

24 December 2021

Reference: General – Query

Dear Damian Dinelli
Adviser, Listings Compliance

By email: ListingsCompliancePerth@asx.com.au

We have reviewed the questions in your query and respond as set out below.

Question 1- What is the basis for the forecast Share Price Valuation for PSC’s main class of securities insofar as PSC represents that the effect of the Transaction will equate to “approximately AUD\$1.23 per PSC ordinary share”? In answering this question, please outline the qualification of the person making the Share Price Valuation and the assumptions underlying the Share Price Valuation.

The quoted figure of approximately A\$1.23 per share was not expressed, nor intended, as a Share Price Valuation.

The quoted figure of approximately A\$1.23 per share in the Announcement was stated as being the equivalent value per ordinary Prospect share of the value of the cash consideration payable to Prospect’s subsidiary, Prospect Minerals Pte Ltd, for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Ltd (owner of the Arcadia Lithium Project) (**Transaction**).

Footnote 2 sets out:

- the AUD:USD exchange rate (0.715) used
- the number of shares on issue (428,523,535)
- that the calculation was before transaction costs and tax.

This figure is readily calculable as the headline cash consideration payable under the Transaction (US\$377 million), converted to AUD at the stated AUD/USD exchange rate (A\$528 million), and divided by current ordinary Prospect shares on issue (428.5 million).

The Announcement reflects the transaction value of the gross proceeds to be received, before Zimbabwean capital gains tax and transactional costs, in a \$ per share format and clearly states the nature and basis of calculation of that figure.

Question 2 - ASX notes that PSC intends to retain US\$50 million of the consideration while applying the balance of the consideration to shareholders, after accounting for tax and costs of the Transaction, by way

of a cash return of capital. Does PSC expect that shareholders will receive approximately AUD\$1.23 per PSC ordinary share in the cash return of capital? If not, what is the basis for disclosing the Share Price Valuation, noting this is not a transaction for the purposes of Chapter 6 of the Corporations Act?

The announcement states that Zimbabwean capital gains tax and transactional costs will be payable with respect to the Transaction. Accordingly, Prospect does not expect, nor has it stated, that shareholders will receive approximately A\$1.23 per Prospect ordinary share in a “cash return of capital”.

Prospect notes that the Announcement does not state that any return to shareholders would be a “cash return of capital”. The Announcement outlines an intent to “distribute the remaining post-tax, post-transaction costs, sale proceeds” to shareholders. Specifically, the Announcement does not state the anticipated form or amount of any potential distribution to shareholders, or the expected composition in terms of income and/or capital components. That will be further considered in due course in conjunction with Prospect’s tax advisers (and is subject to receipt of the cash consideration under the Transaction) and the market appropriately informed.

Prospect lastly notes that the Announcement states that Prospect “expects to retain a cash balance of **up to** US\$50 million ...” (emphasis added). As at the date of announcement, Prospect had a current cash balance of approximately A\$20 million, including the proceeds of the capital raising undertaken in October 2021. Prospect does not expect to retain US\$50 million “of the consideration”. Prospect will give further consideration to the exact quantum of cash it intends to retain in due course (subject to receipt of the cash consideration under the Transaction) and keep the market appropriately informed.

Question 3 - In respect of the conditions precedent, what are the “requisite Chinese regulatory approvals” that must be obtained by the Purchaser?

The requisite Chinese regulatory approvals required to be obtained by the Purchaser are:

- (A) a notice from the National Development and Reform Commission with respect to the filing of the Transaction;
- (B) an outbound investment certificate from the Ministry of Commerce with respect to the filing of the Transaction; and
- (C) the receipt of all relevant foreign exchange registrations from a qualified bank supervised by the State Administration of Foreign Exchange of the People’s Republic of China in connection with the Transaction.

Question 4 - Please confirm PSC's proposed timetable having regard to Item 8 of Appendix 7A (cash return of capital), in particular the record date.

As noted above, the form, details and timing for any capital management initiative to shareholders has not been determined. As is clear from the Announcement, the timing of any such initiative, is still subject to a number of matters, including receipt of the consideration for the Transaction, which will only occur as and when the relevant condition precedents to the Transaction are satisfied and the Transaction completes.

Prospect will update the market regarding the status of the Transaction in accordance with its obligations under Listing Rule 3.1.

