

PROSPECT RESOURCES LIMITED
ACN 124 354 329

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Share for every four (4) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.05 per Share to raise up to \$3,069,897 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Hugh Warner (Executive Chairman)
Samuel Hosack (Managing Director)
Duncan Greaves (Executive Director)
Gerard Fahey (Non-Executive Director)
Zivanayi Rusike (Non-Executive Director)
Henian Chen (Non-Executive Director)
Meng Sun (Alternative to Mr Chen)

Registered Office

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Company Secretary

Andrew Whitten

Share Registry*

Automic Pty Ltd
Level 5
126 Philip Street
SYDNEY NSW 2000

Telephone: 1300 288 664
Email: hello@automic.com.au

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor*

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Company Announces New Offer	3 April 2020
Lodgement of Prospectus with ASIC and ASX and lodgement of Appendix 3B	6 April 2020
"Ex" date	9 April 2020
Record Date for determining Entitlements	14 April 2020
Dispatch of Prospectus to eligible Shareholders & Company announces this has been completed	17 April 2020
Opening Date	17 April 2020
Last day to extend the Closing Date of the Offer	29 April 2020
Closing Date*	4 May 2020
Shares and Options quoted on a deferred settlement basis	5 May 2020
Announcement of results of the New Offer	7 May 2020
Issue date/Securities entered into Shareholders' security holdings/ Lodgement of Appendix 2A with ASX	11 May 2020

*The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 6 April 2020 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements

contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

4. COMPANY UPDATE AND DETAILS OF THE OFFER

4.1 Update on the Company

As previously announced to ASX, the Company's main focus has been on its Arcadia Lithium Project in Zimbabwe. As set out in recent announcements, the Company continues to develop the Arcadia Lithium Project for the benefits of Shareholders. Along those lines, the Company has previously announced to ASX:

- (a) the entry into a memorandum of understanding with Uranium One Group JSC (**Uranium One**) pursuant to which Uranium One have been granted exclusivity to 30 April 2020 to complete due diligence on the Company and the Arcadia Lithium Project and to negotiate an equity investment in the Company or its subsidiaries and to negotiate an offtake for at least 51% of the Company's future lithium production; and
- (b) the appointment of African Export-Import Bank (**Afreximbank**) to arrange and manage the primary syndication of a US\$143 million project finance debt facility for the Arcadia Lithium Project.

The potential transactions with Uranium One and with Afreximbank continue in line with the Company's previous announcements to ASX, although there has been some delay caused, in part, by the developments relating to the COVID-19 pandemic that has been declared.

As a result of the difficult capital market conditions, the Company has also implemented various cost cutting measures across the Company and its subsidiaries in order to conserve cash and enable the Company to focus its resources while these ongoing matters are resolved. As announced to ASX on 3 April 2020, the Company has implemented a cost reduction strategy. The strategy targets a reduction of operating costs of 57% and will include reductions in:

- (a) staff count;
- (b) salaries of directors and the remaining staff of approximately 50%;
- (c) costs that are not directly related to the current corporate activities.

4.2 Working capital shortfall

The Company has identified that it has a working capital shortfall that needs to be filled in order for the Company to continue its operations while the COVID-19 pandemic continues and while it awaits the outcome of the existing discussions with Uranium One and Afreximbank referred to in Section 4.1 above. For this reason, the Company has proposed to undertake the Offer, to meet this working capital shortfall and to provide the Company with sufficient funds to enable it to navigate these difficult market conditions.

The Board has set a minimum capital raising amount of \$1.2 million, which the Board considers is sufficient to meet these objectives. The funds raised under the Offer will be used as set out in Section 5.1 below.

Importantly, the Directors and management of the Company have agreed to support the Offer by taking up their Entitlements and agreeing to underwrite the Offer for a combined total of \$571,912.

Where the minimum raising amount is not received, the Company will need to consider other options available to it to meet its working capital shortfall and whether or not it can continue to operate as a going concern.

4.3 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every four (4) Shares held by Shareholders registered at the Record Date at an issue price of \$0.05 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 61,397,940 Shares will be issued pursuant to this Offer to raise up to \$3,069,897.

