



QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 MARCH 2022

Prospect Resources Ltd (ASX: PSC, FRA:5E8) (**Prospect or the Company**) is pleased to report on activities undertaken during the March 2022 quarter.

Summary

- During the quarter, conditions precedent relating to the sale of Prospect's 87% interest in the Arcadia Project (**Transaction**) to Zhejiang Huayou Cobalt Co., Limited (**Huayou**) were progressed
- Subsequent to the quarter end, the Transaction completed on 20 April 2022, with Prospect receiving net proceeds of approximately US\$342.9 million¹ (now converted to A\$465.6 million²)
- Cash distribution expected to be in the range of A\$0.94 to A\$0.96 per share,³ with A\$30-40 million to be retained for future activities
- Planning and preparation for further exploration activities at Step Aside Project continued, with rock chip sampling expected to be completed in coming weeks, followed by trenching and drilling activities
- Ongoing assessment of the pipeline of prospective battery mineral targets in Zimbabwe and the broader sub-Saharan African region
- Prospect was debt free with a cash balance of A\$15.7 million⁴ at quarter end

Prospect Managing Director and CEO, Sam Hosack, commented:

"Having successfully completed the Transaction with Huayou, we have now shifted our focus to the next phase of the Company's growth plans, including further delineation of our Step Aside Project and assessment of further prospective battery metal projects within Zimbabwe and the broader sub-Saharan African region.

"We are at an exciting point in the Company's history, and I look forward to renewed efforts of diligence and dedication from our talented team during the next quarter as we hit the ground running and assess the opportunities ahead of us."

¹ Total purchase price of approximately US\$377.8m (inclusive of the deposit of US\$20m), less US\$26.8m in Zimbabwean capital gains tax and US\$8.0m payable to Sinomine in relation to termination of the offtake agreement between Prospect and Sinomine (see ASX release dated 18 January 2022).

² Average conversion rate of AUD:USD 0.7365

³ Calculated based on fully diluted shares on issue of 467,293,677.

⁴ Quarter-end cash balance excludes US\$20m deposit received in December 2021 pursuant to the Transaction.

Project Development

Step Aside Project

The Step Aside Project is located 8km north of the Arcadia Project, and comprises claims rationalised to approximately 100 hectares within the Harare Greenstone Belt, west of the Mashonganyika Fault. The potential of the area has been confirmed by positive historical regional stream and soil sample geochemistry results. Four mineralized pegmatites have been mapped from east to west within a meta-dolerite host rock. These mineralized pegmatites are all roughly parallel to each other, lying in a north-south orientation and have dip angles of 40-45° to the west.



Figure 1: Locality Map of Step Aside, 8km north of Arcadia

The early stages of an exploration program is underway at Step Aside, with rock chip sampling underway, with a trenching and drilling exercise to follow. Trenching and drilling will aid in determining sub-surface strike extensions and will provide greater detail as to the thickness and strike length of any potential underlying pegmatite. Drilling is planned to be undertaken during Q3 CY2022.

Project Generation

The Prospect exploration team continue to develop a pipeline of prospective battery mineral targets. The success and publicity associated with the Transaction with Huayou has resulted in an increase in opportunities being presented to Prospect. Project generation activities are under way and the Company is well capitalised to identify, assess, invest and then advance those projects that have the potential to meet scale and grade criteria.

Corporate

Sale of Arcadia Project to Huayou

During the quarter, conditions precedent relating to Transaction were progressed and subsequent to the quarter end, on 20 April 2022, Prospect completed the sale of its 87% interest in the Arcadia Project to Huayou International Mining (Hong Kong) Limited, a subsidiary of Huayou.

The Transaction comprised cash consideration of approximately US\$377.8 million. Following payment of US\$26.8 million in Zimbabwean capital gains tax and US\$8 million to Sinomine in relation to the termination of the offtake agreement between Prospect and Sinomine,⁵ US\$342.9 million, (inclusive of the deposit of US\$20m), in net proceeds were received by Prospect on completion.

Subsequent to the Transaction completing, Prospect converted the funds into Australian dollars, receiving A\$465.6 million at an average AUD:USD conversion rate of 0.7365.

Management Team Changes

Following completion of the Transaction, Mr Trevor Barnard (the General Manager of Prospect Lithium Zimbabwe) and the team of operators, administration staff and field assistants, together with pilot plant assets, have moved across to Huayou's ownership. This results in a reduction in Zimbabwean overheads.

