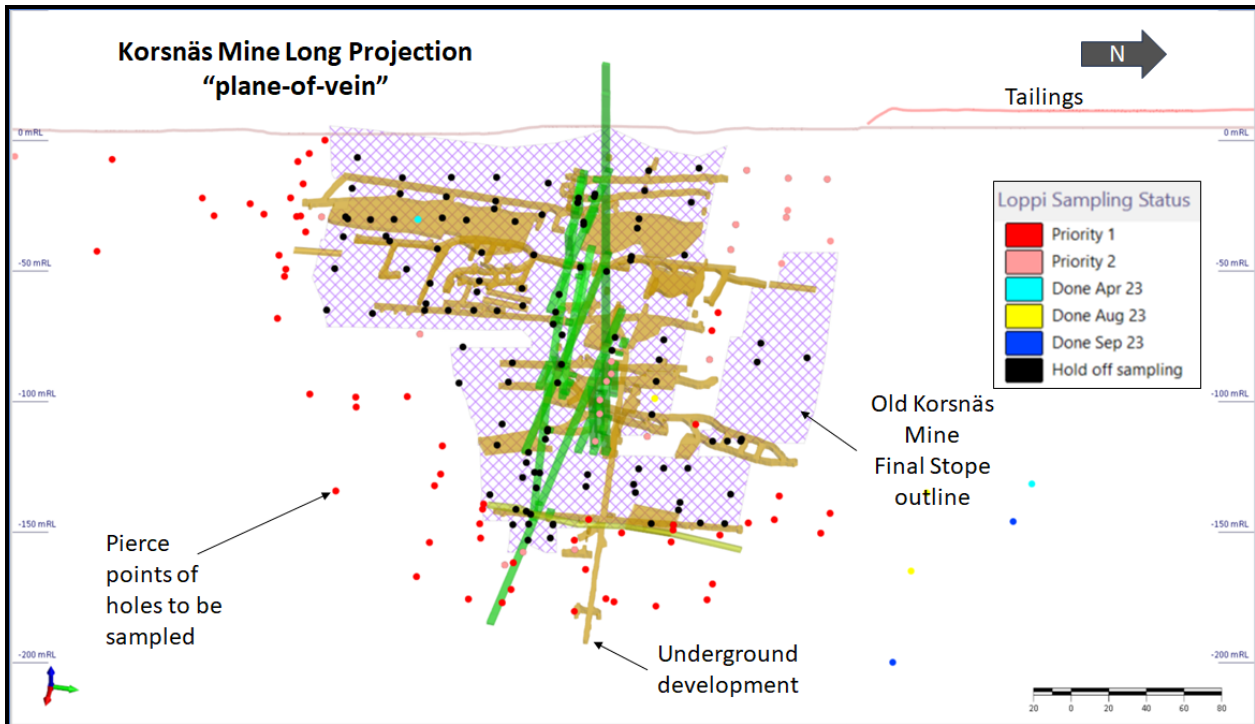
- It is evident that some of the shallow REE mineralisation is associated with linear gravity anomalies, possibly due to the softer and more easily eroded carbonate-hosted REE, which may have been influenced by glacial movements, creating troughs containing less dense, unconsolidated glacial till material.
- Within the Korsnäs project area, five such gravity anomalies have been identified, with a total strike length exceeding 5 kilometres.



The Korsnäs project displaying five negative gravity anomalies that correlate with shallow zones of REE mineralisation.

REVIEW OF OPERATIONS

- The REE potential of Korsnäs extends beyond the confines of the known gravity anomalies. It is not expected that deeper-seated mineralisation will give rise to gravity anomalies, however, it should also be noted that there is no assurance that the entire strike length of the gravimetric anomalies will report high-grade REE mineralisation.
- Particularly noteworthy are geological intersections observed in drilling distant from the mine and at the lower depths of the mine and beneath the old stopes, indicating a potential for substantial REE mineralisation along strike and at depth.



A long projection in the "plane of vein," showcasing the positions of the final mine stopes (mauve hatch), underground development (yellow and green solids) and pierce points of drill holes.

In addition to the geologic logging, sampling and assaying, to assist in future resource estimations and development planning, Prospech geologists have constructed a digital three-dimensional model portraying the historical Korsnäs Mine workings, including model of the final underground stopes as they existed when the mine ceased operations in 1972, confirming that historic mine workings account for only a minor portion of the overall REE resource potential and generated a 3D wireframe that illustrates the Korsnäs deposit before mining.

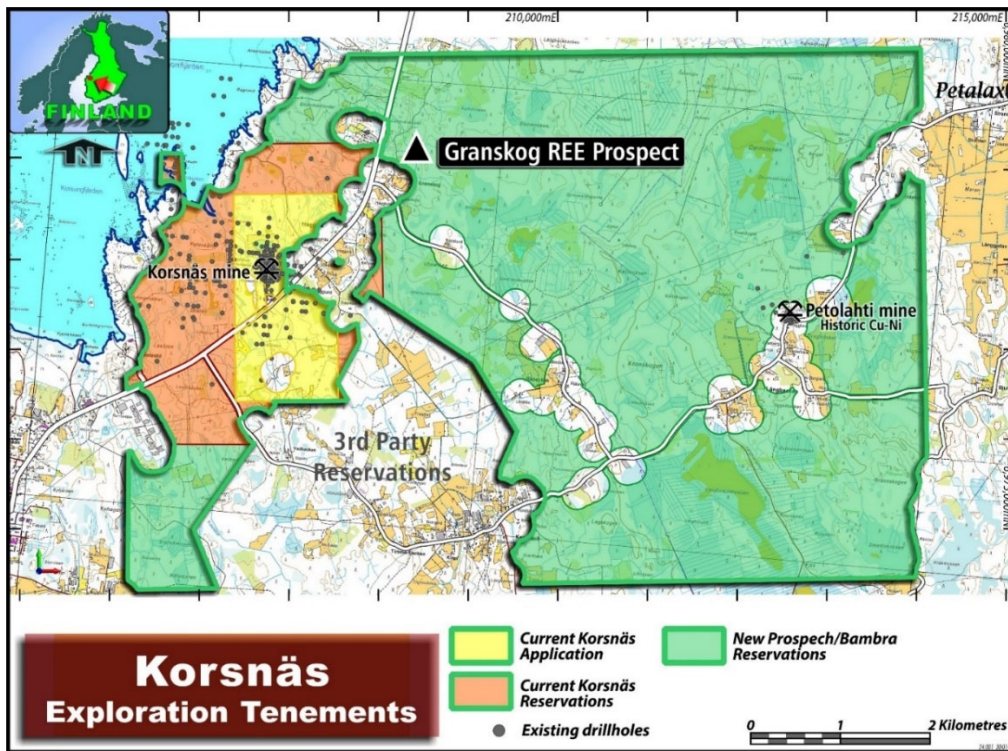
Subsequent to the end of the financial year, the Company has completed a 64-hole drilling program to assess the REE content of the historic tailings storage facility (TSF) at Korsnäs with additional samples collected for metallurgical test work.

The Korsnäs mine operated from 1958 to 1972, processing ore on-site and depositing tailings in a dedicated TSF located immediately north of the mine. In the initial stages of Korsnäs ore processing, the focus was on lead concentrate flotation and it wasn't until 1967 that REE concentrates were produced. According to GTK records, it is likely that the first 366,000 tonnes of ore were processed before the REE flotation circuit was established and based on an analysis of current LIDAR topographic data, the estimated overall volume of the TSF is 0.57 million cubic metres. The drilling results may confirm that the TSF represents an early cash flow generating opportunity for the Company.

Encouraged by the spectacular assay results and with Municipality support, the Company has expanded the Korsnäs project by filing the Hägg 3 and Petalax Reservation Notifications with the TUKES, the relevant Finnish Mining Authority.

