

QUARTERLY ACTIVITIES REPORT

For the quarter ended 30 June 2023



Date: 19 July 2023

ASX: PRS

Shares on issue: 219.8M

Market capitalisation: A\$6.8M
(@ A\$0.031)

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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Sydney, NSW, 2000

The Directors present the June 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 ('REEs') and lithium projects (51% owned)

- Prospech has exclusivity to earn a 100% interest in the Korsnäs and Jokikangas REE and Saarenkylä lithium projects.
- Assays of drill core from six historic holes confirmed expanded zones of Korsnäs REE mineralisation:
 - KR-289 intersected 18.3m @ 13,201 ppm total REE oxides ('TREO') from 51.7m.
 - Neodymium/Praseodymium ('NdPr') high enrichment averaged 26% in the sampled holes.
- Further Korsnäs drill core is available for logging and sampling.
- Additional data from GTK Outokumpu archive obtained and once compiled, this data will complete the historical drilling database.

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

- High-grade copper-cobalt-silver results from rock chip samples at the Kolba project.
- Diamond drilling at Kolba in progress.
- Recent evidence of stratabound mineralisation unrelated to veins – positive implications for continuity.
- Best results include 4.5% copper, 1,785 ppm cobalt and 796 g/t silver.
- Average of all assays are 1.9% copper, 622 ppm cobalt and 106 g/t silver.

Accelerated exploration program coincides with EU announcing Critical Raw Materials Act, setting targets for key raw materials.

Corporate:

- Prospech attained 51% ownership of Bambra Oy, the holder of the Finland projects.

Operations - Finland

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.

Prospech's geologic team has had experience in country and the staged acquisition of Bambra Oy ('Bambra') will add a local permitting and administration team with a wealth of country experience.



Location map of the Bambra projects in Finland

Project Summaries

The Geological Survey of Finland ('GTK') has completed extensive mapping and sampling of the mineralised horizons and Prospech now aims to prioritise understanding the grade and tonnage potential of each occurrence to be able to plan and permit drilling in the near term.

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 lanthanum grade of 3.12% Ln (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 in the 1950s, 60s and 70s. Although the focus of the exploration for the discovery of lead mineralisation, some drilling identified zones of carbonatite that may contain REEs. Many of these carbonatites were not sampled if no visible lead of potential ore grade was present in the drill core.

One example is drill hole KR-289, located on a parallel structure west of the main mine. It intercepted a significant section of 18.3 metres with a TREO content of 1.32%, including high concentrations of Neodymium (3,070 ppm), Praseodymium (745 ppm), and Dysprosium (75 ppm). This intercept occurred in an untouched parallel zone, showing strong enrichment of NdPr, with an average of 26% in the sampled holes.

GTK holds core samples from over 40 additional historical drill holes which will be examined and, if appropriate, sampled and assayed.

The Korsnäs mine's Tailings Storage Facility ('TSF') has an estimated total volume of 0.57 million cubic metres, determined through analysis of up-to-date LIDAR topographic data. Positive assay results from four recent grab samples taken from the surface of the TSF showed an average TREO content of 4,140 ppm. These results have prompted the decision to systematically sample (drill) the TSF in three dimensions. It is estimated that 81% of the TSF area falls within the current tenure of the Korsnäs project.

Jokikangas REE Project

The Jokikangas project encompasses an area of 28.37 km², consisting of two blocks known as Jokikangas and Honkamäki.

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

The project 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.