The Board is cognisant of the need to identify and transact on a new project for the Company and has accordingly taken the opportunity to strengthen its management team with the appointment of a Business Development Manager, Mr David Broomfield.

David has over 26 years' experience as a geologist in the Australian mineral resources and exploration industry. He has broad experience managing and coordinating teams in developing projects, including undertaking prefeasibility and feasibility studies, technical and economic modelling, and due diligence in support of merger, JV, acquisition, and development proposals. David has an honors degree in Geology and Masters in Mineral Economics.

Distribution of Funds

As previously announced, Prospect intends to distribute a substantial portion of the net proceeds from the Transaction to its shareholders:

- the distribution will be a cash distribution, which will likely include a capital reduction component and an unfranked dividend component;
- Prospect is applying for an ATO ruling which will set out the Australian tax treatment of the distribution for the main classes of Prospect's shareholders;
- the capital reduction component of the distribution will require shareholder approval and a shareholder meeting is expected to be convened in June 2022 to seek that approval. The record date for the distribution will be announced in the Notice of Meeting;
- payment of the proposed distribution is expected to occur in July 2022;
- Prospect expects to distribute between A\$0.94 and \$0.96 per share⁶, which will include a capital reduction of up to A\$0.20 per share; and
- Prospect intends to retain a cash balance of between A\$30-40 million to progress battery and electrification metals projects with a primary focus in Zimbabwe, and secondary focus on the broader sub-Saharan African region.

⁵ See ASX release dated 18 January 2022 for further detail relating to the arrangements with Sinomine.

⁶ Calculated based on fully diluted shares on issue of 467,293,677, subject to final transaction costs.

Cash Balance

Prospect finished the quarter with a cash balance of approximately A\$15.7 million.⁷

As noted above, net proceeds received from the Transaction totalled US\$342.9 million, which have been converted to A\$465.6 million. The Company is still required to pay final transaction costs to its advisors and consultants, which will be reconciled and paid over the coming weeks.

The Company confirms it currently has 431,293,677 ordinary shares on issue and 36,000,000 options outstanding⁸.

Appendix 5B – Related Party Payments

During the quarter, the Company made payments of A\$492,101 to related parties and their associates. These payments relate to director fees and superannuation including once off salary sacrifice payments to executive directors.

This release was authorised by the Sam Hosack, Managing Director of Prospect Resources Ltd.

For further information, please contact:

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⁷ Quarter-end cash balance excludes US\$20m deposit received in December 2021 pursuant to the Transaction.

⁸ See ASX announcement dated 3 March 2022 (Application of quotation of securities)

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

Prospect Resources Limited (ASX: PSC, FRA:5E8) is an ASX listed company focussed on the exploration and development of mining projects, specifically battery and electrification metals, in Zimbabwe and the broader sub-Saharan African region.

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.

APPENDIX A: PROSPECT TENEMENT SCHEDULE

As at 31 March 2022, Prospect Resources Limited has interests in tenements via the following companies:

- 1) Prospect Lithium Zimbabwe (Pvt) Limited (“PLZ”) – Arcadia Project ⁽ⁱ⁾
- 2) Hawkmoth Mining and Exploration (Private) Limited (“Hawkmoth”) – Chishanya Project
- 3) Promin Resource Holdings (Pte) Ltd (“Promin”) – Step Aside Project