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REVIEW OF OPERATIONS

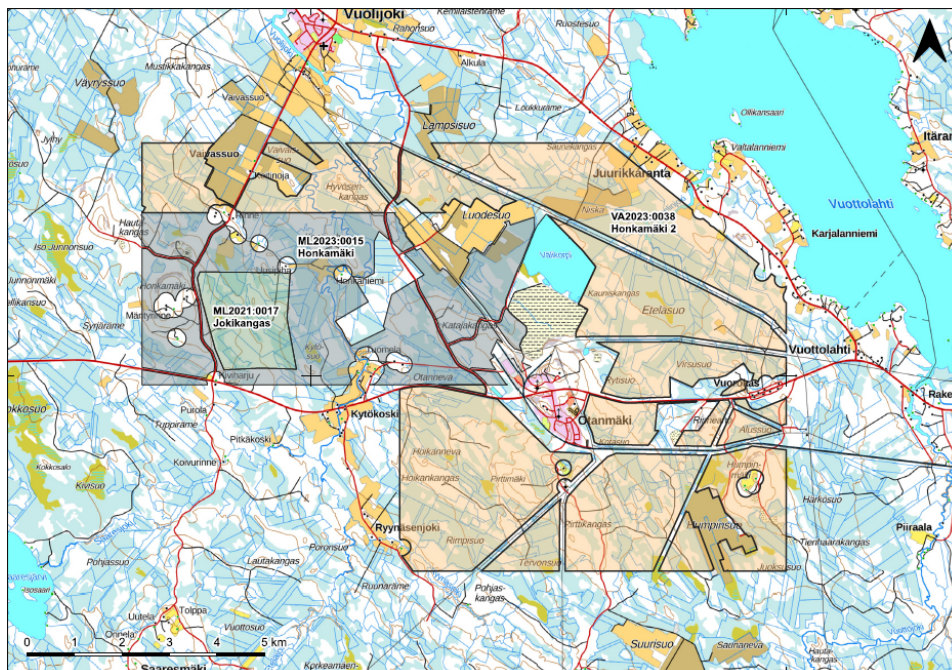


Expanded Korsnäs REE project tenements.

Exclusion areas (the ‘bubbles’) inside the Reservation Notifications are due to inhabited buildings and can be explored with consent by their owners in accordance with standard government mandated terms.

Jokikangas – REEs (100% Prospech)

Within the Jokikangas project area, elongated bodies containing up to 2% REEs have been identified and are characterised by sericitic alteration and a spatial association with pegmatites. The mineral assemblage includes fergusonite (Nb, Y, REO), allanite (LREE), and columbite-tantalite (Nb).



Jokikangas project tenements.

As reported during the year (ASX announcement 11 April 2023), a GTK database of mineralisation at the Jokikangas project and surrounding Olanmaki area reports REE oxide intercepts in diamond drill hole samples over a strike length of 4 kilometres. Results include:

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REVIEW OF OPERATIONS

- KA02: 0.20m @ 24,448 ppm TREO and 4,700 ppm Niobium from 74.2m
- KA03: 0.15m @ 15,346 ppm TREO and 2,980 ppm Niobium from 9.2m
- KA03: 0.17m @ 8,690 ppm TREO and 2,030 ppm Niobium from 57.3m
- JO11: 0.20m @ 2,106 ppm TREO from 54.1m
- JO12: 0.20m @ 1,704 ppm TREO from 26.9m
- JO12: 0.40m @ 4,509 ppm TREO from 42.2m
- JO13: 0.50m @ 7,556 ppm TREO and 940 ppm Hafnium from 22.6m
- JO13: 0.30m @ 10,445 ppm TREO and 1,160 ppm Hafnium from 32.8m
- KO06: 0.40m @ 2,865 ppm TREO and 510 ppm Hafnium from 85.6m

Drill core sampling was limited to narrow intervals for academic purposes, resulting in only narrow intersection intervals being reported.

Prospech's exploration tenure surrounds the Kontioaho and Katajakangas targets, which are currently held by Otanmaki (O5) Oy. The mineralisation in these targets is continuous but has been sparsely drilled. At Katajakangas, there is a central part with a high-grade zone that is approximately 12 metres thick, surrounded by a lower-grade zone at the margins.

During the year, encouraged by the Company's review of the historic geologic database, the Jokikangas project area was extended by the filing the Honkamaki 2 Reservation Notification with the TUKES, the relevant Finnish Mining Authority.

Saarenkylä – Lithium-Beryllium (100% Prospech)

The Saarenkylä Reservation Notification areas are located in a region where lithium pegmatites have been previously observed. These pegmatites contain lithium, caesium, tantalum, and sometimes beryllium, as indicated by surface exposures and a series of open pegmatitic outcrops.

The mineralisation in the area includes beryl, bismuthinite (Bi), scheelite (W), cassiterite (Sn) and native gold. To assess the continuity of these occurrences, field mapping and sampling are required at the location.

During the year, the Saarenkylä project area was extended by the filing the Saarenkylä 2 Reservation Notification with the TUKES, the relevant Finnish Mining Authority.

Slovakia Projects

Kolba – Copper-Cobalt-Nickel (100% Prospech)

The Kolba project is part of the Svatodusna - Podlipa geologic system with mineralisation consisting of the copper ore mineral tennantite and cobalt-nickel sulpho-arsenides, gersdorffite. Mineralised zones of copper-cobalt-nickel-silver sulphides in primary mineralisation are typically several hundred metres long and extend for at least 150 metres from the granite footwall and the host metamorphic sequence.

Mineralisation at the Kolba and Svatodusna prospects is primarily found within conformable bands in meta-pelites (or phylites). Additionally, quartz-siderite veins sometimes serve as hosts for the mineralisation. The main copper-bearing sulphide minerals identified in the samples are tennantite and chalcopyrite and gersdorffite has been recognised as the primary mineral containing nickel and cobalt.

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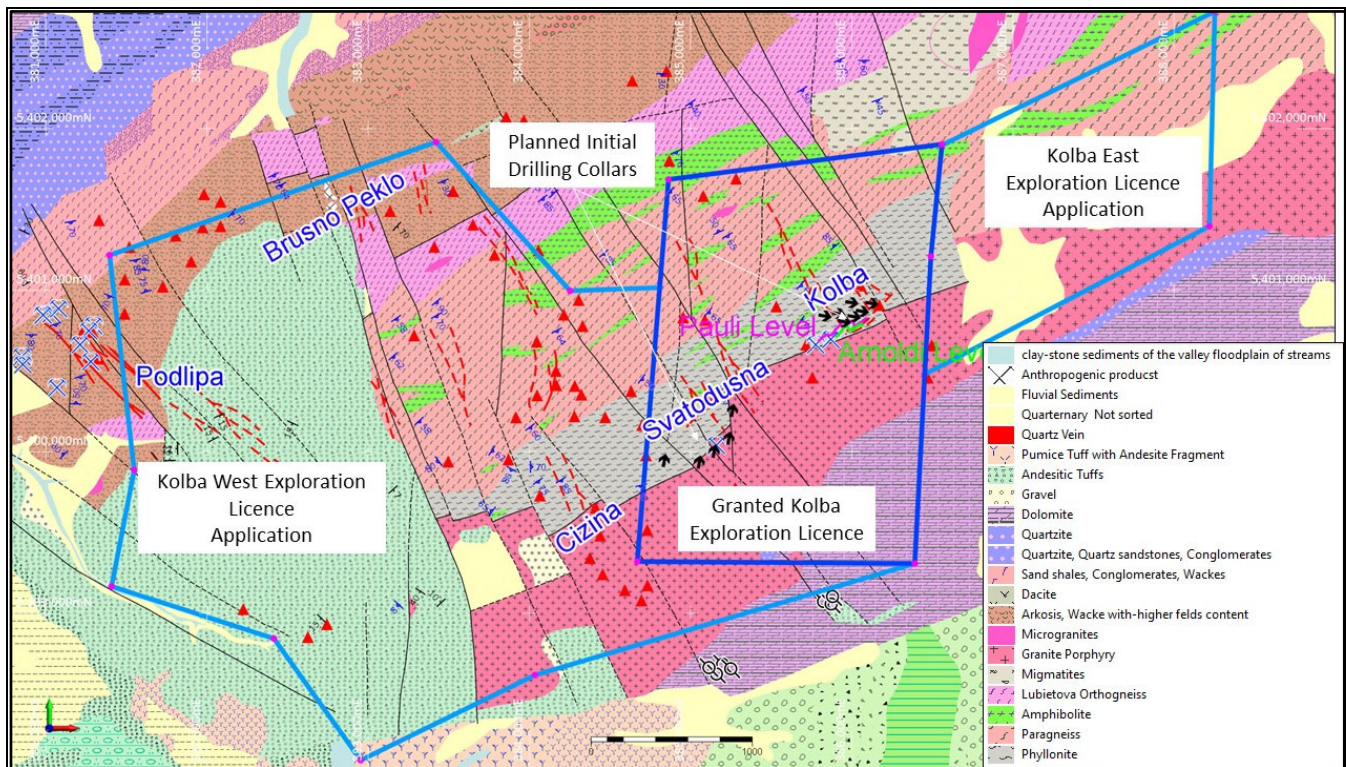
REVIEW OF OPERATIONS

