



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 31 DECEMBER 2018

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to report to shareholders its activities for the quarter ended 31 December 2018.

ASX Announcements released in the Quarter

3 rd October	PSC increases ownership of the Arcadia Lithium Mine to 87%
26 th October	Appointment of Investor Relations Manager
30 th October	Option on Lipropeg Lithium Project Signed
31 st October	Quarterly Activities Report
31 st October	Quarterly Cashflow Report
19 th November	Arcadia DFS confirms leading Lithium Project
19 th November	Arcadia DFS Investor Presentation
3 rd December	Groundbreaking ceremony at Arcadia Lithium Project
11 th December	PSC exports lithium carbonate samples

ARCADIA LITHIUM PROJECT

The December 2018 quarter has been a highly productive one for Prospect as we have focused on advancing the Arcadia Lithium Project (Arcadia, the Project) through the delivery of a Definitive Feasibility Study (DFS), and negotiated terms to increase Prospect's ownership in the Project to 87%.

Management believe that Arcadia is one of only a handful of lithium deposits in the world who can:

- supply low iron lithium concentrates (Petalite) to the glass and ceramics industry; and
- supply battery specification concentrates to the battery markets (Spodumene).

Prospect increases ownership of the Arcadia Lithium Project to 87%, subject to approvals

During the Quarter, Prospect successfully negotiated terms to increase its net ownership in Arcadia to 87% by reaching conditional agreement to purchase Farvic Consolidated Mines Pvt Ltd's (Farvic) 17% free carried interest for A\$1,187,210 in cash and 94,976,800 fully paid ordinary shares. The additional 17% interest comes at a dilution to existing Prospect shareholders of 4.6%, without an increase in project capital expenditure. The transaction is subject to approval by the Zimbabwe Reserve Bank and the Company obtaining shareholder approval in accordance with the ASX Listing Rules.

A notice of meeting of shareholders is expected to be posted to shareholders, once the Zimbabwe Reserve Bank has approved the transaction.



Arcadia Definitive Feasibility Study (DFS) outlines Arcadia as Africa's leading Lithium Project

During the Quarter, Prospect completed its Definitive Feasibility Study for the **2.4 Mtpa Base Case development of the Arcadia Lithium Project**.

The key parameters and financial outcomes for the 2.4 Mtpa DFS are set out below:

Capital and Operating Costs	Units	Value (\$)
Average Life Of Mine Cash Operating Cost (FOB) ¹	USD/t conc.	285
Capital Costs (Carried to Positive Cash Flow)	USDM	165
Sustaining Capital	USDM	29
Life Of Mine Spodumene Concentrate Price	USD/t	689
Life Of Mine Petalite Concentrate Price	USD/t	457

¹ Cash operating cost include mining, processing, general administration and selling costs, transport and loading, royalty and government marketing costs and are net of Ta2O5 by-product credits

Financial Summary	Units	Value
Average Annual Free Cash Flow from Operations (Pre-tax)	USDM	104
Average Annual Free Cash Flow from Operations (Post-tax)	USDM	90
Life of Mine Revenue (excl. Ta Credits)	USDM	2 934
Average Annual EBITDA	USDM	106
Pre-Tax NPV ¹⁰	USDM	511
Pre-Tax IRR	%	44
Post Tax NPV ¹⁰	USDM	458
Post Tax IRR	%	42
Operating Margin	%	38
Payback Period (From Commencement of Production)	Years	2.5

The results confirm the Project's strong financial and geological merits, positioning the Company to be a leading producer of low iron lithium concentrates (Petalite) for supply to the glass and ceramics industry and battery specification concentrates for supply to the battery markets (Spodumene).

