



QUARTERLY ACTIVITIES REPORT

Prospech Limited (ASX:PRS – FSE:1P80)

For the quarter ended 30 September 2023

Date: 27 October 2023

ASX: PRS FSE: 1P80

Shares on issue: 219.8M

Market capitalisation: A\$4.4M
(@ A\$0.02)

Board of Directors

Non-Executive Chairman
Thomas Mann

Managing Director
Jason Beckton

Executive Director
John Levings

Executive Director and CFO
Peter Nightingale

Non-Executive Director
Steve Gemell

Company Secretary
Richard Edwards

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The Directors present the September 2023 Quarterly Activities Report for Prospech Limited (ASX: PRS and FSE: 1P80) ('Prospech' or 'the Company') and its controlled entities ('the Group').

Highlights

Finland – Rare earth elements (REE) and lithium projects (51% owned and will be 100% owned by year end).

- Extensive Korsnäs historic dataset digitised, logged and sampled.
- Dataset includes preserved drill core from 471 drill holes.
- Spectacular REE grades reported from historic Korsnäs dataset.
- Historic REE grades improved by more comprehensive modern assaying methods.
- Core from 40 drill holes logged, sampled and assayed.
- Assays return spectacular, thick, high-grade REE results.
- Neodymium/Praseodymium (NdPr) high enrichment averaged 24% in the sampled holes.
- Core from a further 44 drill holes logged and sampled with assay results pending.
- Korsnäs Municipal agreement supports Prospech access to the Central Mine area which will be the focus of further core sampling in November.
- A Mineral Resource Estimate to be determined in early 2024 following further modern assay results.

Slovakia – Strategic and precious metal projects (100% owned)

- High-grade rock-chip assays results from Kolba project.
- Revised diamond drilling at Kolba to test extensive copper-cobalt-nickel target.
- Accelerated exploration program coincides with EU announcing Critical Raw Materials Act in 2023, setting targets for key raw materials.

Corporate:

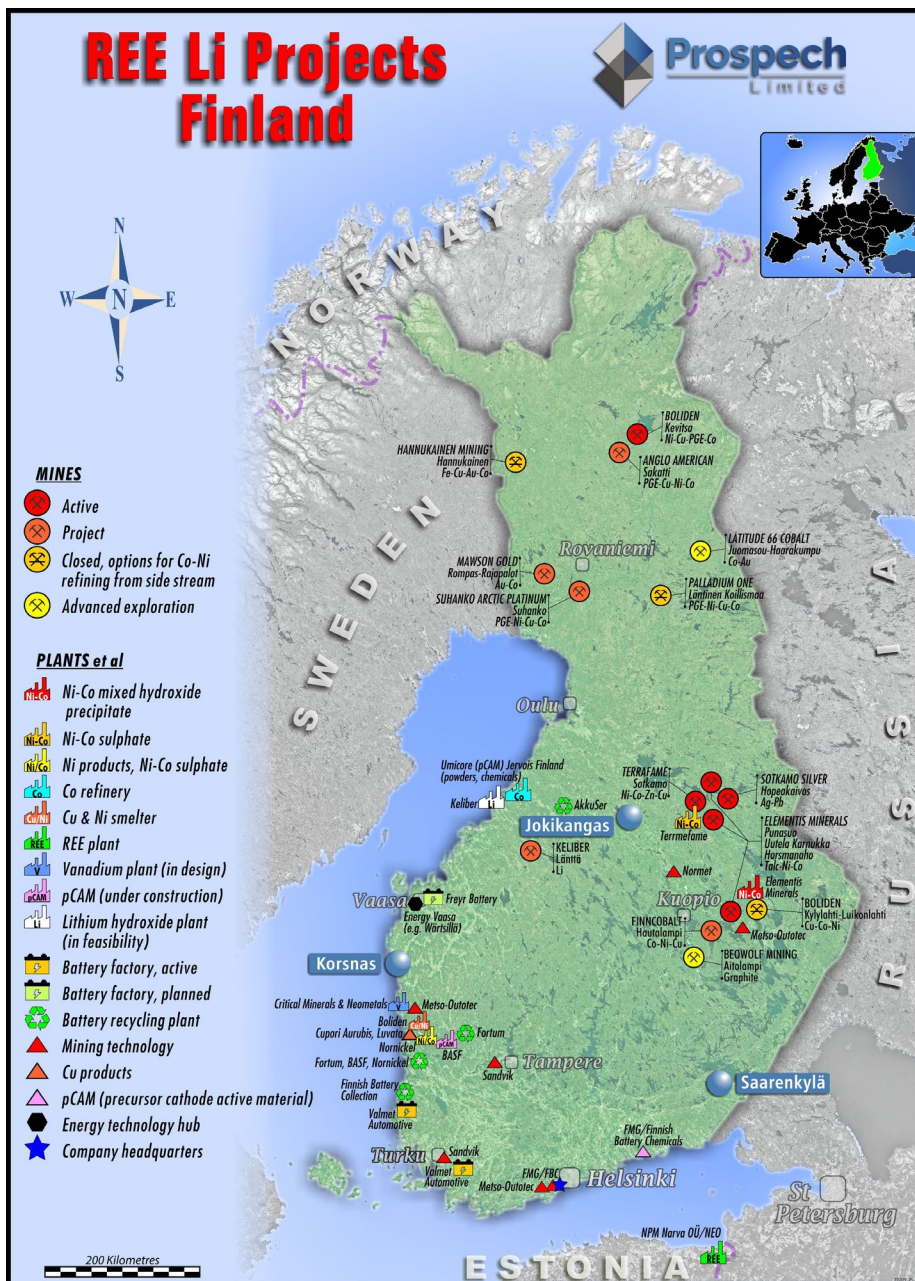
- Prospech 51% ownership and control of Bambra Oy, the holder of the Finland projects, completed.
- Prospech 100% ownership of Bambra Oy scheduled by 31 December 2023.