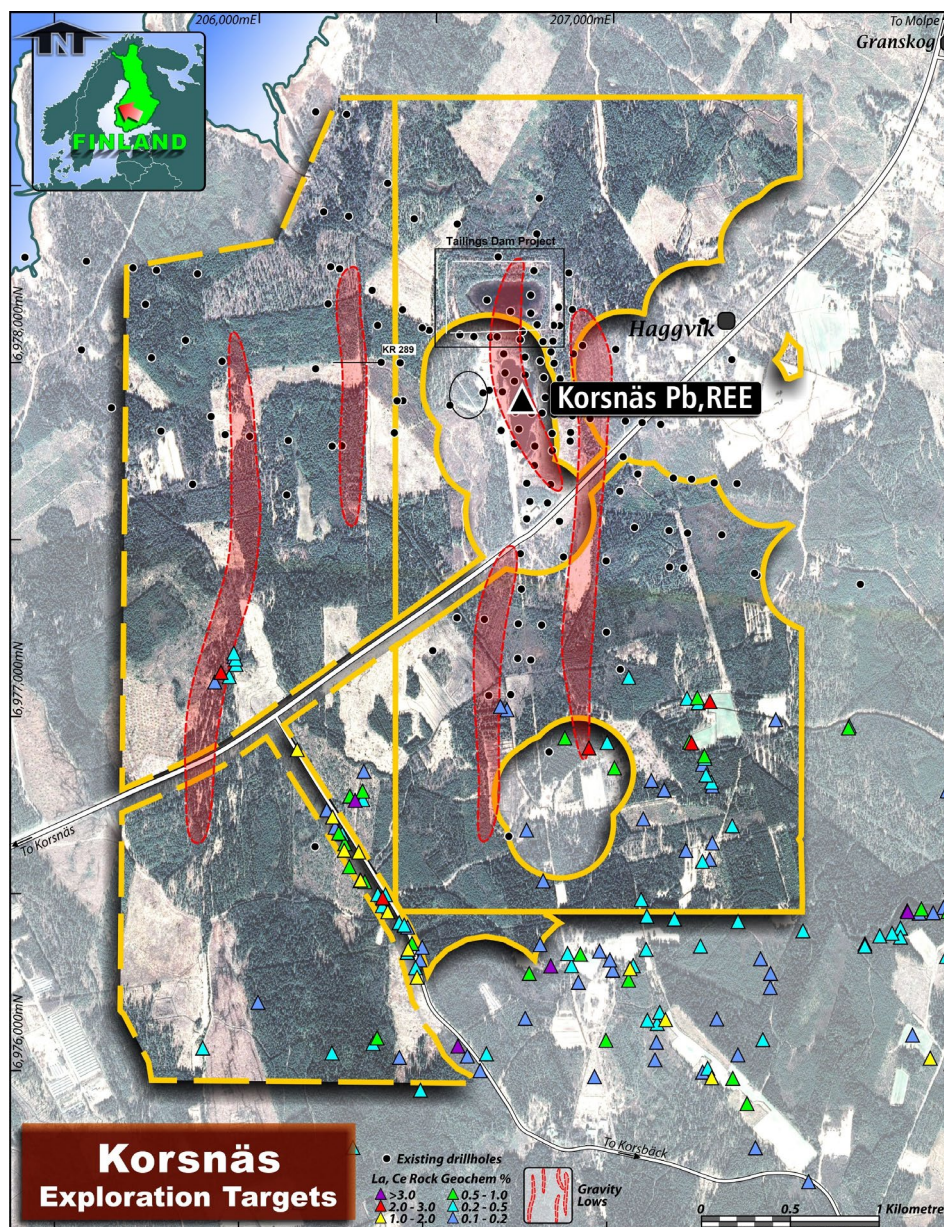
Saarenkylä Lithium-Beryllium Project

The Saarenkylä exploration reservation area is located in a region where lithium pegmatites have been previously observed. These pegmatites contain lithium, cesium, tantalum and sometimes beryllium, as indicated by surface exposures and a series of open pegmatitic outcrops.

The area falls within the Northern Ladoga belt, which is known for mineral occurrences of tin, zinc, lead, uranium, gold, tungsten, iron and vanadium. In addition, there is a mineral occurrence in pyroxene skarn within the Myerskaja Fault zone, suggesting a potential association with nearby mineralization which includes beryl, bismuthinite (Bi), scheelite (W), cassiterite (Sn) and native gold.

To assess the continuity of these occurrences, field mapping and sampling will be conducted at the location.

Prospech has submitted a new reservation notification to the Finnish Mining Authority, seeking to expand the project area surrounding the Saarenkylä reservation. This expansion aims to encompass the known lithium pegmatite occurrence area within the project's scope.



Korsnäs project showing re-interpreted historical gravity data and targets

Operations - Slovakia

The 100% owned Kolba project is part of the Svatodusna - Podlipa geologic system with mineralisation consisting of 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.