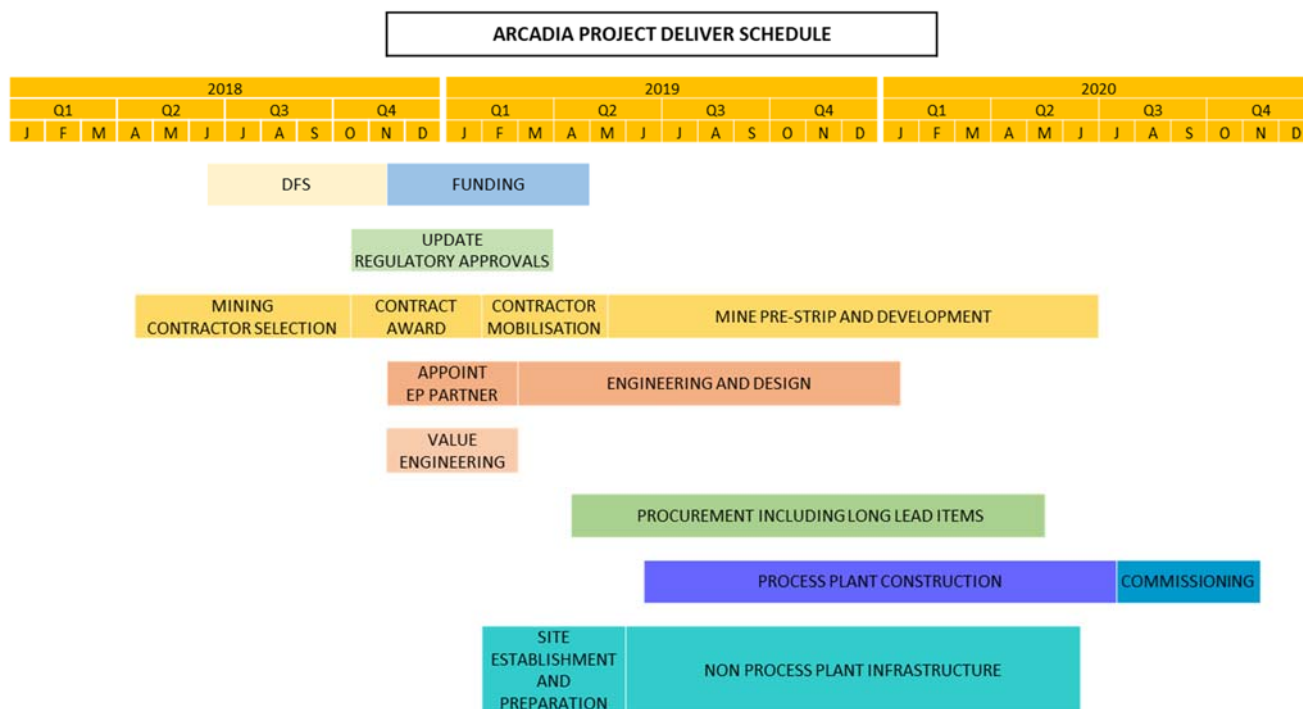
Prospect Resources Managing Director Sam Hosack said "The completion of the successful Definitive Feasibility Study on a base case of a 2.4 Mtpa development of the Arcadia Lithium Project is a great achievement. The DFS results position the Company to become a key player in the global lithium market."

"The successful finalisation of this DFS is a testament to the strength of the Prospect owner's team. A vast amount of work has been contributed to this DFS and validates my belief that Arcadia is Africa's leading lithium development project with respect to its scale, grade, economics and team."



“This DFS represents a significant milestone for Prospect as we transition into development. We are excited by the opportunity to capitalise on the strong fundamentals of the lithium market, initially through the production of lithium concentrates. Based on the mine economics and financial strength of the project, we are moving swiftly to finance, develop and commence production at Arcadia,” he said.

This successful DFS provides a compelling basis for the Company to drive towards completing additional project offtake arrangements (in addition to its existing offtake agreement with Sinomine) and securing project financing in anticipation of construction. Construction and mine development, to be managed by Prospect Lithium Zimbabwe (PLZ), is scheduled to be completed in Q3 CY2020, with commissioning from November 2020.



Prospect is currently reviewing multiple financing strategies to allow Prospect to deliver the project. Financing strategies being considered are weighted towards debt finance structures underpinned by Arcadia’s strong cashflow profile, to minimise dilution to existing shareholders.



Arcadia Lithium Project groundbreaking ceremony

On 28th November 2018, Prospect held the groundbreaking ceremony for the Arcadia Lithium Project. The groundbreaking ceremony was attended by a range of dignitaries, project stakeholders and Prospect’s full board and staff. The project was officially opened by His Excellency, The President, Mr E.D. Mnangagwa, with the Vice-President, Constantino Chiwenga, also present.

In his opening address, the President, Mr E.D. Mnangagwa said “the opening of this new mine is in line with my Government’s request to leapfrog the industrialisation and modernisation of the country. I commend Prospect Resources Limited for this milestone achievement which will go a long way towards the development of our country.”

