



## Update on Conditions Precedent to Transaction with Huayou

Prospect Resources Limited (ASX: PSC, FRA:5E8) (**Prospect** or **the Company**) provides the following update on conditions precedent to the transaction previously announced between, among other parties, Prospect's 100%-owned subsidiary Prospect Minerals Pte Ltd and Huayou International Mining (Hong Kong) Limited (**Huayou**) (the **Transaction**) (see Prospect ASX release dated 23 December 2021 for further details on the Transaction).

As announced the Transaction is for the sale of Prospect's 87% interest in the Arcadia Lithium Project (Arcadia) and associated intercompany loan to a subsidiary of new energy lithium-ion battery material producer, Zhejiang Huayou Cobalt Co., Limited (Huayou), for approximately US\$377.8 million (A\$528.4 million) in upfront cash consideration.

### Chinese Regulatory Approvals

Huayou has notified Prospect that it has obtained the outbound investment certificate for the Transaction from the Ministry of Commerce of the People's Republic of China (**MOFCOM**) required for completion of the Transaction.

Application for filing and registration by the National Development and Reform Commission (**NDRC**) has been submitted by Huayou. Once completing the filing and registration by NDRC, Huayou will apply for the relevant exchange registrations from a qualified bank supervised by the State Administration of Foreign Exchange (**SAFE**) and these confirmations are expected to be received in due course.

### Offtake Agreement

Prospect advises that it has executed a Deed of Termination and Release (**Termination Deed**) with Sinomine Resource (Hong Kong) International Trading Co. Limited (**Sinomine**) with respect to the offtake and marketing arrangements between Prospect, Prospect Lithium Zimbabwe (Pvt) Limited (**PLZ**) and Sinomine (**Offtake Agreement**) (see Prospect ASX release dated 4 April 2018 for further details on the Offtake Agreement).

The terms of the Termination Deed take effect upon completion of the binding Share Sale Agreement governing the Transaction. The effect will be that the Offtake Agreement is terminated and Prospect, PLZ and Sinomine are released from their respective obligations, and Sinomine will receive an amount of US\$8 million as required under the Termination Deed.

The terms of the Termination Deed only take effect in the event of completion of the Transaction. If the Transaction is not completed, the terms of the Termination Deed do not take effect, and the status quo prevails.

Termination of the Offtake Agreement is a condition precedent to completion of the Transaction. The parties to the Transaction have confirmed that this condition precedent will have been satisfied once the Termination Deed takes effect, and Huayou has confirmed to Prospect that it will not rely on this condition precedent as a reason not to proceed to completion, if all other conditions precedent have been satisfied or waived.

Sinomine remains a 4.86% shareholder in Prospect.

### **Prospect Shareholder Approval**

Prospect expects to dispatch a Notice of Meeting in the next two weeks for a General Meeting of Prospect shareholders to seek shareholder approval for the Transaction under ASX Listing Rule 11.2 (a further condition precedent to completion of the Transaction).

*This release was authorised by Sam Hosack, Managing Director.*

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## **About Prospect Resources Limited (ASX: PSC, FRA:5E8)**

Prospect Resources Limited (ASX: PSC, FRA:5E8) is an ASX listed lithium company based in Perth with operations in Zimbabwe. Prospect's flagship asset is the Arcadia Lithium Project located on the outskirts of Harare. Arcadia represents a globally significant hard rock lithium resource and is being rapidly advanced by Prospect's experienced team. It represents one of the most advanced lithium projects globally, with an Optimised Definitive Feasibility Study completed and offtake agreements executed.

## **About Zhejiang Huayou Cobalt Co., Ltd**

Huayou is a leading Chinese new energy materials producer with three major business segments (1) research, development and production of cathode materials, (2) research, development and production of battery precursor, and (3) development of battery metals resources. Huayou is listed on the Shanghai Stock Exchange with a market capitalisation of approximately US\$22 billion. Huayou continues to execute on its proactive business development strategy to build a new energy materials business division, which includes the provision of significant investments in the lithium resources sector. Huayou has been operating two copper and cobalt mines in the Democratic Republic of Congo since 2007 and is investing in four nickel and cobalt projects in Indonesia with an expected annual production of 255kt of nickel and 20kt of cobalt contained in products by 2024.

## **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.