Operations – Finland (51% owned moving to 100%)

About Finland and Prospech's Finland Projects

Finland is known to be a favourable mining jurisdiction within the European Union, ranked ninth in the world in the 2021 Fraser Institute Annual Survey of Mining Companies, Policy Perception Index and 13th in the Investment Attractiveness Index, ahead of jurisdictions including Queensland, NSW and Victoria.

The Company has entered into an agreement with the Geologic Survey of Finland (**GTK**) enabling access to a comprehensive, archived dataset at Korsnäs including drill core, 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 facility in Loppi, Finland at low cost. The Company estimates that were this historical drilling to be replicated today, the cost would be at least \$6M. With drilling already completed and available to be sampled, Korsnäs represents a brownfields drill out.



Location map of the Bambra projects in Finland.

Korsnäs REE Project

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

These activities at Korsnäs focused solely on lead exploration, overlooking REE mineralisation. Historic sampling and assaying focused on visually identifiable base metal sulfides as indicators, leaving most REE mineralised zones in drill core unsampled.

Historic Data vs Current Data

Due to the historic focus on lead, the historical assay data is not always available for a complete set of REE assays. For instance, there are no assays for Praseodymium (Pr). The Total Rare Earth Oxide (**TREO**) assay results reported are the sum of the available REE element assays which include La_2O_3 , CeO_2 , Nd_2O_3 , Eu_2O_3 , Gd_2O_3 , and Y_2O_3 .

Following scanning and digitisation of the most pertinent data held by the GTK, results revealed a number of spectacular TREO assay results from within the Company's Korsnäs project tenement area.

Of particular note was hole KR-289 when the historic data was compared to data from the drill core being re-assayed by Prospech using more comprehensive and modern assaying techniques:

- **KR-289 historically reported as: 6.2m @ 17,514 ppm TREO from 64.00m**
- **KR-289 now reported as: 18.5m @ 11,100 ppm TREO from 51.85m**

In addition to confirming that REE mineralisation occurs independently without the presence of lead, hole KR-289 also carries great significance as it revealed the presence of a separate mineralised zone, with a geophysical (gravity) signature in the western region of the Korsnäs project, completely distinct from the historic Korsnäs mine.

Drill Core Sampling

Core from a total of 471 drill holes has been preserved by the GTK and available for logging and sampling by Prospech.

During the quarter, in addition to the scanning and digitising much of the GTK dataset, Prospech geologists logged, photographed and sampled preserved core from 40 drill holes and took 366 samples, representing 582.6 metres of core.

Assay results from these samples have now been received and are reported below.

During the quarter, Prospech geologists logged, photographed and sampled preserved core from a further 44 drill holes and took 832 samples, representing 1,289.2 metres of core. Assay results from these samples are pending.

Prospech geologists are scheduled to undertake further logging and sampling of core from the 471 drill holes preserved by the GTK in November 2023.