Tenement Type & Number	Tenement Name	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
ML 38	Arcadia Lease	Zimbabwe	Arcadia	PLZ	87% (i)		
ME96BM	Arcadia JV	Zimbabwe	Arcadia	PLZ	87% (i)		
ME97BM	Arcadia TK	Zimbabwe	Arcadia	PLZ	87% (i)		
ME203BM	Arcadia B2	Zimbabwe	Arcadia	PLZ	87% (i)		
ME205BM	Arcadia B4	Zimbabwe	Arcadia	PLZ	87% (i)		
ME219BM	Thapelo	Zimbabwe	Arcadia	PLZ	87% (i)		
ME220BM	Thapelo A	Zimbabwe	Arcadia	PLZ	87% (i)		
ME221BM	Thapelo B	Zimbabwe	Arcadia	PLZ	87% (i)		
ME222BM	Thapelo C	Zimbabwe	Arcadia	PLZ	87% (i)		
ME223BM	Thapelo D	Zimbabwe	Arcadia	PLZ	87% (i)		
ME224BM	Thapelo E	Zimbabwe	Arcadia	PLZ	87% (i)		
ME1245BM	Dudolphia	Zimbabwe	Arcadia	PLZ	87% (i)		
32126	Arcadia 52	Zimbabwe	Arcadia	PLZ	87% (i)		
32127	Arcadia 53	Zimbabwe	Arcadia	PLZ	87% (i)		
32128	Arcadia 54	Zimbabwe	Arcadia	PLZ	87% (i)		
32129	Arcadia 55	Zimbabwe	Arcadia	PLZ	87% (i)		
32130	Arcadia 56	Zimbabwe	Arcadia	PLZ	87% (i)		
32131	Arcadia 57	Zimbabwe	Arcadia	PLZ	87% (i)		
32132	Arcadia 58	Zimbabwe	Arcadia	PLZ	87% (i)		
32133	Arcadia 59	Zimbabwe	Arcadia	PLZ	87% (i)		
ME284G	Best	Zimbabwe	Arcadia	PLZ	87% (i)		
ME823BM	Pros	Zimbabwe	Arcadia	PLZ	87% (i)		
ME106BM	Arcadia 2V	Zimbabwe	Arcadia	PLZ	87% (i)		
ME434G	Kamba	Zimbabwe	Arcadia	PLZ	87% (i)		
ME145	Old Timer 30	Zimbabwe	Arcadia	PLZ	87% (i)		
ME146	Old Timer 31	Zimbabwe	Arcadia	PLZ	87% (i)		
ME84	Old Timer 11	Zimbabwe	Arcadia	PLZ	87% (i)		
ME 139 G	Arcadia 139	Zimbabwe	Arcadia	PLZ	87% (i)		
ME 140 G	Arcadia 140	Zimbabwe	Arcadia	PLZ	87% (i)		

ME96BM	Arcadia JV	Zimbabwe	Arcadia	PLZ	87% (i)		
ME97BM	Arcadia TK	Zimbabwe	Arcadia	PLZ	87% (i)		
ME19948BM	Step Aside	Zimbabwe	Step Aside	Promin	100%		
M2873 BM	Penga 9	Zimbabwe	Chishanya	Hawkmoth	70%		
M2874 BM	Penga 10	Zimbabwe	Chishanya	Hawkmoth	70%		
M2875 BM	Penga 11	Zimbabwe	Chishanya	Hawkmoth	70%		
M2876 BM	Penga 12	Zimbabwe	Chishanya	Hawkmoth	70%		

- (i) Refer to announcement on 20 April 2022 where the Company has completed the sale of its interest in PLZ and the Arcadia Lithium Project.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

PROSPECT RESOURCES LIMITED

ABN

30 124 354 329

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	302	538
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(117)	(362)
(b) development		
(c) production		
(d) staff costs	(941)	(1,726)
(e) administration and corporate costs	(1,587)	(2,852)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	9
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,338)	(4,392)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements	0	(158)
(c) property, plant and equipment	(98)	(158)
(d) exploration & evaluation (if capitalised) development expenditure	(1,967)	(4,574)
(e) investments	0	(1,187)
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	0	1,041
	(b) tenements		
	(c) property, plant and equipment	0	16
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
	Net proceeds from assets held for sale		
	Cash flows for loans to minority interest		
	Interest received		
2.6	Net cash from / (used in) investing activities	(2,065)	(5,020)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	18,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	66	66
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(825)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	66	17,241

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,058	7,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,338)	(4,392)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,065)	(5,020)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	66	17,241
4.5	Effect of movement in exchange rates on cash held	(13)	2
4.6	Cash and cash equivalents at end of period	15,708	15,708

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	15,464	19,647
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		
	US dollars at bank	241	398
	Zimbabwe dollars at bank	0	5
	Petty cash	4	8
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,708	20,058

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	334
6.2	Aggregate amount of payments to related parties and their associates included in item 2	158

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments include director fees and superannuation including once off salary sacrifice payments to executive directors.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	2,338
8.2 Capitalised exploration & evaluation (Item 2.1(d))	1,967
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	4,305
8.4 Cash and cash equivalents at quarter end (Item 4.6)	15,708
8.5 Unused finance facilities available at quarter end (Item 7.5)	0
8.6 Total available funding (Item 8.4 + Item 8.5)	15,708
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.65
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/a
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/a
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer: N/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2022

Authorised by: Sam Hosack
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.