



Low iron petalite report confirms premium pricing for Arcadia

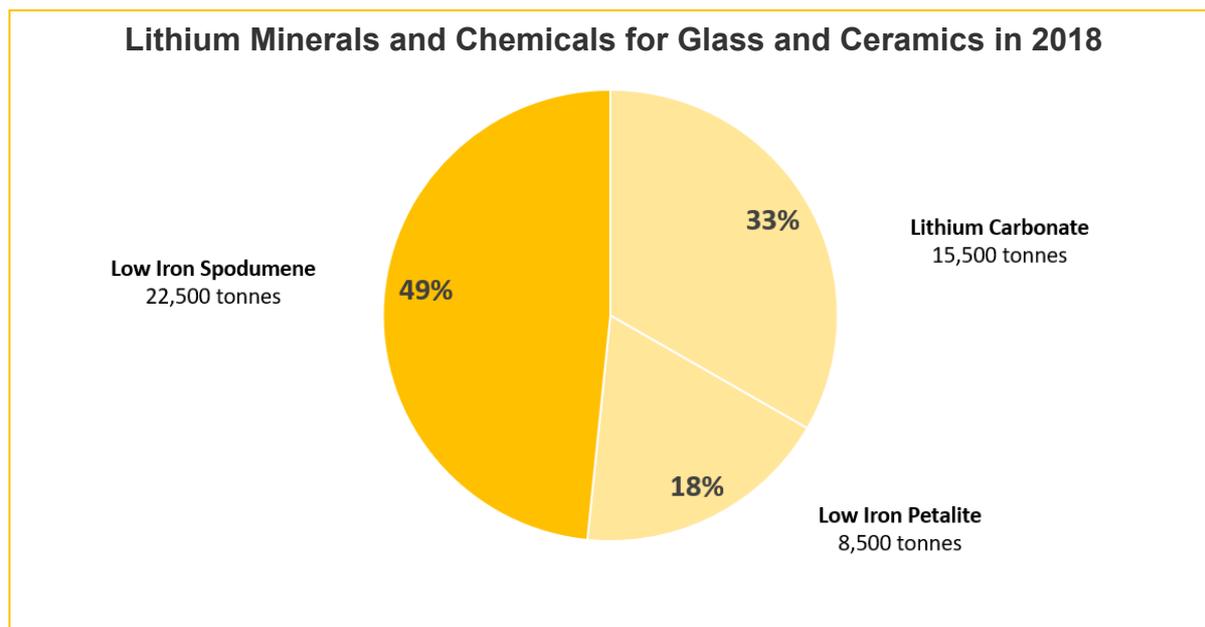
African lithium developer, Prospect Resources Ltd (ASX: PSC) (“**Prospect**” or “**the Company**”) is pleased to announce it has received an independent market report from leading market analysis firm Benchmark Mineral Intelligence (“**Benchmark**”) on the use of lithium in the glass & ceramics market and the premium pricing of low iron petalite concentrate.

The findings in the report were:

- In 2018, the global lithium market size was 276,000 LCE with 17% (46,500 LCE or 470,000t equivalent of 4% low iron petalite concentrate) going into the glass & ceramics market;
- Globally, there are only two producers of low iron lithium concentrates (one being petalite concentrate and another being a spodumene concentrate producer) that meets the glass & ceramics market specifications, offering Prospect a unique competitive advantage;
- 18% of the glass & ceramics market (8,500 LCE) is supplied by low iron petalite concentrate (equivalent to 86,000t of 4% Li₂O petalite concentrate) which the Arcadia mine will produce;
- Growth in market share of low iron petalite has been restricted due to a lack of product volume and continuity of supply volumes, describing the supply opportunity to Prospect;
- Benchmark provides independent confirmation that for example in May and June 2019, **low iron petalite concentrate sales in China range between US\$1,300-1,400 per metric tonne**;
- The report forecast assumed Prospect to supply 50,000tpa of 4% Li₂O petalite concentrate for Arcadia’s life of mine, making up approx. 10% of the market and utilising 25% of average annual petalite production; and
- Based on this new supply into the market, Benchmark expect an **average price ratio relationship of 1.61:1 low iron petalite to chemical grade spodumene** (61% premium for low iron petalite concentrate over chemical grade 6% Li₂O spodumene concentrate).

Glass & ceramics market demand for Lithium

The battery industry is not the only sector using lithium containing minerals and chemicals. In 2018, an estimated 17% of lithium production was consumed by the glass and ceramics market. This can be consumed as a mineral (petalite or spodumene) or as a refined chemical product (lithium carbonate).



Not all petalite and spodumene can be used efficiently in the glass and ceramics industry owing to high levels of iron. As such only specific grades from certain producers are used. Low iron in this context is 0.08 to 0.1% iron for spodumene and 0.04-0.06% for petalite. Alkaline content for ceramics is also important with <1.0% combined K₂O and N₂O requested by many end-users.

There are currently only two major producers of these low-iron minerals (low iron lithium concentrates), who each maintain a monopolistic position. There are question marks over future supply from both producers, with one focusing on its supply being used for production of lithium hydroxide and the other has no known expansion plans. There are no listed lithium companies in Australia, Canada or South America that can supply this product.

For ceramics especially there is demand for additional low iron petalite as a substitute to other materials. It is likely that market share can be taken from the approximately 15,500 tonnes of lithium carbonate currently consumed in glass and ceramics (equivalent to 157,000 tonnes of petalite).

While lithium contained in batteries is forecast to see growth rates in the region of 22% per annum over the coming decade the glass and ceramics markets tend to see annual growth of 2-4%. In these industries market growth is driven by GDP growth, urbanisation and increases in disposable income



leading to more glass and ceramics consumption in construction (windows and doors), consumer electronics (smartphone displays), and kitchen surfaces (ceramic cooktops).

When consumed as a mineral these industries pay a premium for the material over the lithium units contained. This is based upon the materials' value in use, which stems from the presence of alumina and silica in the mineral, both of which are key glassmaking materials. The lack of iron as a key impurity is also critical for the consumers, who would otherwise use a converted lithium carbonate chemical and then purchase additional fluxes.

Prospect's Managing Director, Sam Hosack, said "Our sales team has been receiving pricing feedback from potential customers in the glass & ceramics market that our low iron petalite would receive premium pricing over prices available in the chemical market, validating the advantages of our product differentiation from classic spodumene producers. This validation by Benchmark, a market leading research provider, confirms Arcadia as a unique asset and positions Prospect to take advantage of the rapid growth in the chemical market, whilst also being diversified with exposure to the stable but premium glass and ceramics market"

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Offtake Agreement in place and positioned to capitalise on Market Demand

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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC) is an ASX listed lithium company based in Perth with operations in Zimbabwe. Prospect's flagship project is the Arcadia Lithium Project located on the outskirts of Harare in Zimbabwe. The Arcadia Lithium Project represents a globally significant hard rock lithium resource and is being rapidly developed by Prospect's experienced team, focusing on near term production of petalite and spodumene concentrates.



About Lithium

Lithium is a soft silvery-white metal which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits (such as Arcadia) and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. Lithium has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries.

Caution Regarding Forward-Looking Information

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. All references to dollars (\$) and cents in this announcement are in United States currency, unless otherwise stated.

Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.