

21 MAY 2018

APPOINTMENT OF EARTHMOVING CONTRACTOR AND RESPONSE TO MEDIA ARTICLE

Prospect Resources Ltd (ASX: PSC) (“Prospect” or “Company”) is pleased to announce the appointment of J.R. Goddard (Pvt) Ltd (“JRG”) as the earthmoving contractor for the Arcadia Lithium project. JRG is expected to begin mobilisation of plant and equipment immediately and to break ground in the coming weeks.

JRG has been at the forefront of the construction industry in Zimbabwe since 1982. They are specialists in large-scale earthworks, civil construction and infrastructure development.

JRG currently owns and operates 120 major items of earth moving equipment and boasts a transport fleet of over 100 vehicles and ancillary equipment. They currently employ in excess of 1,200 staff and has successfully completed over 200 contracts since the company’s inception.

Prospect is excited about the Company moving the Arcadia Lithium project into the development and build phase. Since the updated off-take agreement was announced on the 4th April 2018, the Company is now in complete control of the design, build, commissioning and financing of the mine and concentrate plant. In a short space of time the Company has made significant progress on all fronts including:

- Building out the Company’s team at all levels as demonstrated by Sam Hosack joining the Company;
- Appointment of global engineering firm DRA to provide engineering services and design of the Arcadia Lithium project;
- Appointment of JRG as the earthmoving contractor; and
- Imminent ground-breaking ceremony.

Project Finance Update

Prospect expects to secure more than US\$55 million in funding for the first phase of its Arcadia Lithium project in Zimbabwe that will see it produce lithium concentrates for export by 30 June 2019.

Funding for the Arcadia Lithium project is currently a mix of equity and off-take prepayment. Prospect is currently considering additional indicative finance offers which are a mix of foreign debt and equity, off-take prepayment as well as local borrowings. Contrary to a recent press article, the Board firmly believe that the design, build and funding of the first stage of the Arcadia Lithium project, ie the mine and concentrate plant, are on track.

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Sinomine has already invested A\$10 million via a share placement at 6c per share and will also pay an additional US\$10 million in advance payment for lithium concentrates once the ball mill is bolted down. Sinomine has a seven-year off-take agreement with Prospect for some 70% of phase one production.

Prospect still has some 30% of the phase one supply to sign under off-take agreements. A number of international and domestic parties have made indicative offers to finance the mine and to acquire this off-take, including traditional bank lenders, battery makers and car manufacturers. Work continues to convert these indicative offers to binding offers. Our priority is to identify the best strategic fit for the short and medium term develop of the lithium project and the Company. It is encouraging to receive indicative finance offers from North America, Asia and from the Zimbabwe banking and investor network.

Looking forward to the next stage for the Company, Prospect continues to produce battery grade lithium carbonate from its pilot plant and progress work on the pre-feasibility study for the production of lithium carbonate at the Arcadia project site.

It is expected that The President of Zimbabwe, The Honourable Emmerson Mnangagwa, will be officiating at the official ground-breaking ceremony at the Arcadia Lithium Mine in the near future. As soon as the date is confirmed, shareholders and interested parties will be extended an invitation to attend. Those shareholders interested in attending the ceremony should please make contact with the Company as soon as possible so that travel arrangements can be co-ordinated as this is likely to be at short notice

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