As reported during the year (ASX announcement 10 August 2023), assay results from 39 samples from historical mullock heaps, confirm presence of high-grade copper, cobalt, nickel and silver at Kolba and nearby Svatodusna. Results include:

- 8.22% copper (average 2.02%)
- 4,650 ppm cobalt (average 734 ppm)
- 2.73% nickel (average 0.36%)
- 246.0 g/t silver (average 37.0 g/t)

During the year, a drill program, the first drilling at Kolba and Svatodusna, was commenced to test a long thick copper-cobalt-nickel-silver zone. This drill program was designed to test a strike length of over 300 metres for the Kolba cobalt-copper-nickel-silver prospect and 500 metres for the Svatodusna copper-cobalt-nickel prospect.

The drill program was terminated due to mechanical failure and inadequate recovery of drill core due to drilling the highly fractured host rocks. As a result, the long, thick copper-cobalt-nickel-silver zones at Kolba and Svatodusna remain untested by drilling. A near vertical drill program, to overcome the drill core recovery difficulties, has been prepared.



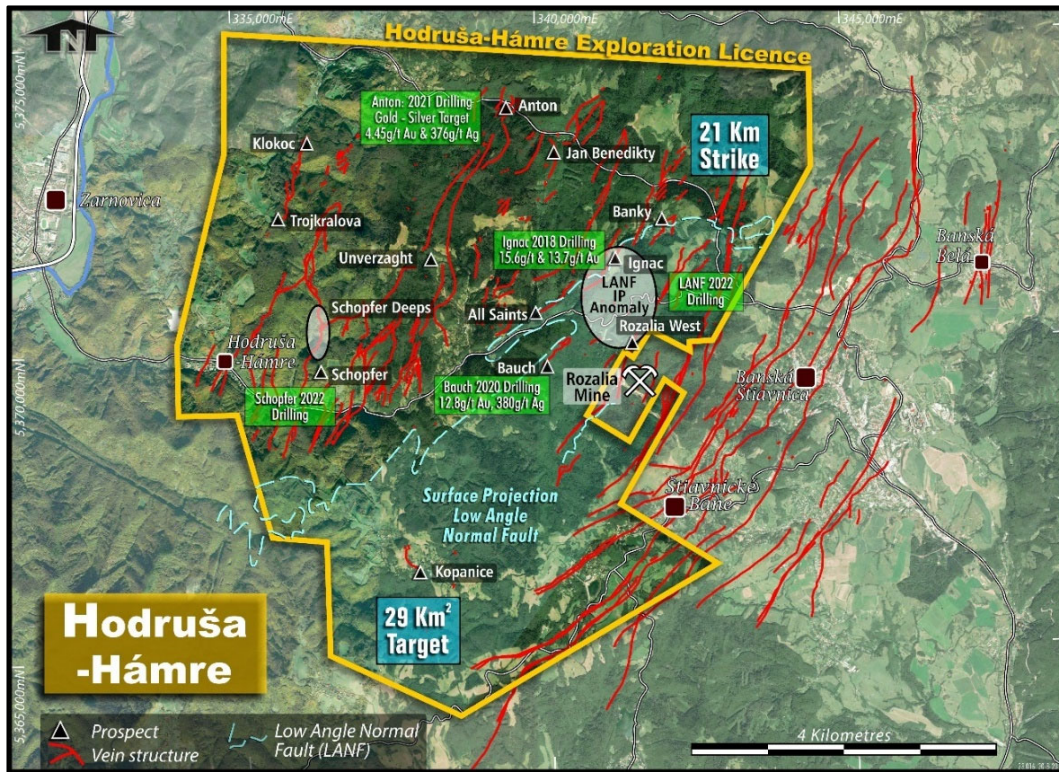
A plan of the Kolba - Svatodusna geology.

Hodruša-Hámre – Gold and Silver (100% Prospech)

Situated 200 kilometres to the east of Vienna, the Hodruša-Hámre exploration licence spans across the majority of the Neogene Stiavnica Stratovolcano caldera in the Central Slovakian Volcanic Belt. This area also includes the historically significant Hodruša-Hámre/Banska Stiavnica mining district. The exploration licence encompasses approximately 120 epithermal veins that contain gold and silver, some of which extend up to 6 kilometres in length.

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REVIEW OF OPERATIONS



Hodruša-Hámre Exploration Licence.

Cejkov-Zemplin, Jasenie, Nova Bana and Pukanec – (100% Prospech)

The Company’s exploration activities and expenditures during the year have been focused on the Finland projects to enable the Company to satisfy the earn-in conditions to acquire 100% of Bambra. Consequently, field exploration activities at these Slovakian projects have been limited to ensuring that the projects remain in good standing.

Project Licences

Project	Tenement Number	Country	Interest
Cejkov-Zemplin	11006/2022-5.3	Slovakia	100%
Hodrusa-Hamre	7120/2023-5.3	Slovakia	100%
Jasenie	7095/2021-5.3	Slovakia	100%
Jokikangas	ML2021:0017 Jokikangas ¹ ML2023:0015 Honkamäki ¹ VA2023:0038 Honkamäki	Finland	100%
Kolba	9313/2022-5.3	Slovakia	100%
Korsnäs	ML2021:0019 Hägg ¹ VA2023:0040 Hägg ² VA2023:0083 Hägg ³ VA2023:0093 Petalax ²	Finland	100%
Nova Bana	P22/15	Slovakia	100%
Pukanec	9313/2022-5.3	Slovakia	100%
Saarenkylä	VA2022:0027 Saarenkylä ² VA2023:0013 Saarenkylä ²	Finland	100%

¹ Tenement areas are reserved by Reservation Applications followed by Reservation Notifications then Exploration Permits approved by the Finnish Safety and Chemicals Agency (TUKES), the Finnish mining authority. These Exploration Permit applications are currently in handling by TUKES.

² Reservation Notification provides priority for Exploration Permit applications.

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REVIEW OF OPERATIONS

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.

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 28 March 2024, reflecting the corporate governance practises throughout the 2022 financial year and was approved by the Board of Directors of the Company on 28 March 2024. 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>.

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DIRECTORS' REPORT

Financial position

The Group reported a loss for the year ended 31 December 2023 of \$1,600,611 (2022 - \$1,750,601).

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 a Non-Executive Director of Lode Resources Ltd and is a Member of the Australian Institute of Geoscientists.

Peter J. Nightingale - Director and Chief Financial Officer

Director since 26 September 2014.

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

As a director or company secretary Mr Nightingale has, for more than 35 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA including Bolnisi Gold N.L. and Nickel Industries Limited. He is currently a director of ASX listed Alpha HPA Limited and unlisted Fulcrum Lithium Ltd.

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.

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DIRECTORS' REPORT

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.

Richard J. Edwards - Company Secretary

Company Secretary since 26 September 2014.

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

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

Directors' Meetings

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

Director	Board Meetings	
	Held	Attended
Thomas J. Mann	4	4
Jason M. Beckton	4	4
Stephen G. Gemell	4	4
John A. Levings	4	4
Peter J. Nightingale	4	4

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DIRECTORS' REPORT

Directors' Interests

At the date of this report, the beneficial interests of each key management personnel of the Company in the issued share capital of the Company and options, each exercisable to acquire one fully paid ordinary share of the Company are:

Director	Fully Paid Ordinary Shares	Options	Option Terms (Exercise Price and Term)
Thomas J. Mann	9,835,447	1,325,625	\$0.04, expiry 26 April 2025
Jason M. Beckton	7,115,743	500,000	\$0.04, expiry 26 April 2025
Stephen G. Gemell	693,543	346,722	-
John A. Levings	8,259,305	1,500,000	\$0.04, expiry 26 April 2025
Peter J. Nightingale	14,243,962	2,307,814	\$0.04, expiry 26 April 2025

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
71,668,343	\$0.04	26 April 2025
8,000,000	\$0.08	31 January 2027*

* 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 2023. No dividends have been paid or declared during the year.

