



MARKET UPDATE

Prospect Resources Limited ('Prospect' or the 'Company') provides the following market update on:

- **General Financing**
- **Project Finance**
- **Offtake**
- **Corporate Activity**

General Financing

As at 31 March 2019, Prospect's cash balance was A\$2.97 million. Prospect expects that additional funds will need to be raised prior to completion of any project finance discussions for the Arcadia lithium project ('Arcadia').

Prospect has 115 million unlisted options exercisable at 1.5 cents which are due to expire on 15 June 2019 ('Options'). Total funds that may be raised from the exercise of the Options is up to A\$1,725,000 (if all Options were to be exercised). The options are held by certain directors, employees and former employees of Prospect. The Company believes that there is a reasonable prospect that some or all of the Options will be exercised.

Under the terms of the Options, Prospect is required to apply for quotation of any shares issued pursuant to the exercise of the Options, this in turn requires that the shares be freely tradeable. Prospect intends to lodge a 'cleansing statement' (as contemplated by section 708A(5) of the *Corporations Act 2001* (Cth)) in the event of the issue of shares on exercise of the Options. In any such cleansing statement Prospect will be required to confirm that there is no excluded information of the type referred to in Sections 708A(7) and 708A(8) of the *Corporations Act*.

Prospect also intends to engage in discussions in respect of a potential placement of shares. Any shares issued under the placement would be issued without disclosure to investors under Part 6D.2 of the *Corporations Act*.

The purpose of this market update is to facilitate the issue of a 'cleansing statement' by providing an update on the status of certain matters relating to the Company and its assets in the event of the issue of shares on exercise of the Options and/or a placement.

Project Finance

Prospect is in ongoing discussions with a number of entities including African development banks and institutions, and a European family office consortium regarding the possible project financing of Arcadia. These discussions are at various stages of maturity and contemplate a variety of structures from traditional debt and equity financing through to 100% debt financing.



The Company has received a draft commitment letter from a potential debt arranger/financier to provide project finance funding for Arcadia. However, at this stage, the Company believes the proposal is incomplete and requires further development and clarification before the Company can continue to progress discussions on that draft document. The Company continues to actively negotiate with this debt arranger/ financier and others.

Offtake

The Company continues to discuss offtake terms with potential customers. The Company expects that offtake discussions will be ongoing from time to time for the life of Arcadia, particularly in relation to low iron petalite where a world-wide scarcity of supply of this product offers premium pricing potential.

Bulk testwork on the Arcadia deposit (the results of which were announced on 1 May 2019) has provided Prospect with additional sample products (including low iron petalite (4.1% Li₂O and 0.04% – 0.08% Fe)) to provide to potential offtake partners for evaluation. These potential offtake partners include chemical converters and battery end users, as well as glass and ceramics producers for whom the low-iron petalite is a strategic mineral.

Corporate Activity

Prospect has received non-binding expressions of interest from a number of parties interested in acquiring an interest in, or control of, Prospect and/or Arcadia. The Directors believe that it is in the best interests of shareholders to entertain such discussions and accordingly, the Company has entered into non-disclosure and restriction agreements with certain parties so that due diligence investigations can occur.

At this stage, no party has indicated a firm intention to proceed with any proposed transaction or lodged any formal proposal with the Company and Prospect has been unable to form a view as to whether any such proposal will emerge in the immediate future or at all.

Discussions are incomplete and may not lead to any proposal or agreement

All of the matters and discussions referred to above under each of the headings “General Financing”, “Project Finance”, “Offtake” and “Corporate Activity” are at various stages of maturing (generally early stage preliminary discussions), incomplete and ongoing and there is no guarantee that any of these matters will progress or result in any concluded agreement or proposal or as to the timing or terms on which any of these matters may proceed.

Prospect will keep shareholders updated with respect to any further developments as required under its continuous disclosure obligations.

ENDS



Africa's leading battery mineral company



Well positioned Lithium Resource in regard to both Scale and Grade



Strong Project Economics demonstrated in DFS



Path forward to Financing, Development and Production



Offtake Agreement in place and positioned to capitalise on Market Demand

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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC) is an ASX listed lithium company based in Perth with operations in Zimbabwe. 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.

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.