



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 31 DECEMBER 2019

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to report to shareholders its activities for the quarter ended 31 December 2019.

Key ASX Announcements released in the Quarter

31st October	Quarterly Activities Report
31st October	Quarterly Cashflow Report
04th November	Petalite passes glass & ceramics manufacturers process
20th November	Significant increase in Arcadia's Ore Reserve
06th December	Arcadia receives government incentive
12th December	Updated DFS confirms robust lithium mine
12th December	Prospect signs MOU with Uranium One
12th December	Arcadia Updated DFS Presentation - December 2019
16th December	Prospect secures power supply at Arcadia
17th December	Afreximbank mandated to arrange debt facility
30th December	Placement and off-take discussions to advance Arcadia

ARCADIA LITHIUM PROJECT

The December 2019 quarter has been pivotal in progressing the Arcadia Lithium Project, with key announcements covering Project Economics, Offtake and Project Finance

Project Economics - Updated DFS

Based on the proposed 2.4 Mtpa mining and processing operation, the DFS confirms that Arcadia will be a strong, high-margin project with current forecast Life of Mine (LOM) revenue of US\$3.42 billion and average annual EBITDA of US\$114 million over an estimated 15.5-year mine life.



A summary of the key DFS outcomes is provided in Table 1 below:

Study Outcomes	DFS – 2.4 Mtpa Base Case
Average Annual EBITDA First 5 Years (Real)	US\$168 million
Estimated Mine Life	15.5 years – Open Pit
LOM Project Revenue (Real & excluding tantalum credits)	US\$3.42 billion
LOM Project EBITDA (Real)	US\$1.77 billion
Capital Costs (Pre-production)	US\$162 million
Sustaining Capital	US\$35 million
Pre-Tax NPV ₁₀	US\$710 million
Internal Rate of Return (IRR, Pre-tax)	71%
LOM Cash Operating Costs (Real, Net of Ta ₂ O ₅ credits)	US\$344/t
Project Payback (From First Production)	1.5 years

Offtake discussions

In line with Prospect's focus on the glass & ceramics market, during November Prospect's ultra-low iron petalite product progressed through the initial qualification process with two of the world's largest glass-ceramic manufacturers, both based in Europe.

Prospect provided both manufacturers with samples for laboratory testing and analysis. The outcomes from their analysis is that the ultra-low iron petalite meets the glass-ceramic market's stringent technical specifications.

The next steps in the product qualification process are:

1. A pilot trial manufacturing product in a large kiln, and
2. A full test in the production kiln.

Testing will continue into 2020 as larger volumes of product become available after the pit is opened up and the pilot plant is constructed. The Company intends to operate a pilot plant for the life of the mine. This plant will continuously test future ores before they reach the production plant to ensure process efficiencies are implemented prior to ore being delivered to the plant.



In December and in line with release of the updated DFS, Prospect announced that it had entered into a Memorandum of Understanding (“MoU”) with Uranium One Group JSC (“Uranium One”). Uranium One is a global energy company and one of the world’s largest uranium producers, with a diverse portfolio of assets worldwide, including in Kazakhstan, the United States and Tanzania. Uranium One is a company of ROSATOM, the Russian State Corporation for Nuclear Energy.

The purpose of the MOU is to afford Uranium One with a 90-day exclusivity period (subject to certain exceptions) to:

- complete due diligence on the Company and its Arcadia Lithium Mine; and

subject to satisfactory due diligence, negotiate:

- Equity investment terms in Prospect or its subsidiaries; and
- Off-take terms for at least 51% of the Company’s future lithium production.

The discussions with Uranium One are incomplete and ongoing and there is no guarantee that the MOU or any discussions with Uranium One will result in a formal binding agreement or proposal or as to the timing or terms on which any transaction may proceed.

Project Finance

In December, the Company appointed African Export-Import Bank (“Afreximbank”) to arrange and manage the primary syndication of a US\$143m project finance debt facility. Afreximbank is proposing to fund and hold US\$75m of the facility. The parties have also agreed a non-binding indicative debt facility term sheet.

The appointment of Afreximbank as mandated lead arranger is a critical milestone in the financing of the Arcadia lithium project in Zimbabwe. The parties will now undertake further detailed due diligence and negotiate the final facility agreements. Execution of the facility agreements will be subject to Afreximbank’s further due diligence and credit approvals and drawdown will be subject to satisfaction of various conditions precedent to be included in the agreements.

EXPLORATION AND DIVESTMENT

Prospect did not undertake any material exploration activities during the quarter, because the Company is focussing on the Arcadia Lithium Project.

In line with the Company’s lithium focus, the Company has agreed to terminate the Farvic joint venture farmin agreement by mutual consent.



CORPORATE

Prospect finished the Quarter with:

- A\$1.13m cash at bank;
- Subsequent to 31 December 2019, the Company has raised an additional A\$0.97m; and
- US\$10m funding commitment from offtake partner Sinomine on placement of ball mill

The Company will continue to focus on cost control while advancing discussions with Uranium One and Afreximbank.

The Prospect Resources 2019 Annual General Meeting was held on Friday 29 November, with all resolutions successfully passed as ordinary resolutions.

Summary of Activities Planned for the 31 March 2020 Quarter

Arcadia Lithium Project

- Afreximbank – progress due diligence and negotiation of final facility agreements
- Uranium One – progress due diligence and negotiation of equity investment and offtake
- Offtake discussions with potential partners with regards to long term supply of Ultra low iron Petalite – glass ceramics sector
- Target proximal lithium resources as future feed sources to the Arcadia Mine

Corporate Activities

Over the course of late January and early February, Prospect will be in Europe holding offtake discussions with a number of parties relating to the ultra-low iron petalite and tantalum. Prospect has also been invited to the below events and welcomes shareholders to attend if possible. The events are:

- Mining Indaba, Cape Town, 4-6th February
- Benchmark Cape Town, Cape Town, 5th February
- Roskill Lithium Mine to Market, Perth, 12th February

This release was authorised by Mr Hugh Warner, Executive Chairman of Prospect Resources Ltd.

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



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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC, FSE:5E8) is an ASX listed lithium company based in Perth with operations in Zimbabwe, and exploration activities 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.