Significant Changes in State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 31 December 2023 were as follows:

- acquired a 100% interest in Bambra Oy; and
- in April 2023 the Company raised \$2,559,383 by an entitlement issue and placement to sophisticated investors and in December 2023 raised a further \$1,422,000 by a Share Purchase Plan issue and placement to sophisticated investors.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the year ended 31 December 2023 other than as disclosed in this Directors' Report, or in the financial statements.

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 and Finnish environmental regulations in relation to its exploration activities.

The Board of Directors regularly monitors compliance with these environmental regulations and 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.

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DIRECTORS' REPORT

Business Risks

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

Indemnification of Officers and Auditors

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

Shares Issued on Exercise of Options

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

Events Subsequent to Balance Date

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

Non-Audit Services

During the year ended 31 December 2023, 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 KPMG and its network firms for audit services provided during the year are set out below.

	2023	2022
	\$	\$
Audit and review of financial statements	124,820	84,000
	<u>124,820</u>	<u>84,000</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 years ended 31 December 2023 or 2022.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Consultancy Agreements with key management personnel

Consultancy Agreement – Managing Director

The Company entered into an executive consultancy agreement with a company associated with Jason Beckton, Beckton Gledhill Pty Ltd ('Beckton Gledhill') on 10 September 2020. Under this executive consultancy agreement, Beckton Gledhill agrees to make Mr Beckton available to perform the duties and responsibilities of the position of Managing Director of the Company. Beckton Gledhill receives a monthly fee of \$20,000 (exclusive of GST) for the period January 2023 to August 2023. From September 2023 the fee was reduced to \$15,000 per month. As a Director of the Company, Mr Beckton is also 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') on 10 September 2020. 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 is also 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) from January 2023 to July 2023 and from August 2023 the fee was increased to \$15,000 per month (exclusive of GST). 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.

Letter of Appointment – Non-Executive Chairman

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

Letter of Appointment – Non-Executive Director

The Company's Non-Executive Director Stephen Gemell 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.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Consequences of performance on shareholders' wealth - (Audited)

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

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Net loss attributable to equity holders of the parent	1,586,524	1,750,601	903,939	1,398,053	394,826
Dividends paid	-	-	-	-	-
Change in share price	\$0.002	\$(0.036)	\$(0.135)	\$0.04*	n/a

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

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

Details of Remuneration for the Year Ended 31 December 2023 - (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 2023:

Key management personnel	Short term Salary and fees \$	Post-employment Superannuation \$	Share based payments Options \$	Total \$	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Executive Directors						
Jason Beckton	220,000	-	-	220,000	-	-
John Levings	145,000	-	-	145,000	-	-
Peter Nightingale	120,000	-	-	120,000	-	-
Non-Executive Directors						
Thomas Mann	80,000	-	-	80,000	-	-
Stephen Gemell	40,000	-	-	40,000	-	-
Total	605,000	-	-	605,000	-	-

The total expense from salaries and fees paid to key management personnel for the year ended 31 December 2023 was \$605,000.

PROSPECH LIMITED
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DIRECTORS' REPORT

Remuneration Report - (Audited)

Remuneration for year ended 31 December 2022:

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

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

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 2023	Purchased	Granted*	Sold	Held at 31 December 2023
Thomas J. Mann	4,418,749	3,618,992	1,797,706	-	9,835,447
Jason M. Beckton	3,910,159	1,967,742	1,237,842	-	7,115,743
Stephen G. Gemell	-	693,543	-	-	693,543
John A. Levings	4,291,563	3,967,742	-	-	8,259,305
Peter J. Nightingale	7,692,798	6,551,164	-	-	14,243,962

* Granted following shareholder approval as part of the Company's acquisition of 100% of Bambra Oy.

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

PROSPECH LIMITED
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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 2023	Lapsed	Purchased	Options Vested at 31 December 2023	Exercisable Options Held at 31 December 2023
Thomas J. Mann	2,500,000	(2,500,000)	1,325,625	1,325,625	1,325,625
Jason M. Beckton	3,125,000	(3,125,000)	500,000	500,000	500,000
Stephen G. Gemell	-	-	346,722	346,722	346,722
John A. Levings	1,250,000	(1,250,000)	1,500,000	1,500,000	1,500,000
Peter J. Nightingale	3,125,000	(3,125,000)	2,307,814	2,307,814	2,307,814

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

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 2023 amounted to \$120,000 (31 December 2022: \$120,000), a fee of \$10,000 per month. At 31 December 2023 \$40,000 (2022 - \$40,000) 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 2023.

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 19 and forms part of the Directors' Report for the year ended 31 December 2023.

Signed at Sydney this 28th day of March 2024

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 2023 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

Patrice Scott

Partner

Sydney

28 March 2024

PROSPECH LIMITED
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 \$	2022 \$
Other income		-	1,971
Administration and consultants' expenses		(1,045,800)	(789,754)
Depreciation expense		(9,781)	(8,547)
Impairment	8	<u>(402,482)</u>	<u>(910,795)</u>
Results from operating activities		(1,458,063)	(1,707,125)
Financial income/(expense)	4	<u>31,057</u>	<u>(43,476)</u>
Loss before income tax		(1,427,006)	(1,750,601)
Income tax expense	6	<u>(173,605)</u>	<u>-</u>
Loss for the year		<u>(1,600,611)</u>	<u>(1,750,601)</u>
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		<u>169,788</u>	<u>33,653</u>
Total comprehensive loss for the year		<u>(1,430,823)</u>	<u>(1,716,948)</u>
Profit attributable to:			
Owners of the Company		(1,586,524)	-
Non-controlling interest		<u>(14,087)</u>	<u>-</u>
Profit for the year		<u>(1,600,611)</u>	<u>-</u>
Total comprehensive profit attributable to:			
Owners of the Company		(1,416,736)	-
Non-controlling interest		<u>(14,087)</u>	<u>-</u>
Total comprehensive profit for the year		<u>(1,430,823)</u>	<u>-</u>
Earnings per share			
Basic and diluted loss per share (cents)	7	<u>(0.90)</u>	<u>(1.98)</u>

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

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023 \$	31 December 2022 \$
Current assets			
Cash and cash equivalents	14	1,604,675	227,807
Trade and other receivables	5	53,216	30,408
Prepayments		37,599	29,294
Total current assets		<u>1,695,490</u>	<u>287,509</u>
Non-current assets			
Exploration and evaluation expenditure	8	9,420,972	7,835,617
Property, plant and equipment	9	48,007	21,486
Total non-current assets		<u>9,468,979</u>	<u>7,857,103</u>
Total assets		<u>11,164,469</u>	<u>8,144,612</u>
Current liabilities			
Trade and other payables	10	412,084	418,123
Total current liabilities		<u>412,084</u>	<u>418,123</u>
Non-current liabilities			
Deferred tax liability	6	173,605	-
Total non-current liabilities		<u>173,605</u>	<u>-</u>
Total liabilities		<u>585,689</u>	<u>418,123</u>
Net assets		<u>10,578,780</u>	<u>7,726,489</u>
Equity			
Share capital	11	15,501,801	12,081,396
Reserves	11	1,419,689	1,900,540
Accumulated losses		(6,342,710)	(6,255,447)
Total equity		<u>10,578,780</u>	<u>7,726,489</u>