Korsnäs Assay Results

Assay results from the 40 drill holes referred to above returned spectacular, thick, high-grade REE intercepts. From the 40 holes, 89 intervals of TREO levels greater than 1,000 ppm were returned with many holes returning multiple zones of REE mineralisation (ASX announcement: 24 October 2023).

Noteworthy REE assay results include:

- **Hole KR-139:** 27.6m @ 19,774 ppm TREO from 90.5m
 - incl: 16.1m @ 32,717 ppm TREO from 102.0m
 - and: 12.0m @ 5,112 ppm TREO from 137.3m to end of hole (EOH)

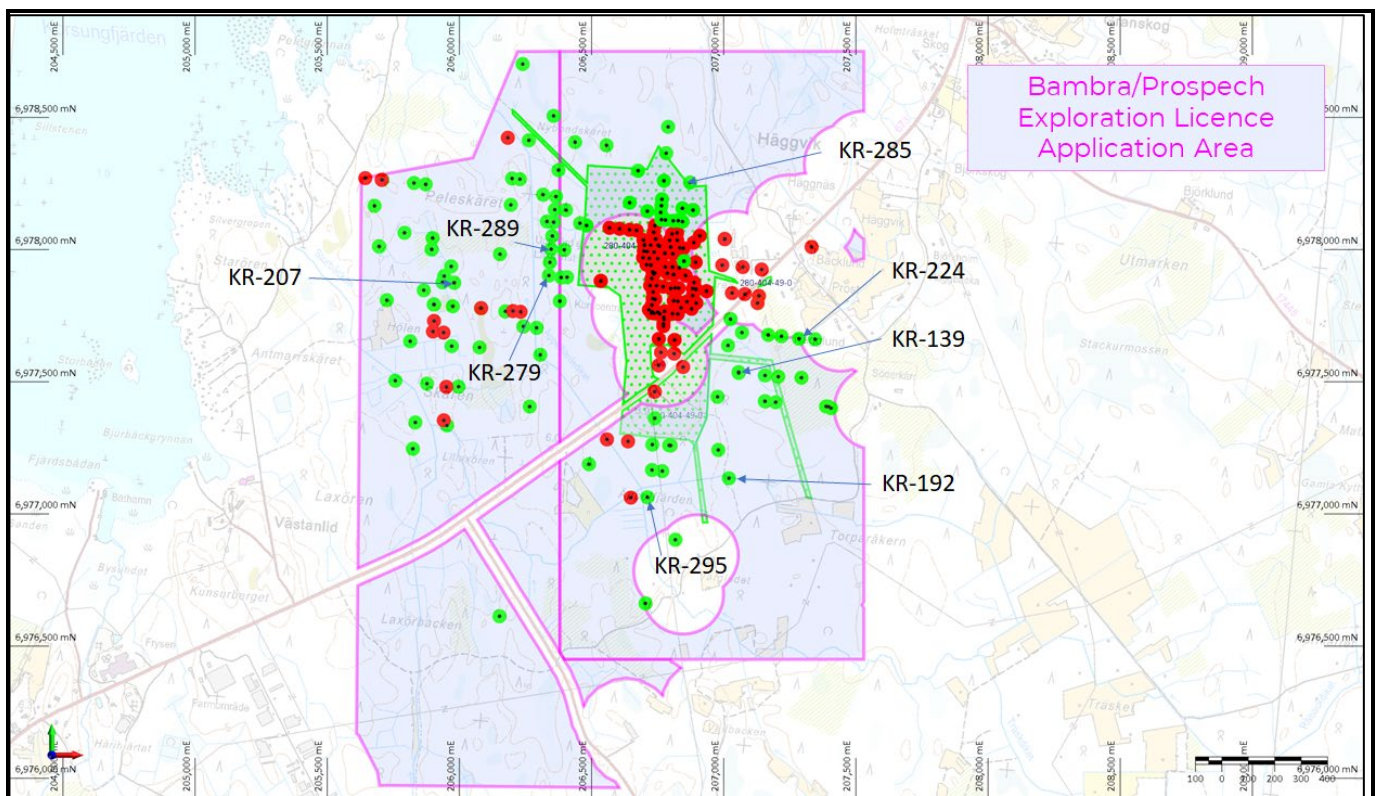
- **Hole KR-285:** 7.7m @ 34,191 ppm TREO from 201.5m
 - and: 2.8m @ 24,073 ppm TREO from 246.6m to EOH