Question 5 - Has the Purchaser paid the US\$20 million deposit into PSC's nominated trust account? If the answer is yes, are any regulatory approvals required to transfer the cash into PSC's Australian bank account(s) (if the same has not already occurred) upon completion of the Transaction?

Huayou has paid the US\$20 million deposit into the nominated trust account, which is an Australian bank account. There are no regulatory approvals required to transfer this cash deposit into the Australian bank account of Prospect Minerals Pte Ltd (as seller) upon and in accordance with the terms of the Transaction.

Please advise if there is any further information required.

Sincerely

Ian Goldberg

Joint Company Secretary



23 December 2021

Reference: 44697

Messrs Ian Goldberg and Lee Tamplin
Company Secretary
Prospect Resources Limited

By email: igoldberg@prospectresources.com.au; lee.tamplin@automicgroup.com.au

Dear Messrs Goldberg and Tamplin

Prospect Resource Limited ('PSC'): General – Query

ASX refers to PSC's announcement entitled "Binding Agreements Executed for Sale of Arcadia Lithium Project to Zhejiang Huayou Cobalt" lodged on the ASX Market Announcements Platform and released at 5:22AM (AWST) on 23 December 2021 (the 'Announcement'), disclosing that:

- A. PSC, through its wholly-owned subsidiary Prospect Minerals Pte Ltd, has entered into a binding heads of agreement with Huayou International Mining (Hong Kong) Limited ('Purchaser') for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Limited ('PLZ'), which owns the Arcadia Lithium Project, for approximately USD\$377.8 (or AUD\$528.4 million) in upfront cash consideration ('Transaction').
- B. The consideration payable in respect of the Transaction equates to "approximately AUD\$1.23 per PSC ordinary share" ('Share Price Valuation').
- C. The Purchaser has agreed with the two other shareholders of PLZ to acquire their 13% interest in PLZ, conditional on the Transaction completing.
- D. The following are conditions precedent to completion of the Transaction:
 - (a) PSC obtaining shareholder approval under Listing Rule 11.2;
 - (b) The Purchaser obtaining "requisite Chinese regulatory approvals";
 - (c) The parties obtaining "requisite Zimbabwean regulatory approvals and exemptions";
 - (d) PLZ's existing offtake agreement being terminated; and
 - (e) There being no material adverse change to PLZ's key mining tenements, environmental impact assessment certificate or the terms of its Special Economic Zone Licence.
- E. The Purchaser will immediately pay a deposit of USD\$20 million to a trust account nominated by PSC, which will be forfeited by the Purchaser if the Transaction does not complete if (among other things) the Purchaser fails to obtain the Chinese regulatory approvals.
- F. Following completion of the Transaction, PSC will apply USD\$50 million to progress its other Zimbabwean battery metals projects and distribute the balance of the cash consideration (after tax and transaction costs) to PSC shareholders.

Request for information

Having regard to the above, ASX asks PSC to respond separately to each of the following questions and requests for information:

1. What is the basis for the forecast Share Price Valuation for PSC's main class of securities insofar as PSC represents that the effect of the Transaction will equate to "approximately AUD\$1.23 per PSC ordinary

share”? In answering this question, please outline the qualification of the person making the Share Price Valuation and the assumptions underlying the Share Price Valuation.

2. ASX notes that PSC intends to retain US\$50 million of the consideration while applying the balance of the consideration to shareholders, after accounting for tax and costs of the Transaction, by way of a cash return of capital. Does PSC expect that shareholders will receive approximately AUD\$1.23 per PSC ordinary share in the cash return of capital? If not, what is the basis for disclosing the Share Price Valuation, noting this is not a transaction for the purposes of Chapter 6 of the Corporations Act?
3. In respect of the conditions precedent, what are the “requisite Chinese regulatory approvals” that must be obtained by the Purchaser?
4. Please confirm PSC’s proposed timetable having regard to Item 8 of Appendix 7A (cash return of capital), in particular the record date.
5. Has the Purchaser paid the US\$20 million deposit into PSC’s nominated trust account? If the answer is yes, are any regulatory approvals required to transfer the cash into PSC’s Australian bank account(s) (if the same has not already occurred) upon completion of the Transaction?

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **11:00 AM AWST Friday, 24 December 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PSC’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PSC to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PSC’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PSC's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PSC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PSC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours faithfully

Damian Dinelli
Adviser, Listings Compliance (Perth)