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

PROSPECH LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

Notes	Share capital \$	Reserves \$	Accumulated losses \$	Total \$	NCI \$	Total equity \$
Balance at 1 January 2023	12,081,396	1,900,540	(6,255,447)	7,726,489	-	7,726,489
Total comprehensive income for the year						
Loss for the period	-	-	(1,586,524)	(1,586,524)	(14,087)	(1,600,611)
Total other comprehensive income	-	169,788	-	169,788	-	169,788
Total comprehensive loss for the year	-	169,788	(1,586,524)	(1,416,736)	(14,087)	(1,430,823)
Transactions with owners, recorded directly in equity						
Issue of shares and options	3,781,596	547,874	-	4,329,470	-	4,329,470
Costs of issue	(361,191)	-	-	(361,191)	-	(361,191)
Lapse of options	-	(1,499,261)	1,499,261	-	-	-
Non-controlling interest arising on acquisition	-	-	-	-	300,748	300,748
Transactions with non-controlling interest without a change of control	-	300,748	-	300,748	(286,661)	14,087
Balance at 31 December 2023	15,501,801	1,419,689	(6,342,710)	10,578,780	-	10,578,780
Balance at 1 January 2022	12,081,396	1,866,887	(4,504,846)	9,443,437	-	9,443,437
Total comprehensive income for the year						
Loss for the period	-	-	(1,750,601)	(1,750,601)	-	(1,750,601)
Total other comprehensive income	-	33,653	-	33,653	-	33,653
Total comprehensive loss for the year	-	33,653	(1,750,601)	(1,716,948)	-	(1,716,948)
Balance at 31 December 2022	12,081,396	1,900,540	(6,255,447)	7,726,489	-	7,726,489

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 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Cash payments in the course of operations		(1,133,266)	(508,154)
Interest received		<u>27,283</u>	<u>3,046</u>
Net cash used in operating activities	14b	<u>(1,105,983)</u>	<u>(505,108)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,088,896)	(1,257,257)
Cash acquired in acquisition		14,267	-
Payments for property, plant and equipment	9	(35,613)	-
Payments for acquisition of exploration assets		<u>(110,983)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,221,225)</u>	<u>(1,257,257)</u>
Cash flows from financing activities			
Issue of shares	7	3,981,583	-
Cost of issue		<u>(280,388)</u>	<u>-</u>
Net cash from financing activities		<u>3,701,195</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		1,373,987	(1,762,365)
Effect of exchange rate adjustments on cash held		2,881	(46,522)
Cash and cash equivalents at the beginning of the year		<u>227,807</u>	<u>2,036,694</u>
Cash and cash equivalents at the end of the year	14a	<u>1,604,675</u>	<u>227,807</u>

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 1 – REPORTING ENTITY

Prospech Limited (the ‘Company’) is a company domiciled in Australia. The consolidated financial report for the year to 31 December 2023 comprises the Company and its subsidiaries (together referred to as ‘Prospech’ or ‘the Group’). The Group is a for-profit entity and is involved in exploration for mineral resources.

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

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

The financial report was authorised for issue by the Directors on 28 March 2024.

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 Bambra Oy, Prospech Slovakia s.r.o and Slovenske Kovy s.r.o is Euros.

Use of estimates and judgements

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

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

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

- Note 2 – Going concern
- Note 6 – Income tax expense and the recoverability of deferred tax assets
- Note 8 – Exploration and evaluation expenditure

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 the Group has incurred a loss of \$1,600,611 and has accumulated losses of \$6,342,710 as at 31 December 2023. The Group used \$1,105,983 of cash in operations, in addition to \$1,221,225 of cash in investing activities, including exploration and evaluation expenditure, for the year ended 31 December 2023 and had cash on hand of \$1,604,675 at 31 December 2023.

The Directors have prepared cash flow projections for the period from 1 January 2024 to 31 March 2025 that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group continues substantial exploration activities in the areas of interest, which will require additional funding from shareholders or other parties that is yet to be secured at the date of this report.

The Group have successfully raised additional funding in prior years, however such fundraising is inherently uncertain until secured.

The Group's trade and other payables at 31 December 2023 of \$412,084 include payments owing to Directors and related parties of \$108,191. The Directors and related parties have provided a commitment to not call these outstanding amounts owing from the Group until the Group has sufficient funds available to enable repayment of the outstanding amounts without adversely impacting the ability of the Group to continue as a going concern.

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 or reducing discretionary expenditure in line with available funding.

In the event that the Group does not obtain additional funding, the achievement of which is inherently uncertain, or reduce expenditure in line with available funding it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets, including capitalised exploration and evaluation expenditure of \$9,420,972, and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial report.

NOTE 3 – MATERIAL 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.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3 – MATERIAL ACCOUNTING POLICIES (Con’t)

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign entities are translated at the foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation recognised in Other Comprehensive Income (‘OCI’) and presented in the foreign currency translation reserve (‘FCTR’), a separate component of equity.

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

Financial instruments

Recognition and initial measurement

Non-derivative financial assets

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

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

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.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3 – MATERIAL ACCOUNTING POLICIES (Con’t)

Financial instruments (Cont’d)

Non-derivative financial assets (Con’t)

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

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

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

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

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

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.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3 – MATERIAL ACCOUNTING POLICIES (Con't)

Impairment (Con't)

Financial assets (Con't)

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

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

Non-financial assets

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

Share capital

Transaction costs

Incremental costs directly attributable to an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends

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

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
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3 – MATERIAL 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 2023

NOTE 3 – MATERIAL 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 2023

NOTE 3 – MATERIAL 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.

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).

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 3 – MATERIAL ACCOUNTING POLICIES (Con’t)

Changes in material accounting policies

All new standards and interpretations effective for periods commencing 1 January 2023 have been adopted by the Group in the preparation of these financial statements.

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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 2023 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.

	2023	2022
	\$	\$
NOTE 4 – FINANCIAL INCOME/(EXPENSE)		
Interest income	28,114	3,046
Foreign exchange gain/(loss)	2,943	(46,522)
	31,057	(43,476)

NOTE 5 – TRADE AND OTHER RECEIVABLES

GST/VAT receivable	53,216	30,408
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NOTE 6 – INCOME TAX EXPENSE

Current tax expense

Current period	(273,901)	(50,829)
Non-recognition of losses	100,296	50,829
Total income tax expense in income statement	(173,605)	-

Loss before tax – continuing operations	(1,427,006)	(1,710,601)
Prima facie income tax expense at the Australian tax rate of 30% (2022 – 30%)	(428,102)	(513,180)
Impact of tax in foreign jurisdiction	20,879	-
Increase in income tax expense due to:		
- Non-deductible expenses	423,478	488,619
- Effect of deferred tax assets for tax losses not brought to account	43,484	50,829
- Effect of deferred tax assets for temporary differences not brought to account	(59,739)	(26,268)
- Deferred tax liability brought to account	173,605	-
Income tax expense – current and deferred	173,605	-

PROSPECH LIMITED
and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$	\$
NOTE 6 – INCOME TAX EXPENSE (CON'T)		
Deferred tax asset /(liability)		
Deferred tax assets brought to account	29,249	58,367
Deferred tax liability brought to account	(202,854)	(58,367)
Total deferred tax asset/(liability) brought to account	(173,605)	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.		
Deferred tax asset for temporary differences not brought to account	270,688	118,235
Deferred tax asset for tax losses not brought to account	342,055	223,307
Total deferred tax asset not brought to account	612,743	341,542

At 31 December 2023, the Group has an unrecognised deferred tax asset for tax losses not brought to account of \$342,055 (2022 - \$223,307) 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.