- **Hole KR-224:** 18.1m @ 8,174 ppm TREO from 102.0m
 - incl: 5.0m @ 23,550 ppm TREO from 104.0m
 - and: 21.0m @ 2,345 ppm TREO from 200.0m
 - incl: 1.0m @ 11,609 ppm TREO from 212.0m

- **Hole KR-279:** 21.8m @ 7,309 ppm TREO from 40.6m
 - incl: 2.9m @ 40,135 ppm TREO from 53.4m

- **Hole KR-192:** 11.0m @ 6,706 ppm TREO from 131.0m
 - incl: 3.0m @ 14,551 ppm TREO from 136.0m

- **Hole KR-207:** 8.1m @ 6,338 ppm TREO from 10.0m
 - incl: 3.0m @ 11,897 ppm TREO from 11.0m



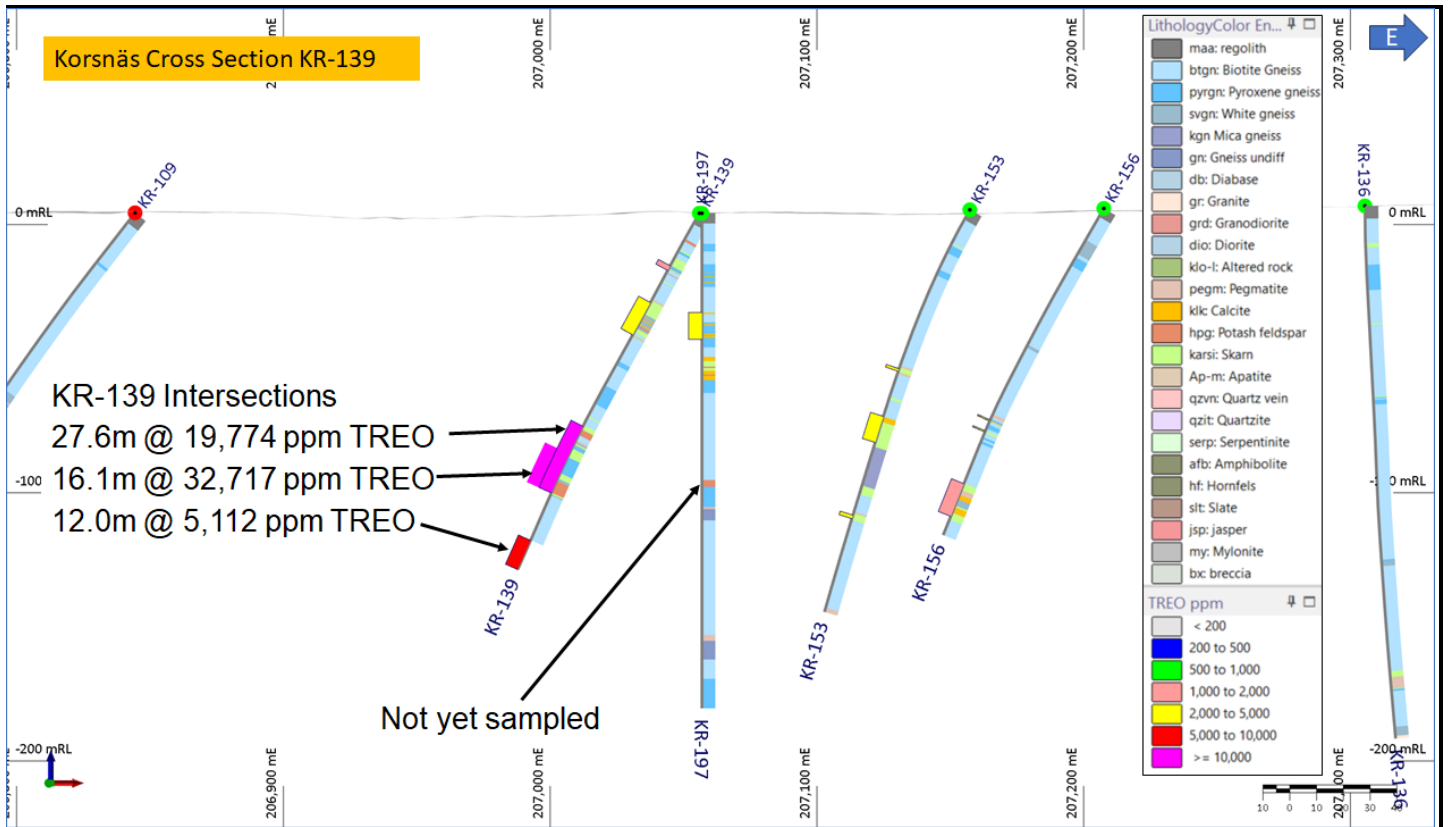
Bambra Exploration Licence Area (mauve stipple).

