



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 30 JUNE 2019

Prospect Resources Ltd (ASX: "PSC", "Prospect", "the Company") is pleased to report to shareholders its activities for the quarter ended 30 June 2019.

Key ASX Announcements released in the Quarter

5th April	Petalite testwork results deliver increased recovery
1st May	Quarterly Cashflow Report
1st May	Quarterly Activities Report
1st May	Amended – Petalite testwork results increased recovery
10th May	Notice of General Meet/Proxy Form
16th May	Sale of DRC Assets
17th May	Sinomine commences construction of Hydroxide Plant
5th June	Consolidation/Split - PSC
5th June	Corporate Presentation June 2019
6th June	Market Update
11th June	Results of Meeting
17th June	Option exercise and share placement
Subsequent announcements	
19 July	RBZ approves PSC to increase Arcadia ownership to 87%
31 July	Low iron petalite report confirms premium pricing for Arcadia

ARCADIA LITHIUM PROJECT

Project Finance

Prospect continued discussions during the quarter and is now in advanced negotiations with a number of African development banks and other international financing institutions regarding the possible project financing of Arcadia.

Offtake discussions

Prospect continues to discuss offtake terms with potential customers. Prospect 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.

During the Quarter, the Company commissioned an independent market report from leading market analysis firm Benchmark Mineral Intelligence (“**Benchmark**”) on the use of lithium in the glass and ceramics market and the premium pricing of low iron petalite concentrate. A detailed summary of this report can be found on the Company’s website.

Value Engineering

In anticipation of development, Prospect is undertaking numerous continuous improvement initiatives in order to further de-risk the project technically, and to improve project economics. Prospect has continued with bulk metallurgical variability testing of bulk ore samples taken from existing open pit exposure of the Main Pegmatite (MP) zone within the proposed pit outline at Arcadia.

Arcadia Project Highlights:

- Pre-tax NPV¹ (10% discount rate) of US\$533 million
- Life-of-mine project revenue of US\$2.93² billion
- Average annual EBITDA of US\$109 million over an estimated 12-year mine life
- Competitive C1 cost of US\$230³ per tonne of concentrate placing Arcadia in the lowest operating cost quartile
- Delivering a rapid payback for the project of 2.5 years from first production and an exceptionally strong IRR of 45%

RBZ approves PSC to increase Arcadia ownership to 87%

Subsequent to the Quarter end, the Reserve Bank of Zimbabwe (“RBZ”) approved Prospect’s acquisition of an additional 17% of the Arcadia Lithium Project from Farvic Consolidated Mines Pvt Limited (“Farvic”) in accordance with the sale and purchase agreement dated 3 October 2018. The purchase will allow Prospect additional exposure to the Project’s strong economics and assist with the capital raising process.

EXPLORATION AND DIVESTMENT

Following the completion of the Arcadia Lithium Project DFS in November 2018, Prospect’s major focus has been to rapidly progress the Project from financing through to production. During the Quarter, Prospect continued to focus its resources on progressing Arcadia and has therefore scaled back exploration activities to maximise the value generated from Arcadia.

In-line with its strategy, the Company has divested its assets in the Democratic Republic of Congo (DRC).

¹ Net Present Value (NPV) is presented on a nominal basis.

² Excluding tantalum credits

³ C1 Cost calculated from announcement on the 19th November 2018 entitled “Arcadia DFS confirms leading lithium Project” and the 5th March 2019 titled “Arcadia project economics update”. All figures stated in \$US directly from 19 Nov 2018 DFS and 5th March 2019 announcement.



CORPORATE

Prospect finished the Quarter with:

- A\$5.5m cash at bank; and
- US\$10m funding commitment on placement of ball mill.

Prospect raised A\$5.171m during the quarter via the exercise of 7.84m options at \$0.15 to raise A\$1.176m and via a placement of 23.5m fully paid ordinary shares at \$0.17 to raise A\$3.995m.

Prior to the above placement and exercise of options, Prospect completed a 10 for 1 share consolidation.

Introduction of new currency - RTGS

RTGS\$ denominated transactions have been restated from 3 October 2018 due to changes in Zimbabwe monetary policy. Refer to the Appendix 5B for further information.

Summary of Activities Planned for the 30 September 2019 Quarter

Arcadia Lithium Project

- Project finance discussions
- Additional value engineering and continuous improvement initiatives
- Offtake discussions with potential partners with regards to:
 - Spodumene – battery sector
 - Petalite – glass ceramics sector

Exploration

- Target proximal lithium opportunities as future feed sources to the Arcadia Mine

Corporate Activities

The Company intends to participate in a number of investor and trade events over the next quarter to promote Prospect and the unique opportunity Arcadia presents. The Company intends to present at Benchmark Mineral Intelligence's world tour at their Sydney and Perth events in early September. Further details will be provided to shareholders closer to the dates.

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.



ENDS



African focused
ASX listed Lithium
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

For further information, please contact:

Nicholas Rathjen
General Manager, Corporate Affairs
nrathjen@prospectresources.com.au

About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC) is an ASX listed lithium 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.

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.