As at the date of this Prospectus the Company has 4,500,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.4 Minimum subscription

The minimum subscription in respect of the Offer is \$1,200,000. No shares will be allotted or issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

4.5 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Offer and (and Shortfall Offer) as follows:

- (a) accept your **full** Entitlement;
- (b) accept your full Entitlement and **apply for Shortfall under the Shortfall Offer**;
- (c) accept **part** of your Entitlement; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.6 Payment

4.6.1 By BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

4.6.2 By Electronic Funds Transfer (overseas applicants)

For payment by Electronic Funds Transfer (EFT) for overseas Eligible Shareholders, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via EFT if you are the holder of an account that supports EFT transactions to an Australian bank account. Please note that should you choose to pay by EFT:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® or EFT payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.7 Directors support and underwriting

All of the Directors, and the entities that they control, have agreed to take up their Entitlements. In addition certain Directors have entered into underwriting agreements to underwrite a portion of the Offer. Each Director's Entitlement, underwriting commitment and total investment are detailed below.

Director	Shares	Entitlement	\$	Underwriting Shares	Underwriting \$	Total \$
Hugh Warner	16,366,668	4,091,667	204,583	-	-	204,583
Samuel Hosack	1,000,000	250,000	12,500	750,000	37,500	50,000

Director	Shares	Entitlement	\$	Underwriting Shares	Underwriting \$	Total \$
Duncan Greaves	3,595,794	898,949	44,947	1,023,211	51,161	96,108
Gerard Fahey	500,000	125,000	6,250	400,000	20,000	26,250
Zivanayi Rusike	1,740,374	435,094	21,755	864,906	43,245	65,000
Henian Chen	4,932,637	1,233,159	61,658	-	-	61,658
Meng Sun	Nil	Nil	Nil	-	-	-

No underwriting fees are being paid to any of the underwriters. The Shortfall shall be distributed between each of the Underwriters pro rata up to their commitment limit.

In addition to the Directors, certain members of the Company's management have committed to take up their Entitlements totalling \$43,000 with additional commitments to apply for an additional amount of \$25,313 from the Shortfall.

The commitments and underwriting of the Directors and management of the Company are expected to see the Company raise at least \$571,912, with a further \$628,088 needing to be raised to reach the minimum subscription under the Offer.

Based on the existing share holdings of the Directors (and their associated entities) and the small amounts being underwritten by each of the Directors, the participation of the Directors and management is not expected to have any material impact on the control of the Company, and none of those parties will acquire a voting power close to 10%.

4.8 Dilutionary effect on Shareholders

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 20% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	10,000,000	4.07%	2,500,000	10,000,000	3.26%
Shareholder 2	5,000,000	2.04%	1,250,000	5,000,000	1.63%
Shareholder 3	1,500,000	0.61%	375,000	1,500,000	0.49%
Shareholder 4	400,000	0.16%	100,000	400,000	0.13%
Shareholder 5	50,000	0.02%	12,500	50,000	0.016%

Notes:

1. This is based on a share capital of 245,591,757 Shares at the date of this Prospectus.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

4.9 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.05 being the price at which Shares have been offered under the Offer.

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall Offer and potentially be allocated to other Eligible Shareholders or other third parties as part of the Shortfall Offer. The Shortfall Offer will only be available where there is a Shortfall between applications received from Eligible Shareholders and the number of Shares proposed to be issued under the Offer.

If you wish to apply for additional Shares out of the Shortfall (**Shortfall Shares**) in excess of your Entitlement pursuant to the Shortfall Offer you may do so by completing the relevant part of the Entitlement and Acceptance Form relevant to the Shortfall Offer.

The Board presently intends to allocate Shares under the Shortfall Offer as follows:

- (a) to Eligible Shareholders who apply for their full Entitlement, so long as the issue of Shortfall Shares to that Eligible Shareholder would not take their voting power to in excess of 19.99%; and then
- (b) to other parties identified by the Directors, which may include parties not currently Shareholders of the Company.