Area covered by Korsnäs community agreement (green stipple). Historic diamond drill core already reviewed/sampled by Prospech (green dots). Holes yet to be examined (red dots).

Location of holes highlighted and discussed in this report.

Hole KR-139

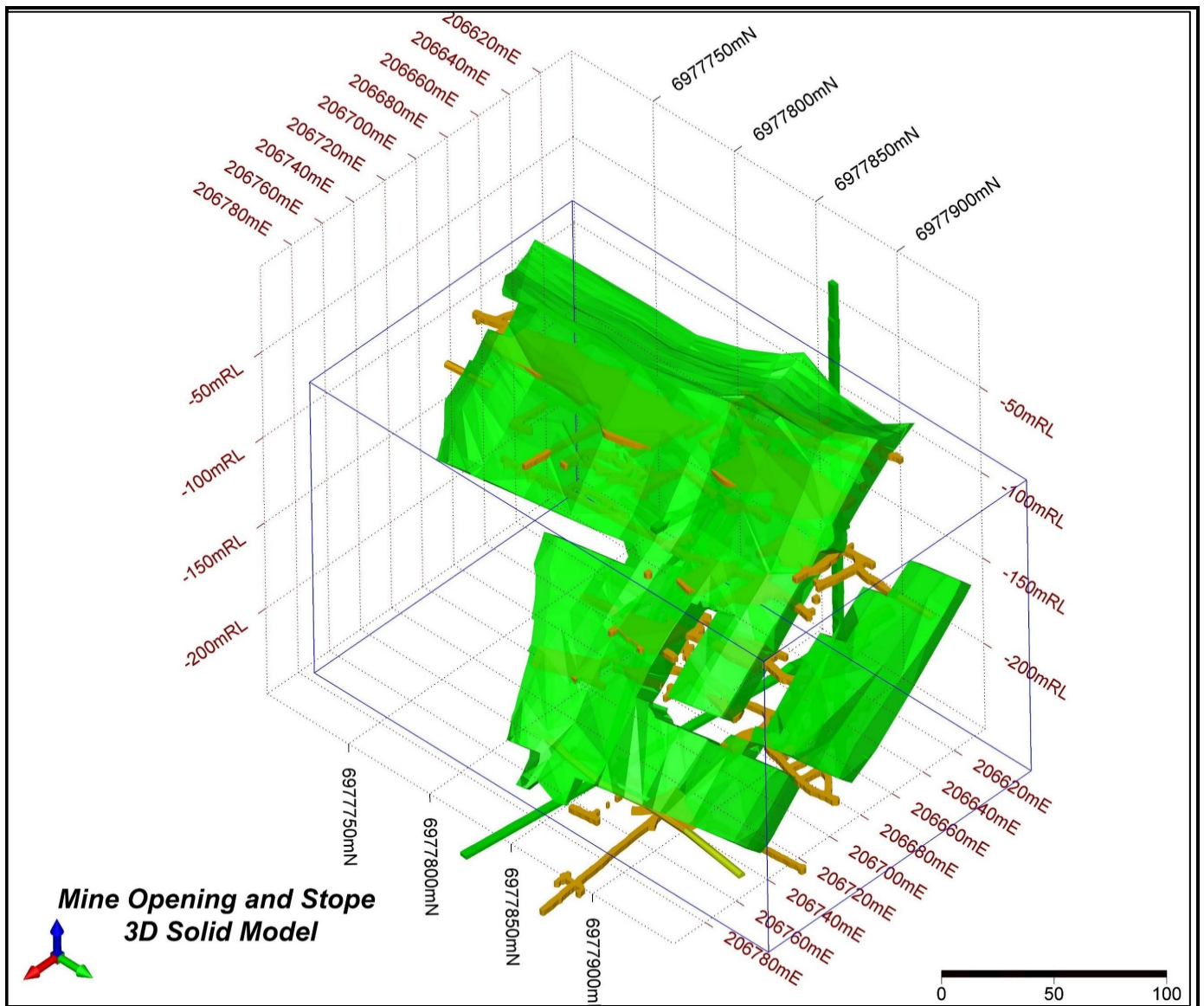
The mineralisation in hole KR-139 is notable because it is interpreted as a separate, more eastern geological structure from the Korsnäs mine structure. In total there are at least five separate structures to be tabulated in any future resource estimate. Hole KR-139 had not been historically sampled by Outokumpu, the original explorers and owners of the lead mine. The REE mineralised zone in KR-139 is a new discovery, demonstrating the potential for the Korsnäs project to host wide, high-grade REE mineralisation.