NOTE 7 – LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

Net loss for the year	(1,600,611)	(1,750,601)
	N° of shares	N° of shares
Issued ordinary shares at the beginning of the year	88,298,593	88,298,593
Effect of shares issued on 27 March 2023	10,151,912	-
Effect of shares issued on 28 April 2023	35,950,142	-
Effect of shares issued on 1 May 2023	42,737,010	-
Effect of shares issued on 3 July 2023	737,041	-
Effect of shares issued on 30 November 2023	384,755	-
Effect of shares issued on 27 March 2023	252,038	-
Weighted average number of shares at the end of the year	178,511,491	88,298,593

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$	\$
NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE		
Reconciliation of the carrying amount is set out below:		
Opening balance	7,835,617	7,385,094
Additions, including impact of FX movements	1,987,837	1,361,318
Impairment	(402,482)	(910,795)
Closing balance	9,420,972	7,835,617
Hodrusa	5,938,943	5,704,213
Nova Bana	1,040,931	1,002,221
Rudno	-	378,749
Jasenie	550,533	534,947
Pukanec	251,730	186,487
Kolba	535,126	29,000
Korsnäs	1,103,709	-
	9,420,972	7,835,617
Hodrusa		
Carrying amount at beginning of year	5,704,213	5,078,652
Additions	140,011	617,406
FCTR	94,719	8,155
Net book value	5,938,943	5,704,213
Nova Bana		
Carrying amount at beginning of year	1,002,221	905,876
Additions	9,900	93,725
FCTR	28,810	2,620
Net book value	1,040,931	1,002,221
Rudno		
Carrying amount at beginning of year	378,749	369,947
Additions	13,270	7,750
FCTR	10,462	1,052
Impairment	(402,482)	
Net book value	-	378,749
Jasenie		
Carrying amount at beginning of year	534,947	520,345
Additions	6,003	13,660
FCTR	9,583	942
Net book value	550,533	534,947

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$	\$
NOTE 8 – EXPLORATION AND EVALUATION EXPENDITURE (Con't)		
Pukanec		
Carrying amount at beginning of year	186,487	130,723
Additions	61,596	55,435
FCTR	3,647	329
Net book value	251,730	186,487
Cejkov Zemplin		
Carrying amount at beginning of year	-	379,551
Additions	-	541,005
FCTR	-	(9,761)
Impairment	-	(910,795)
Net book value	-	-
Kolba		
Carrying amount at beginning of year	29,000	-
Additions	482,179	29,000
FCTR	23,947	-
Net book value	535,126	29,000
Korsnäs		
Carrying amount at beginning of year	-	-
Additions	417,483	-
Fair value arising on acquisition	686,226	-
FCTR	21,113	-
Net book value	1,103,709	-
 Total exploration and evaluation expenditure	 9,420,972	 7,835,617

Judgements are made in regard to the technical feasibility and commercial viability of the exploration and evaluation assets which includes evaluation of results from exploration activities by a competent person. The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest. Following a review by the Directors of the carrying value of the Company's exploration and evaluation assets during the year, the carrying value of the Rudno was impaired (\$402,482).

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$	\$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT		
Field equipment		
Motor vehicles – cost	35,612	-
Accumulated depreciation	(4,748)	-
Net book value	30,864	-
Motor vehicles		
Motor vehicles – cost	101,089	105,957
Accumulated depreciation	(83,946)	(84,911)
Net book value	17,143	21,046
Office equipment		
Office equipment assets – cost	5,705	5,705
Accumulated depreciation	(5,705)	(5,265)
Net book value	-	440
Total property, plant and equipment	48,007	21,486

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

Field equipment		
Carrying amount at beginning of period	-	-
Additions	35,612	-
Depreciation	(4,748)	-
Net book value	30,864	-
Motor vehicles		
Carrying amount at beginning of period	21,046	32,508
Disposal	-	(5,066)
Depreciation	(4,592)	(6,058)
Exchange movements	689	(338)
Net book value	17,143	21,046
Office equipment		
Carrying amount at beginning of period	440	2,929
Depreciation	(440)	(2,489)
Net book value	-	440

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	\$	\$
NOTE 10 – TRADE AND OTHER PAYABLES		
Creditors	372,084	363,123
Accruals	40,000	55,000
	412,084	418,123

NOTE 11 – CAPITAL AND RESERVES

	2023		2022	
	Number of shares	\$	Number of shares	\$
Opening balance – fully paid	88,298,593	12,081,396	88,298,593	12,081,396
Issue of shares	181,850,129	3,781,596	-	-
Costs of issue	-	(361,191)	-	-
Ordinary shares on issue at 31 December – fully paid	270,148,722	15,501,801	88,298,593	12,081,396

Issue of Shares

In April 2023, the Company issued 52,979,156 shares at \$0.02 per share via a rights issue raising \$1,059,583 and a further 75,000,000 shares were issued in May 2023 by way of a placement at \$0.02 per share, raising \$1,000,000. An attaching \$0.04 option, exercisable for two years from the date of issue was issued for every two shares subscribed for under both the rights issue and placement. There were no amounts unpaid on the shares issued and the share issue costs amounts to \$263,771.

In May 2023, the Company issued 2,000,000 shares to nominees of DGWA as compensation for services in relation to the Company's proposed dual listing on the Frankfurt Stock Exchange. The shares issued were ascribed a value of \$0.02 per share.

In July 2023, the Company issued 1,482,226 shares to shareholders of Bambra Oy as Phase One consideration for the Company to acquire a 51% interest in Bambra Oy. The issuance of an additional 1,517,774 to Bambra Oy shareholders and Company Directors Jason Beckton and Thomas Mann, as part of the acquisition of the 51% interest in Bambra Oy, was deferred until Company's shareholders approved the issue. Following receipt of shareholder approval at an Extraordinary General Meeting held on 30 November 2023, the Company completed the acquisition of Bambra Oy by the issue of 4,517,774 shares in the Company to Bambra Oy shareholders. Share issue costs for the issue of shares to Bambra Oy shareholders totalled \$1,890.

In December 2023, the Company undertook a Shareholder Purchase Plan ('SPP'). The Company issued 32,903,231 shares under the SPP, at \$0.031 per share. There were no amounts unpaid on the shares issued and the share issue costs amounts to \$15,058. At the same time the Company issued a further 12,967,742 shares by way of a placement to sophisticated investors at \$0.031 per share.

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

**PROSPECH LIMITED
and its controlled entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 11 – CAPITAL AND RESERVES (Con't)

Issue of Options

As noted above when the Company raised funds in April 2023 via both a rights issue and placement, an attaching \$0.04 option, exercisable for two years from the date of issue was issued for every two shares subscribed for under both the rights issue and placement. 26,489,594 options were issued to participants in the rights issue and 37,500,000 were issued to participants in the rights issue. Additionally, the Company issued 7,678,749 \$0.04 options to the Lead Manager of the raising.

The fair value of the options granted was measured using a Black-Scholes formula and was \$0.0086 per option. The model inputs of the options issued were the Company's share price of \$0.026 at the grant date, a volatility factor of 80%, a risk-free interest rate of 4% and no dividends paid.

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 or 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.

At 31 December 2023 there were no options held by key management personnel or staff issued under the Plan.

There were no options issued or exercised under the Plan during the year ended 31 December 2023.

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

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

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

	2023		2022	
	Number of options	Weighted average	Number of options	\$
Outstanding at 1 January	17,031,250	\$0.30	17,031,250	\$0.30
Expired at 30 September	12,031,250	\$0.30	-	-
Expired at 30 November	5,000,000	\$0.30	-	-
Outstanding at 31 December	-	-	17,031,250	\$0.30
Exercisable at 31 December	-	-	17,031,250	\$0.30

Dividends

There were no dividends paid or declared during the year ended 31 December 2023 or 31 December 2022.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 11 – CAPITAL AND RESERVES (Con't)

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 on completion of tranche 3 on 31 December 2016 and the remaining 19% in October 2017, and the acquisition of 100% of the share capital of Bambra Oy during the year.

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.

	2023	2022
	\$	\$
Acquisition reserve	676,326	375,578
Foreign currency translation reserve	195,489	25,701
Option premium reserve	547,874	1,499,261
	1,419,689	1,900,540

Movements during the period

Acquisition reserve

Balance at the beginning of the period	375,578	375,578
Acquisition of controlled entity	300,748	-
Balance at the end of the period	676,326	375,578

Foreign currency translation reserve

Balance at the beginning of the period	25,701	(7,952)
Currency translation difference	169,788	33,653
Balance at the end of the period	195,489	25,701

Option premium reserve

Balance at the beginning of the period	1,499,261	1,499,261
Issue of options	547,874	-
Lapse of options	(1,499,261)	-
Balance at the end of the period	547,874	1,499,261

**PROSPECH LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

NOTE 12 – CONTROLLED ENTITIES

Acquisition of 100% of Bambra Oy

During the year ended 31 December 2023, the Company acquired 100% of the issued capital of Bambra Oy ('Bambra'), a company incorporated in Finland. The acquisition of Bambra occurred in two stages, with the Company acquiring an initial 51% ownership interest in Bambra at 30 June 2023, following the Company meeting the Stage One expenditure threshold requirements of the Earn-in Agreement with Bambra.

