

29 AUGUST 2018

## MANAGING DIRECTOR'S UPDATE

It is 6 weeks since I joined Prospect Resources (ASX: PSC) ("Prospect", the "Company") full time. I have had the opportunity to meet all the key members of the team that have made PSC a successful exploration company. The key event precipitating my involvement with PSC was the Board's decision to take this world class asset into production, with key support from stakeholders and offtakers. Not only am I tremendously passionate about being involved in strategically significant projects, but in building and leading a motivated group towards their goal.

One of PSC's strongest assets is our team, and as I take stock of the challenge ahead, I am also deliberating on final team selection so as to take full control of this project. The Arcadia project has strategic and economic significance, and my role is to leverage PSC's successful exploration ability by providing a complementary development capacity. Shareholder value will be targeted throughout the development cycle at the Arcadia project, whilst pursuing a strategic lithium and battery grade minerals exploration program.

In July 2017 we released the results of our pre-feasibility study ("PFS") to the market, which demonstrated to us the potential of the Arcadia deposit to host a globally significant lithium mine. This gave the confidence to start low cost, critical path activities at Arcadia in order to give us an advantage in time-to-market.

Subsequent to the release of the PFS, the Company renegotiated the offtake agreement with Sinomine to take back control of the design and build of the plant, with improved pricing terms. By controlling the full development cycle, we feel that we are now in a stronger position to deliver shareholder value. Concurrently with the renegotiation, Sinomine made an equity investment of A\$10million into PSC and put in place a US\$10million offtake prepayment facility. This demonstrated that Sinomine, as our offtake partner, are confident in our ability to deliver on development.

My mandate is to take the Company from being an exciting exploration focused company, through development, to being a successful mining company. We see the delivery of the Arcadia project as a very important first step, which will provide a solid platform from which we can drive the growth of the Company.

My initial focus at Prospect has been a thorough review of the plans, approach and overall strategy of the Company with a clear instruction to deliver this exciting lithium hardrock deposit to its full potential. Our work to date has indicated that the real potential of the deposit is unlocked via a higher tonnage scenario. This concept has been well received by our current and potential customers and has the potential to unlock strategic options with respect to financing. In alignment with this, studies are progressing with the aim of maximising the profitability of Arcadia and reducing the technical risk.

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This has been a significant and rigorous undertaking, and has entailed:

- Engagement of DRA Global to lead the engineering design and procurement phase, selected for their substantial modular DMS experience and regional presence.
- Expansion of team - to provide the skills and experience, both local and international, required to successfully deliver the mine and plant.

Our objective is to ensure PSC is in the most competitive quartile of developers from a capital employed perspective, as well as in cash cost of production. This will position PSC competitively within the lithia concentrate market.

Currently the key highlights that are worth reflecting on are;

- The key personnel now onboard are providing certainty around PSC's development and operating plans.
- The schedules for first production are being developed with DRA and the team. We are working towards an update that will be provided in due course.
- Project site established, construction work commenced, mining contractor mobilised and bulk earthworks underway.
- We expect to provide an updated feasibility study later in the year.
- Low cost, critical path activities are underway at the mine in order to expedite our time-to-market.
- We believe Zimbabwe will continue to improve the investment and development framework for PSC and its peers.

In conclusion, I am excited to be leading this dynamic team. We are excited by the challenge and opportunity that the Arcadia project presents to Prospect and its stakeholders, and I look forward to keeping you updated as we define and progress along this journey.

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Managing Director

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