Cross section highlighting results from KR-139

Numerous hard copy maps and sections from historical drill holes and Korsnäs mine workings were digitised after being scanned from the GTK archive in Outokumpu. This valuable data facilitated the precise reconstruction of the drilling database in a digital format and enabled the creation of a 3D model of the former mine, incorporating a representation of the historical mine stope (refer to the figure below). Leveraging this information, we are now able to strategically select surface and underground diamond drill holes for assessment and sampling. Such crucial data plays a pivotal role in estimating the remaining REE mineralisation within the mine vicinity.

Assay results from a further 832 samples taken in September 2023 from drill core from 44 holes are pending and core from a total of 471 drill holes has been preserved by the GTK and available for logging and sampling by Prospech.



3D model of the old Korsnäs mine showing underground development (mainly yellow) and model of historical stopes (green)

Operations – Slovakia (100% owned)

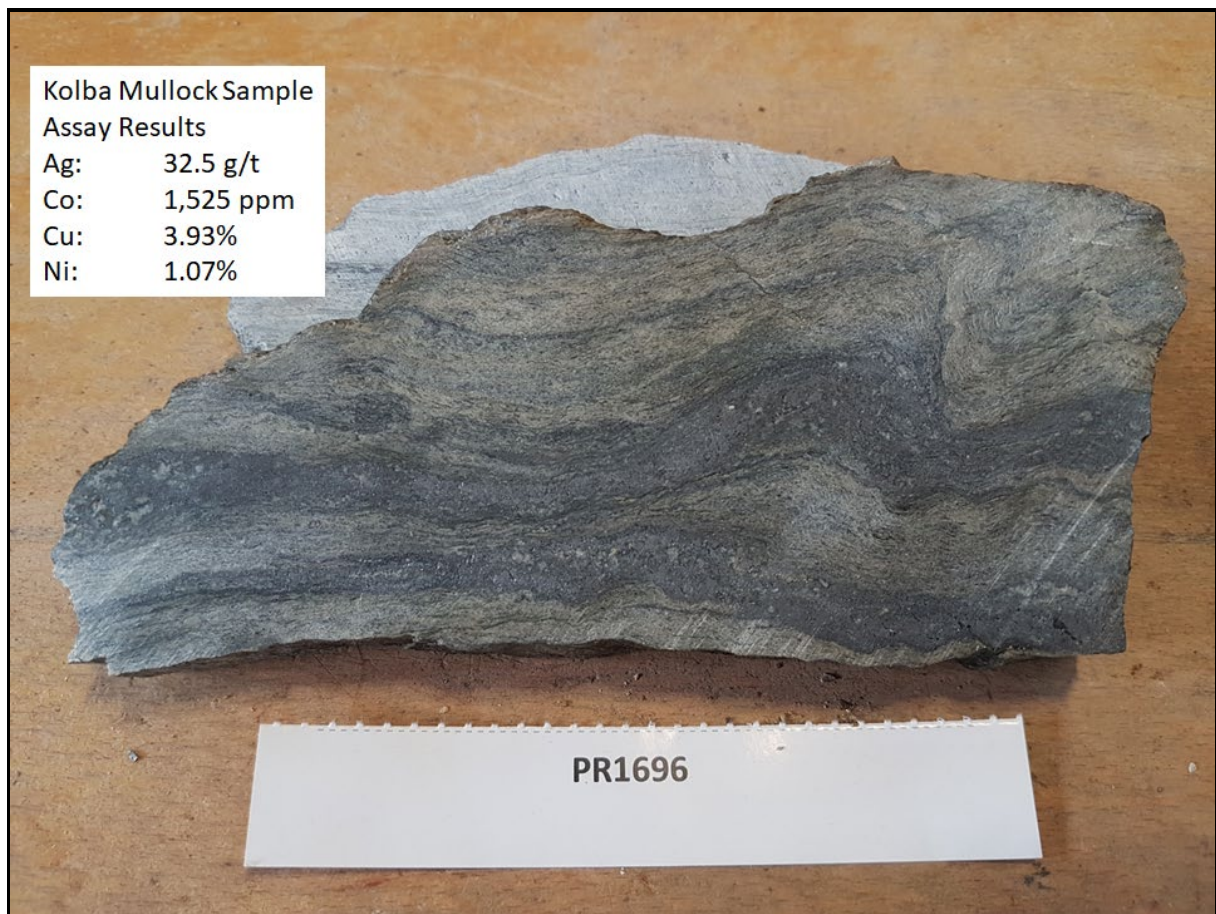
Kolba Copper-Cobalt-Nickel Project

The Kolba project is part of the Svatodusna - Podlipa geologic system with mineralisation consisting of copper-cobalt-nickel sulpho-arsenides. 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.

The following assay results from 39 rock-chip samples collected from historical mine dumps at Kolba and nearby Svatodusna confirm high-grade copper, cobalt, nickel mineralisation and silver at Kolba and nearby Svatodusna:

Metal (units)	Average	Maximum	Minimum
Co (ppm)	734	4,650	30
Cu (%)	2.02	8.22	0.26
Ni (%)	0.36	2.73	<0.01
Ag (g/t)	37.0	246.0	0.5

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.



The darker sulphide bands composed principally of copper-rich tennantite are largely conformable with the metamorphic fabric. This is important as implies continuity along strike and not just from late quartz veins offsetting the sulphide infused rock fabric – as was previously theorised by academic papers on the project.

A drill program at Kolba was terminated in September 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 zone at Kolba remains untested by drilling. A drill program of near vertical drilling is currently being prepared.

Other Exploration Licences

No field activities were undertaken during the quarter at the Pukanec, Rudno, Jasenie and Cejkov-Zemplin exploration licences in Slovakia or the Jokikangas and Saarenkylä projects in Finland.

Corporate

Korsnäs Municipality Agreement

During the quarter and in support of the Company's activities in Finland, the Korsnäs Municipality (local Government) granted Bambra Oy consent and exclusive rights to conduct exploration activities over an area covering the historic Korsnäs lead mine.

Under the terms of the agreement, which has a five-year term and a five year extension option, Bambra Oy will pay the Korsnäs Municipality the same annual exploration fees as stipulated for Exploration Permits by the Mining Act of Finland, being €20 per hectare for the first four years, €30 per hectare for the fifth to seventh years and €40 per hectare for the eighth to tenth years.