At 30 November 2023, following the Company having met the Stage Two expenditure threshold requirements and shareholders approving the issuance of Shares to Bambra shareholders Jason Beckton and Thomas Mann, who are also Directors of the Company, the Company completed the acquisition of 100% of Bambra.

This transaction has been accounted for as an acquisition of assets rather than a business combination as Bambra has no business operations and its sole assets are the exploration rights it holds in relation to the Finland Projects.

Particulars in relation to controlled entities:

	Ordinary shares – Group interest	
	2023	2022
	%	%
<i>Parent Entity</i>		
Prospech Limited		
<i>Controlled entities</i>		
Bambra Oy	100	-
Prospech Slovakia s.r.o.	100	100
Slovenske Kovy s.r.o.	100	100

Bambra Oy is incorporated in Finland and Prospech Slovakia s.r.o. and Slovenské Kovy s.r.o. are incorporated in Slovakia.

NOTE 13 – RELATED PARTIES

During the year ended 31 December 2023, 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 2023 amounted to \$120,000 (2022 - \$120,000), a fee of \$10,000 per month. At 31 December 2023 \$40,000 (2022 - \$40,000) remained outstanding.

As part of the consideration to acquiree 100% of the issued capital as detailed in Note 12, the Company issued shares in the Company to the existing Bambra shareholders, which included Company Directors Jason Beckton and Thomas Mann. At an EGM held on 30 November 2023, shareholders approved the issuance of 1,797,706 Shares in the Company to 1147 Pty Ltd <ATF The TJ and CJ Mann Superannuation Fund>, an entity in which Director Thomas Mann has an interest and 1,237,842 Shares in the Company to Director Jason Beckton, for the transfer of the shares they held in Bambra.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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2023 2022

\$ \$

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	1,604,675	227,807
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(b) Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after tax	(1,600,611)	(1,750,601)
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Non-cash items

Depreciation	9,781	8,547
Foreign exchange (gain)/loss	(2,881)	46,522
Impairment	402,482	910,795
Share based payment expense	48,000	-

Changes in assets and liabilities

(Increase)/decrease in trade and other receivables	(22,439)	1,290
(Increase)/decrease in prepayments	(8,138)	9,060
Increase/(decrease) in trade and other payables	67,823	269,279
Net cash used in operating activities	(1,105,983)	(505,108)

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Thomas Mann, Chairman and a Director, was compensated \$80,000 (2022 - \$80,000) for his services during the year ended 31 December 2023. Outstanding amounts at 31 December 2023 were \$6,667 (2022 - \$26,667).

Jason Beckton, a Managing Director, was compensated \$220,000 (2022 - \$240,000) for his services during the year ended 31 December 2023. Outstanding amounts at 31 December 2023 were \$50,000 (2022 - \$80,000).

Peter Nightingale, an Executive Director and Chief Financial Officer, was compensated \$120,000 (2022 - \$120,000) for his services during the year ended 31 December 2023. Outstanding amounts at 31 December 2023 were \$50,000 (2022 - \$60,000).

John Levings, an Executive Director, was compensated \$145,000 (2022 - \$120,000) for his services during the year ended 31 December 2023. Outstanding amounts at 31 December 2023 were \$27,727 (2022 - \$30,000).

Stephen Gemell, a Director, was compensated \$40,000 (2022 - \$40,000) for his services during the year ended 31 December 2023. Outstanding amounts at 31 December 2023 were \$3,333 (2022 - \$6,667).

No other key management personnel were remunerated for their services during the year ended 31 December 2023. There were no bonuses or other performance related compensation paid.

Movement in shares

Key management personnel	Held at 1 January 2023	Purchased	Granted*	Held at 31 December 2023
Thomas J. Mann	4,418,749	3,618,992	1,797,706	9,835,447
Jason M. Beckton	3,910,159	1,967,742	1,237,842	7,115,743
Peter J. Nightingale	7,692,798	6,551,164	-	14,243,962
John A. Levings	4,291,563	3,967,742	-	8,259,305
Stephen G. Gemell	-	693,543	-	693,543

* Granted following shareholder approval as part of the Company's acquisition of 100% of Bambra Oy.

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

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 Directors' interests existing at period end.

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Movement in options

Key management personnel	Held at 1 January 2023	Lapsed	Bought	Held at 31 December 2023
Thomas J. Mann	2,500,000	(2,500,000)	1,325,625	1,325,625
Jason M. Beckton	3,125,000	(3,125,000)	500,000	500,000
Peter J. Nightingale	3,125,000	(3,125,000)	2,307,814	2,307,814
John A. Levings	1,250,000	(1,250,000)	1,500,000	1,500,000
Stephen G. Gemell	-	-	346,722	346,722

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

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 2023

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:

	2023	2022
	\$	\$
Cash and cash equivalents	1,604,675	227,807
Trade and other receivables	53,216	30,408
	1,657,891	258,215

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

Australia	1,502,537	220,229
Finland	107,000	-
Slovakia	48,354	37,986
	1,657,891	258,215

At 31 December 2023, the Group held cash and cash equivalents of \$1,604,675 (2022 - \$227,807), which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on rating agency Standard & Poor's. Credit risk of trade and other receivables is very low as it consists primarily of amounts recoverable from the Australian Taxation Authority and Slovakian taxation authorities.

Impairment losses

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

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

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	More than five years
	\$	\$	\$	\$	\$
31 December 2023					
Trade and other payables	412,084	412,084	412,084	-	-
	412,084	412,084	412,084	-	-
31 December 2022					
Trade and other payables	418,123	418,123	418,123	-	-
	418,123	418,123	418,123	-	-

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 Finnish and Slovakian operating subsidiaries is in Euros and that it holds a portion of its cash in Euros.

	31 December 2023		31 December 2022	
	Foreign currency	\$	Foreign currency	\$
Euros				
Cash at bank	€79,523	128,835	€23,584	37,037

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
EUR to AUD	1.6284	1.5162	1.6201	1.5704

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

For the year ended 31 December 2023, 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:

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 16 – FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Currency risk (Con't)

Judgement of reasonable possible movements:

	Post tax loss (Higher)/Lower 2023 \$	Post tax loss (Higher)/Lower 2022 \$	Total equity (Higher)/Lower 2023 \$	Total equity (Higher)/Lower 2022 \$
+ 10% higher AUD to EUR exchange rate	(8,306)	(1,628)	(8,306)	(1,628)
- 5% lower AUD to EUR exchange rate	4,153	814	4,153	814

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:

	2023 \$	2022 \$
Financial Assets		
Cash and cash equivalents	<u>1,604,675</u>	<u>227,807</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 of the Group's Finnish and 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 2023, 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 2023

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 2023, the Group had two segments, being mineral exploration in Finland and Slovakia. The Group has two reportable geographical segments as follows:

	Finland	Slovakia	Unallocated	Total
	\$	\$	\$	\$
31 December 2023				
External revenues	-	-	-	-
Reportable segment loss before tax	40,389	521,979	1,038,243	1,600,611
Interest income	-	830	27,283	28,113
Impairment of exploration and evaluation	-	402,482	-	402,482
Reportable segment assets	1,210,709	8,391,759	1,562,001	11,164,469
Reportable segment non-current assets	1,103,709	8,334,406	30,865	9,468,980
Reportable segment liabilities	81,357	198,112	306,220	585,689
31 December 2022				
External revenues	-	-	-	-
Reportable segment loss before tax	-	938,381	812,220	1,750,601
Interest income	-	-	3,046	3,046
Impairment of exploration and evaluation assets	-	910,795	-	910,795
Reportable segment assets	-	7,900,416	244,196	8,144,612
Reportable segment non-current assets	-	7,856,663	440	7,857,103
Reportable segment liabilities	-	41,773	376,350	418,123

PROSPECH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 19 – PARENT ENTITY DISCLOSURES

As at, and throughout the year ended 31 December 2023 the parent entity of the Group was Prospech Limited.

