

June Quarterly Review of Activities

Prospect Resources Ltd (ASX: PSC) (Prospect, the Company) is pleased to report on another busy quarter of activities.

Summary of Significant Announcements in the Quarter and up to the date of this announcement:

- 4 April • Completion of A\$10m placement at 6c per share to Sinomine and US\$557m Sinomine offtake agreement
- 5 April • Hunter Capital Advisers issues research report
- 3 May • Zimbabwe Minister for Mines visits Prospect's Lithium Carbonate Pilot Plant
- 14 May • Appointment of Sam Hosack as Managing Director
- 16 May • Appointment of DRA to provide upfront engineering & design services
- 21 May • Appointment of Earthmoving Contractor
- 8 June • Release of BBC Radio interview with Harry Greaves
- 14 June • Arcadia Lithium Mine progress update in photos
- 15 June • Arcadia Mine flyover

We finished the Quarter with:

- A\$16m cash available to spend on Arcadia and a further US\$10m funding commitment;
- Continued interest in securing the balance of the Stage 1 offtake volume along with finance proposals for the Arcadia Mine;
- Additional interest in Stage 2 offtake supplies;
- First mining contracts signed;
- The tailings storage facility cleared, starter pit cleared, working accommodation facilities under construction and the platform for some 5,000m² of covered facilities being prepared; and
- A strong trading cashflow of some A\$548,000 (YTD A\$1.496m) from farm sales and currency trading. Gross profit from these activities for the quarter was A\$580,000.

Arcadia

The Quarter commenced with the completion of the share placement to Sinomine and receipt of A\$10,000,000. Prospect completed the share placement to Sinomine of 166,666,667 fully paid ordinary shares in Prospect at 6c per share (a premium to the original placing price of 5c per share).

In addition to completion of the placement, Prospect announced that certain terms under the conditional offtake agreement between Prospect and its Zimbabwean subsidiary, Prospect Lithium Zimbabwe (formerly Examix Investments (Pvt) Limited) (the **Seller**) and Sinomine Resource had been

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favourably renegotiated in respect of the spodumene and petalite pricing formula such that the NPV of the Arcadia Lithium Project located in Zimbabwe (the **Project**) has increased by US\$61m, from US\$340m to US\$401m. The spodumene and petalite pricing formula, consistent with other industry contracts, is linked to the lithium carbonate price. (Please refer to ASX announcement dated 19 March 2018 for basis of calculation of US\$340m NPV, which has now increased to US\$401m).

Further amendments included the requirement for Sinomine Resource to prepay US\$10,000,000 under the offtake agreement with these funds being payable upon installation of the ball mill at the Project.

Prospect has also reduced the offtake volumes to be supplied to Sinomine Resource to approximately 70% of earlier agreed volumes. Offtake volumes are now classified as tonnes of spodumene, petalite and lithia units, giving Prospect the flexibility to alter supply quantities of spodumene and petalite provided the total lithia units supplied are satisfied.

The surplus is expected to give Prospect flexibility to negotiate offtake terms with other lithium downstream customers and enable Prospect to divert additional spodumene and petalite volumes to a proposed company owned, lithium carbonate facility.

Prospect also cancelled the build and finance component of the original transaction. Cancellation of the build contract for the process facility, mine and associated infrastructure onsite enables Prospect to dictate the build timetable and process.

Mine development commenced by way of site preparation, land clearing and construction of the contractor village. These works are ongoing. Further works commenced with DRA with regards upfront engineering and design services.

In addition to the physical development of the Arcadia Mine, a lot of work has gone into recruiting the development team and the mining team. Notable hires include:

| | |
|----------------|--|
| Nixon Mugwadhi | Mining Manager, Mine Planning Specialist |
| Trevor Barnard | Project Manager progressing to Arcadia General Manager |
| Malcolm Titley | Grade Control Specialist |
| Derek Landman | Project Controls |

Farming – Arcadia Surface Rights

The maize and soya crops have both been harvested. The soya has been sold and maize is in silos awaiting sale. This project forms part of Prospect's ongoing commitment to local stakeholders and communities forming part of the progressive CSR (Corporate Social Responsibility) initiative. These farming operations are expected to provide an additional source of employment within the region and a small source of income to Prospect.

Summary of Activities Planned for the 30 September 2018 Quarter

Arcadia High Grade Lithium Project

- Mine development continues in earnest;
 - ERP (Pronto) implementation 'go-live' planned for September after 5 months of configuration offline.
 - Issue engineering drawings for fabrication and construction,
 - Baseline the schedule and budget.
 - Appoint primary construction contractor, commence earthworks and civil works.
 - Select primary fabricators and suppliers to facilitate award process;
 - Structural,
 - Mechanical,
 - Piping,
 - Electrical and Instrumentation.
 - Complete hiring Human Resources Manager, Training Specialist
 - Complete hiring the Project execution team, primarily the construction management team.
 - Complete hiring the Operations team, primarily the Process Manager, Engineering Manager.
 - Finalise the preparation of Operational procedures and process, SOP's, HAZOPS etc to determine the requisite training requirements for operators and trade personnel.
 - Finalise the Operations training program, in anticipation of the hiring process for artisans and trade personnel.
 - Conclude and implement the Corporate Social Responsibility (CSR) plan.
- Continue talking to potential Lithium Carbonate Facility partners

Other Acquisitions

- Continue to investigate additional lithium regionally
- Accelerate potential cobalt acquisitions in the DRC

Corporate Promotion

The Company intends to participate in a number of investor and trade events over the 2018 year to promote Prospect, Arcadia and Zimbabwe.

The Company will be attending the Africa Down Under Conference and the Zimbabwe Investment Forum in Perth, Western Australia. Investors are invited to come and meet our new Managing Director, Sam Hosack.

Due to the Zimbabwe Elections, we were unable to secure a date for the President of Zimbabwe to officiate a ground-breaking ceremony. As you can see, development has commenced. We look forward to the opportunity, in the future, to showcase the Arcadia Mine to the President of Zimbabwe.

Investors should note that the above activities may change as and when results are generated and as such they should simply be used as a guide to activities for the Quarter ending 30 September 2018

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