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

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

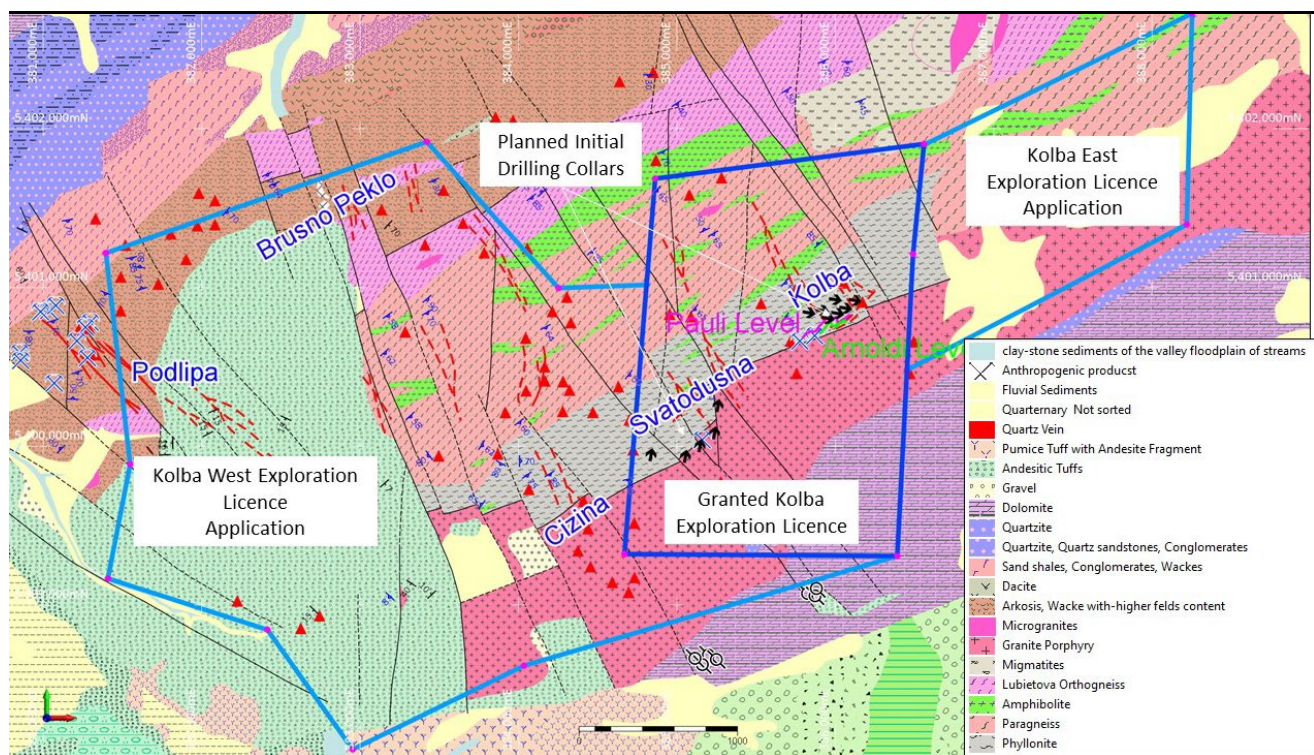
Assay results from 36 mullock dump grab rock samples taken at the Svatodusna prospect, which is located 1.5km south-east of Kolba, were equally encouraging:

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

A drill program to test a long thick copper cobalt silver nickel zone began on 16 June 2023. This aims 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.



Drilling at Kolba targeting copper-cobalt-nickel-silver is likely to be completed in the September quarter



The plan above shows the collated historical geological information of the Kolba - Svatodusna structure together with Prospech's planned drill holes (black arrows), which it aims to commence during the current northern hemisphere spring. Active and cleared dormant Forestry Department tracks are utilised for all drill pads.

Other Exploration Licences (100% Prospech)

No field activities were undertaken during the quarter at the Pukanec, Rudno, Jasenie and Cejkov-Zemplin exploration licences.

Corporate

Prospech has achieved 51% ownership of Bambra, the holder of the Finland projects. This acquisition represents a significant milestone for Prospech in its strategic growth plans.

Prospech has an exclusive earn-in right to acquire 100% of Bambra.

During the quarter, the Company made the decision to relinquish the Rudno exploration licence as well as a portion of the Hodrusa exploration licence. This decision was prompted by the successful results from the Finland projects and an evaluation of the relative exploration potential of these licenses.

This decision will optimise the allocation of resources and focus on areas with higher exploration potential to make value adding discoveries.

Expenditures

Expenditure on mine exploration activities during the June quarter totalled \$335,544. There were no expenditures on mine production and development activities during the quarter.

Related Party Expenditures

During the June quarter the aggregate amount of payments to related parties and their associates totalled \$265,000, being payments to Directors for Directors' consulting fees.

For further information please contact:

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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.

pjn11741

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 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(335)	(438)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(300)	(377)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	8
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	(628)	(807)

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	-	-
	(e) investments	(94)	(119)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(94)	(119)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,295	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	(237)	(252)
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	2,058	2,307

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	275	228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(628)	(807)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(94)	(119)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,058	2,307

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	-
4.6	Cash and cash equivalents at end of period	1,609	1,609

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	1,609	275
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)	1,609	275

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	265
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(628)
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)	(628)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,609
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,609
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.56
<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: 19 July 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.