	2023	2022
	\$	\$
Result of the parent entity		
Net loss	684,000	1,233,232
Total comprehensive loss	684,000	1,233,232
Financial position of the parent entity at period end		
Current assets	1,531,137	243,756
Non-current assets	5,478,818	5,051,310
Total assets	7,009,955	5,295,066
Current liabilities	306,220	376,349
Total liabilities	306,220	376,349
Net assets	6,703,735	4,918,717
Equity		
Share capital	15,501,801	12,081,396
Reserves	547,874	1,499,261
Accumulated losses	(9,345,940)	(8,661,940)
Total equity	6,703,735	4,918,717

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:

	2023	2022
	\$	\$
Statutory Audit		
Auditors of the Company		
Audit of financial reports - KPMG	124,820	84,000
	124,820	84,000

NOTE 21 – COMMITMENTS AND CONTINGENCIES

At 31 December 2023 the Group does not have any commitments or contingencies.

PROSPECH LIMITED
and its controlled entities

DIRECTORS' DECLARATION

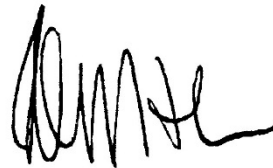
In the opinion of the Directors of Prospech Limited ('the Company'):

1. (a) the consolidated financial statements and notes set out on pages 20 to 48 and the Remuneration Report on pages 14 to 18, 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 2023 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2023.

Signed at Sydney this 28th day of March 2024
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 Consolidated Financial Report

Opinion

We have audited the **Financial Report** of Prospech Limited (the Company) and its controlled entities (the Group).

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 2023 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 2023;
- 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 material accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Material uncertainty relating to going concern

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

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

- Analysing the cash flow projections by:
 - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group’s intentions, and past results and practices;
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group’s historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows, including the expected impact of planned capital raisings for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty;
- Reading minutes of Directors’ meetings 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 - \$9,420,972	
Refer to Note 9 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Capitalised exploration and evaluation expenditure (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of E&E activities to the Group’s business, with the balance of capitalised E&E expenditure being 96% of total assets; and • The greater level of audit effort required to evaluate the Group’s application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), in particular, the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group’s determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> • The determination of the areas of interest (areas); • Documentation available regarding rights to tenure, via licensing and compliance with relevant conditions, to maintain current rights to an area of interest and the Group’s intention and capacity to continue the relevant E&E activities; and • The Group’s determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the requirements of AASB 6; • We assessed the Group’s determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes; • Assessing the Group’s current rights to tenure for each area of interest by corroborating the ownership of the relevant licence underlying documentation. We also tested for compliance with licence conditions, such as minimum expenditure requirements. • We tested the Group’s additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to invoices from third parties or other underlying documentation; • For the samples identified above, checking the nature of the expenditure for consistency with its classification as exploration and evaluation assets in accordance with the Group’s accounting policy and the requirements of the accounting standard; • Testing the completeness of exploration and evaluation expenditure recorded in the twelve-month period by checking payments recorded since 31 December 2023 for evidence of the timing of the transactions. For this procedure, we selected our sample from the Group’s payments since balance date, trade

<p>In assessing the presence of impairment indicators, we focussed on those that may draw into question the commercial continuation of E&E activities for each area of interest where significant capitalised E&E exists. We paid particular attention to:</p> <ul style="list-style-type: none"> • The strategic direction of the Group and their intent to continue exploration activities in each area of interest; • The ability of the Group to fund the continuation of activities in each area of interest; and • Results from latest activities regarding the existence or otherwise of economically recoverable reserves for each area of interest. 	<p>payable schedule and unprocessed invoices post balance date, and the underlying documentation of the transaction;</p> <ul style="list-style-type: none"> • 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 budgets for each area of interest; • Evaluating Group documents, such as minutes of Directors meetings and the Group’s cash flow projections, for consistency with their stated strategic intentions for continuing exploration and evaluation activities in certain areas. We corroborated this through interviews with key personnel; • We compared the results from the Group’s publicly available exploration and evaluation activities regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard; and • We obtained project and corporate budgets identifying areas with existing funding. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities.
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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

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



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Prospech Limited for the year ended 31 December 2023, 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 14 to 18 of the Directors' report for the year ended 31 December 2023.

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

KPMG

Patrice Scott

Partner

Sydney

28 March 2024

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 29 February 2024.

Distribution of Equity Securities

ORDINARY SHARES

Range	Number of Holders	Number of Shares
1 to 1,000	17	2,394
1,001 to 5,000	21	81,484
5,001 to 10,000	56	515,486
10,001 to 100,000	158	4,742,706
Above 100,001	285	264,806,652
	537	270,148,722

The number of shareholders holding less than a marketable parcel is 121.

Twenty Largest Shareholders

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

N°	ORDINARY SHARES SHAREHOLDER	Number of Shares	Total %
1	Loneragan Foundation Pty Ltd <Loneragan Foundation A/C>	13,030,242	4.82
2	Felsina Pty Ltd	12,610,074	4.67
3	Rosignol Pty Ltd <Nightingale Family A/C>	11,066,220	4.10
4	1147 Pty Ltd <TJ & CJ Mann S/F Pen A/C>	9,835,447	3.64
5	Mr John Andrew Levings	8,259,305	3.06
6	Mr Grant Andrew Palmer	8,101,503	3.00
7	Mrs Susan Holt	6,280,242	2.32
8	Wapimala Pty Limited <Loneragan Super Fund A/C>	6,013,887	2.23
9	Newball Pty Limited	5,807,742	2.15
10	Beckton Gledhill Pty Ltd <Beckton Gledhill A/C>	5,717,744	2.12
11	Robust Resources Limited	5,122,500	1.90
12	Lonway Pty Limited	4,485,491	1.66
13	Comserv (No 461) Pty Ltd <No 2 Inv A/C>	4,222,500	1.56
14	Newball Pty Limited	4,127,742	1.53
15	Chester Nominees WA Pty Ltd <M W Wilson Super Fund A/C>	4,000,000	1.48
15	Hostyle Pty Ltd	4,000,000	1.48
15	SMT Investments WA Pty Ltd <SMT Super Fund A/C>	4,000,000	1.48
18	PGT #1 Pty Ltd <Pacific Global Commodit A/C>	3,897,742	1.44
19	Mr John Douglas Barnard + Mrs Elizabeth Kaye Barnard	3,700,000	1.37
20	Yutileire Pty Ltd <LF Holdings A/C>	3,430,000	1.27
Total in Top 20		127,708,381	47.27

PROSPECH LIMITED
and its controlled entities

ADDITIONAL ASX INFORMATION

Substantial Shareholders

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

Shareholder	N° of Shares Held
Peter James Nightingale	12,308,478

Class of Shares and Voting Rights

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

Tenement Schedule

Project	Tenement Number	Country	Interest
Cejkov-Zemplin	11006/2022-5.3	Slovakia	100%
Hodrusa-Hamre	7120/2023-5.3	Slovakia	100%
Jasenic	7095/2021-5.3	Slovakia	100%
Jokikangas	ML2021:0017 Jokikangas ¹ ML2023:0015 Honkamäki ¹ VA2023:0038 Honkamäki	Finland	100%
Kolba	9313/2022-5.3	Slovakia	100%
Korsnäs	ML2021:0019 Hägg ¹ VA2023:0040 Hägg ² VA2023:0083 Hägg ³ VA2023:0093 Petalax ²	Finland	100%
Nova Bana	P22/15	Slovakia	100%
Pukanec	9313/2022-5.3	Slovakia	100%
Saarenkylä	VA2022:0027 Saarenkylä ² VA2023:0013 Saarenkylä ²	Finland	100%

¹ Tenement areas are reserved by Reservation Applications followed by Reservation Notifications then Exploration Permits approved by the Finnish Safety and Chemicals Agency (**TUKES**), the Finnish mining authority. These Exploration Permit applications are currently in handling by TUKES.

² Reservation Notification provides priority for Exploration Permit applications.

PROSPECH LIMITED
and its controlled entities

CORPORATE DIRECTORY

Directors:

Thomas J. Mann
Jason M. Beckton
Peter J. Nightingale
John A. Levings
Stephen G. Gemell

Company Secretary:

Richard J. Edwards

Principal Place of Business and Registered Office:

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

Auditors:

KPMG
Level 11, Heritage Lanes
80 Ann 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