Ownership and Control of Bambra Oy

During the quarter, Prospech satisfied the conditions of the Earn-In Agreement (as amended) announced on 15 March 2023 and has exercised its First Option to acquire a 51% interest in Bambra Oy, the holder of a 100% interest in the Korsnäs and Jokikangas rare earth element ('REE') projects and the Saarenkylä lithium project in Finland.

Prospech anticipates satisfying the terms of the Earn-in Agreement (as amended) to increase its ownership of Bambra Oy to 100% ownership of Bambra Oy by the end of 2023.

Expenditures

Expenditure on mine exploration activities during the September quarter totalled \$448,476. There were no expenditures on mine production and development activities during the quarter.

Related Party Expenditures

During the September quarter the aggregate amount of payments to related parties and their associates totalled \$213,333, \$153,333 being payments to Directors for Directors' consulting fees and \$60,000 being payments to MIS Corporate Pty Limited, a company in which Director Peter Nightingale has a beneficial interest and which provides administrative services, including administrative, accounting staff rental accommodation and Company Secretarial services, to the Company.

For further information please contact:

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+61 2 9300 3333

Competent Person's Statement

The information in this Report that relates to Exploration Results 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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Prospech Limited

ABN

24 602 043 265

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(260)	(638)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(247)	(616)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(448)	(886)
(e) investments	-	(119)
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired in acquisition)	-	14
2.6	Net cash from / (used in) investing activities	(448)	(991)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,559
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(26)	(278)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(26)	2,281

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,623	228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(247)	(616)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(448)	(991)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(26)	2,281

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	900	900

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	900	1,623
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	900	1,623

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	213
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(247)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(247)
8.4 Cash and cash equivalents at quarter end (item 4.6)	900
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	900
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.64
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2023

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.