

December Quarterly Review of Activities

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

Summary of Announcements:

4 Oct	• More high grade assay results
12 Oct	• Acquisition of Option – Fimpimpa West Copper/Cobalt
21 Oct	• More high grade assay results
25 Oct	• More high grade assay results
31 Oct	• JORC Mineral Resource Estimate confirms large scale Arcadia Lithium Deposit
18 Nov	• Appointment of Mr Yu as Non-Executive Director
13 Dec	• Results of Scoping Study – Arcadia

Much of the quarter was spent on drilling Arcadia and compiling our maiden JORC compliant Mineral Resource Estimate, followed by the results of our Scoping Study. **We expect to release results of our Prefeasibility Study during the March Quarter 2017.**

Table 1 below, is an extract from the Company's Results of Scoping Study announcement, 13 December 2016.

Table 1: Mineral Resource included in Conceptual Pit Design

1% Li ₂ O Cut-off					
Category	tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ lbs
Measured	4,100,000	1.44%	145	59,600	1,317,400
Indicated	12,100,000	1.37%	118	166,600	3,146,700
Inferred	7,100,000	1.47%	123	104,700	1,927,600
GRAND TOTAL	23,400,000	1.42%	123	331,000	6,391,700

Arcadia High Grade Lithium Project

Activities during the quarter included:

- Diamond drilling
- RC drilling
- Process Plant design
- Resource modelling
- Environmental approvals
- Metallurgical testing
- Successful slope stability analysis
- Provisional Mine Plan produced
- Acquisition of additional Mining Licences/claims
- Camp upgrades
- Mineral Resource Estimate
- Completion of Scoping Study
- Commenced farming with planting of first maize crop.

New Members to the Team

During the Quarter, we are pleased to report that we were successful in building our team with the following hires:

Lee John – General Manager, Operations Lee is a Minerals Processing Engineer. He has more than 25 years' experience in mining and minerals processing and more than 18 years in management roles, including COO, CEO. Lee's African experience includes operating mining projects within Congo (DRC), Mozambique, Zambia, Botswana, Kenya, Tanzania and Zimbabwe.

Lee's remit is to manage the design, construction and operations of the Arcadia High Grade Lithium Project. Some 50% of his salary package is performance based with hurdles to be based on key indicators including production dates and rates of production (KPIs).

Mike Kitney – Consultant, Metallurgy, Process Design Mike is a practising metallurgist with over 46 years' with experience in mineral processing ranging from R&D, operations management. Also latterly project design, construction and commissioning.

Minerals exposure includes alumina, phosphate, gold, copper, tin and lithium. In the latter case Mr Kitney has specific experience in spodumene beneficiation and downstream lithium carbonate plant design, construction and commissioning.

He also holds an MSc degree in Mineral Economics

David Miller – Consultant Marketing and Off-take

David is a mining engineer with 33 years' experience in the mineral resource industry. In the last ten years he has held in a number of senior business development roles including the assessment, development and product marketing of lithium, tin and tantalum projects.

Farming – Arcadia Surface Rights

During the quarter, we entered into a government approved farm lease, covering a large proportion of the surface area of the Arcadia High Grade Lithium Project. We purchased farming equipment and planted our first maize crop covering some 80 hectares.

This is part of Prospect's commitment to local stakeholders. These farming operations are expected to provide an additional source of employment within the region and a source of income to Prospect. We plan to approach other landholders relevant to Arcadia and offer to farm their land on standard leasing terms for the 2018 season.

God's Gift Lithium Project

Due diligence drilling during the quarter generated no significant leads and so a decision was made to not exercise our option.

Gwanda East Gold Projects

Development of the Prestwood gold mining operations has been disappointing. During the quarter, additional drilling was completed under the historic workings however grades were not consistent enough to expand production. A decision was made to go slow and refocus on the historic Sally Mine.

During the quarter, the Sally shaft was dewatered, a headframe erected and rails delivered for installation. The head gear is being commissioned and it is expected that the shaft rehabilitation will be completed by the end of February allowing for survey and mapping of the areas previously under water and for underground exploration drilling to be undertaken.

Fimpimpa West Copper/Cobalt Project

Due diligence has been completed by Geoquest

- Initial Exploration Target of 15-25Mt at 1.0%-1.5% Cu.+.
- Drill program being designed to twin historic holes

Note⁺ The Fimpimpa West Copper/Cobalt Project has been the subject of historic drilling, exploration however, the Company has not undertaken a detailed exploration programme nor a drilling programme. The Exploration Target is based on previously published data, much of which predates JORC 2012 and the Company's future exploration programme. The potential quantities and grades are conceptual in nature and there has been insufficient exploration to date to define a Mineral Resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012).

Summary of Activities Planned for the Period to 31 March 2017

Arcadia High Grade Lithium Project

- Drilling to continue
- Completion of Pre-Feasibility Study (PFS)
- Plant Design
- Regulatory Approvals
- Ordering of long lead-time items
- Pre-stripping
- Provision of samples to potential off-take partners

Gwanda East Gold Project

- Additional 2,000m exploration drilling at the Prestwood A and Sally mines
- Map, survey and generate underground targets at the Sally mine. Commission the head gear, compressors and underground drill rig. Complete rails to 7 level face
- Begin underground exploration drilling
- Sweep and vamp underground workings

Fimpimpa West Copper/Cobalt Project

- Finalise exploration program in anticipation of dry weather drilling program

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 31 March 2017

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Competent Person's Statement

The information in this announcement that relates to Exploration Results, Exploration Targets and Mineral Resources and Ore Reserves is based on information compiled by Mr Roger Tyler, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Mr Tyler is the Company's Senior Geologist. Mr Tyler has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 Tyler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.