His Excellency referred to Zimbabwe’s abundant and diversified natural resources industry. He said that he is indeed excited by the coming in of companies such as Prospect, which will soon see lithium as one of the key mining sub-sectors for the turnaround of Zimbabwe’s economy.

The President said “this project, for which we are gathered, is a product of hard work and timeous decision making by both Prospect Resources and the Zimbabwe Ministry of Mines and Mine Development.

Prospect’s Executive Chairman, Hugh Warner, confirmed the Company’s ambition to grow the lithium minerals footprint in Zimbabwe. He said that it was an honour to have His Excellency, The President, Mr. E.D. Mnangagwa, Vice-President Constantino Chiwenga and dignitaries attend as a sign of solidarity for the success of the Arcadia Lithium Project. “Your presence today signifies the Zimbabwe Government’s commitment to attracting foreign investment in Zimbabwe and indeed to Prospect Resources.”

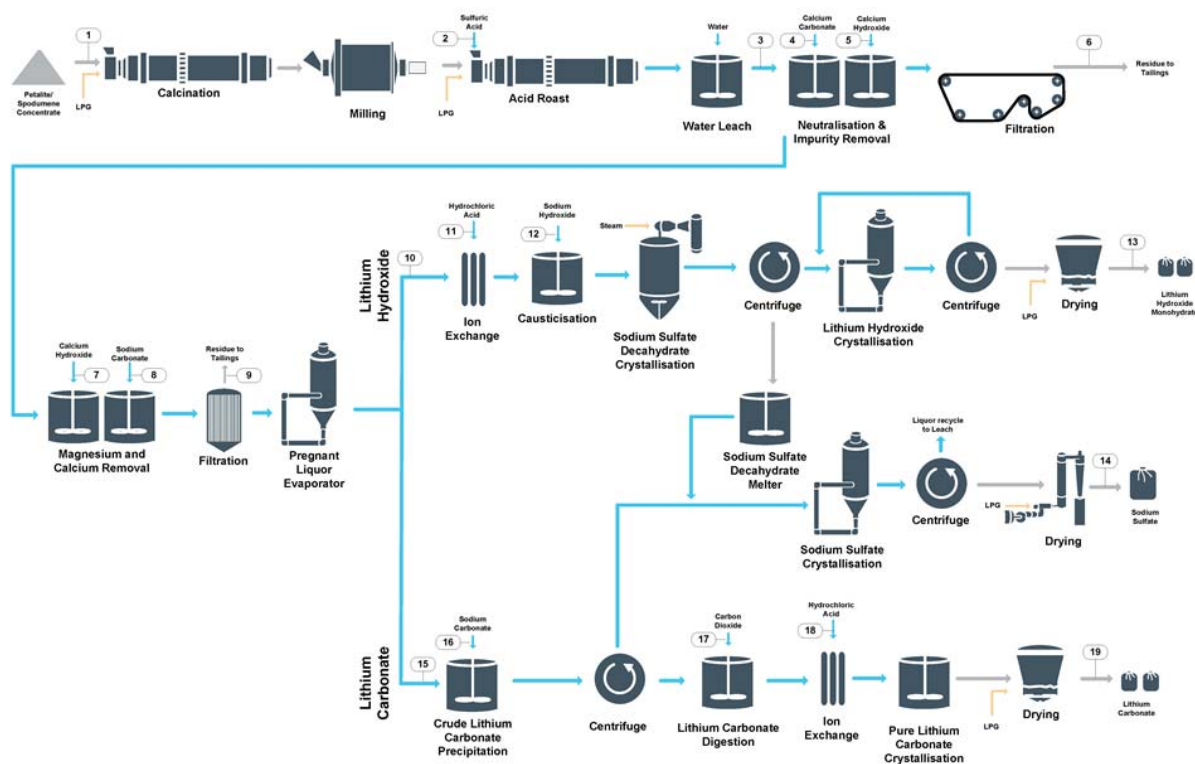
Mr Warner said the next key milestone for the project is to secure finance from international investors and lenders. “As Prospect reaches out to the international investment community to finance Arcadia, we are also working closely with the Government of Zimbabwe to provide confidence of fiscal stability to Prospect, our investors and indeed to the people of Zimbabwe.”



Lithium Carbonate Samples Exported to Potential Offtake Partners

On the 11th December 2018, Prospect announced that 100kg of lithium carbonate (battery grade lithium >99.5% Li_2CO_3) samples arrived in Australia from Zimbabwe, ready for distribution to potential offtake partners for evaluation. The samples were produced at Prospect’s pilot plant in Kwekwe, Zimbabwe using petalite ore from Arcadia.

In the production of lithium carbonate, spodumene and petalite ore is processed into spodumene and petalite concentrate (6% Li_2O and 4% Li_2O respectively) which is then converted into lithium carbonate (battery grade lithium >99.5% Li_2CO_3) or lithium hydroxide (LiOH).



Prospect’s ability to successfully produce lithium carbonate from its petalite ore at Arcadia is a first for Africa and positions the Company as one of the only companies to do so globally. Prospect is now able to provide samples to potential offtake partners to demonstrate the quality of the product. With this milestone achievement, the Company is now reconfiguring the pilot plant to manufacture lithium hydroxide.

EXPLORATION

On 30 October 2018, Prospect signed a 90 day option to acquire the Lipropeg Lithium Project from Pegmaton Resources Pvt (Ltd). The Company has allowed this option to expire.



CORPORATE

During the Quarter, in preparation for the development of Arcadia, Prospect recruited key individuals covering logistics, project management, marketing and investor relations. The strength of the team positions Prospect to deliver the Project to its full potential.

Prospect finished the Quarter with:

- A\$8.1m cash at bank;
- US\$10m funding commitment on placement of ball mill and US\$10m Export Finance Facility facilities available and undrawn; and
- A strong trading cashflow of some A\$4.75m from YTD merchandise and farm sales.

Summary of Activities Planned for the 31 March 2019 Quarter

Arcadia Lithium Project

- Plant Engineering
- Applications for additional regulatory approvals such as Special Economic Zone Status
- Offtake discussions with potential partners with regards:
 - Spodumene – battery sector
 - Petalite – glass ceramics sector
- Project finance discussions

Exploration

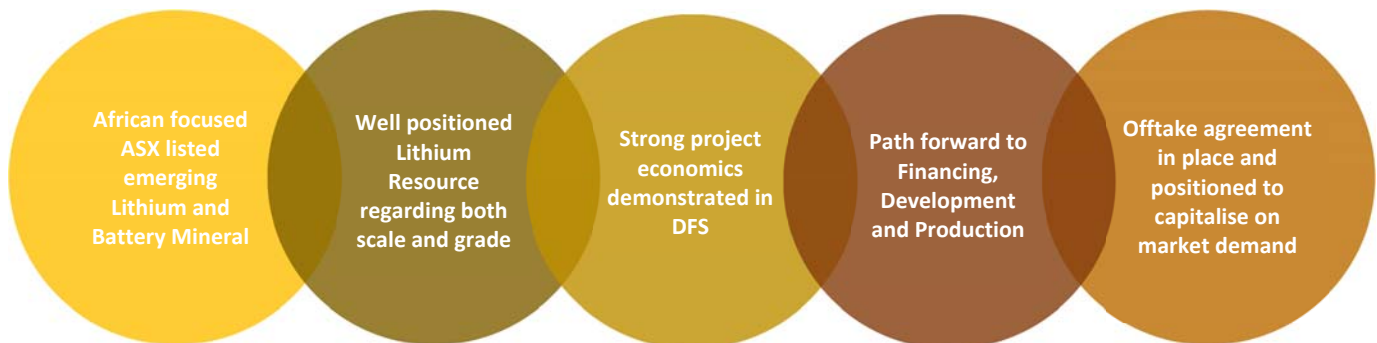
- Target proximal lithium opportunities as future feed sources to the Arcadia Mine
- Continue to investigate additional lithium opportunities regionally

Corporate Activities

The Company intends to participate in a number of investor and trade events over the 2019 year to promote Prospect, Arcadia and Zimbabwe as it seeks to expand its identity globally. The events that the company will be attending this quarter are:

- The 121 Conference in Cape Town
- Mining Indaba Cape Town

Investors should note that the above activities may change as and when results are generated and as such they should simply be used as a guide.



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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC) is an ASX listed, Africa-focused, Lithium and Battery Minerals company based in Perth with operations in Zimbabwe, and exploration activities in Zimbabwe and the DRC. Prospect's flagship project is the Arcadia Lithium Project located on the outskirts of Harare in Zimbabwe. The Arcadia Lithium Project represents a globally significant hard rock lithium resource and is being rapidly developed by Prospect's experienced team, focusing on near term production of petalite and spodumene concentrates.

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.