As outlined above, no Shares will be issued to a party under the Shortfall Offer if the effect would be to increase that party's voting power in the Company to an amount greater than 19.99%.

The Company reserves the right to issue an Eligible Shareholder a lesser number of Shortfall Shares than applied for or no Shortfall Shares at all. All decisions regarding the allocation of Shortfall Shares will be made by the Directors and will be final and binding on all applicants under the Shortfall Offer; as such there is no guarantee that any Shares applied for will be issued to Eligible Shareholders.

The Company will have no liability to any Applicant who receives less than the number of additional Shares they applied for under the Shortfall Offer. If the Company scales back any applications for Shares under the Shortfall Offer any application monies will be returned (without interest) as soon as practicable.

4.10 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.11 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.12 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand or any of the jurisdictions outlined below.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United Arab Emirates

Neither this document nor the New Shares have been approved or passed on in any way by the Emirates Securities and Commodities Authority (**ESCA**) or any other governmental authority in the United Arab Emirates. The Company has not received authorisation from the ESCA or any other governmental authority to market or sell the New Shares within the United Arab Emirates. This document does not constitute, and may not be used for the purpose of, an offer of securities in the United Arab Emirates. No services relating to the Shares, including the receipt of applications, may be rendered within the United Arab Emirates.

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

If you (or any person for whom you are acquiring the New Shares) are in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre), you (and any such person) acknowledge that any communications received in relation to the Offer occurred from outside the United Arab Emirates.

China

This document has not been approved by, nor registered with, any competent regulatory authority of the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). Accordingly, the New Shares may not be offered or sold in the PRC either publicly or privately, nor may any invitation, advertisement, solicitation or other means to offer any New Shares be made from within the PRC. This document does not constitute, or purport to constitute, an offer of New Shares in the PRC.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares offered have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or

offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

If you (or any person for whom you are acquiring the Shares) are in Hong Kong, you (and any such person) warrant by lodging an Application Form that you are a "professional investor" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong.

South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act and may not be distributed to the public in South Africa.

An entity or institution resident in South Africa may not implement participation in the Offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.13 Enquiries

Any questions concerning the Offer should be directed to Andrew Whitten, Company Secretary, on +61 2 8072 1400

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$3,069,897.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Minimum Subscription (A\$)	%	Full Subscription (A\$)	%
1.	Project development	200,000	17	1,680,000	55
2.	Progression of due diligence with Afreximbank	560,000	47	560,000	18
3.	Progress of on-going off-take discussions	120,000	10	120,000	4
4.	Expenses of the Offer ¹	54,575	4	54,575	2
5.	Working capital	265,425	22	655,322	21
	Total	1,200,000	100	3,069,897	100

Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

In the event the Company raises less than the full subscription, the funds raised will first be allocated toward the expenses of the Offer and then toward the ongoing development and management of the Company's Arcadia Lithium Project and to working capital. On completion of the Offer, the Board believes our Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including development success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$3,015,322 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 245,591,757 as at the date of this Prospectus to 306,989,697 Shares.

5.3 Pro-forma balance sheet

The audit reviewed balance sheet as at 31 December 2019 and the unaudited pro-forma balance sheet as at 31 December 2019 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Audit Reviewed 31 December 2019 \$'000	Unaudited Proforma 31 December 2019 \$'000 MINIMUM	Unaudited Proforma 31 December 2019 \$'000 MAXIMUM
CURRENT ASSETS			
Cash ¹	1,133	2,278	4,148
Trade and other receivables	408	408	408
Inventories	9	9	9
Other current assets	750	750	750
TOTAL CURRENT ASSETS	2,300	3,445	5,315
NON-CURRENT ASSETS			
Mine properties	22,926	22,926	22,926
Property, plant and equipment	1,385	1,385	1,385
Intangible assets	579	579	579
TOTAL NON-CURRENT ASSETS	24,890	24,890	24,890
TOTAL ASSETS	27,190	28,335	30,205
CURRENT LIABILITIES			
Creditors and borrowings	656	656	656
Provisions	171	171	171
TOTAL CURRENT LIABILITIES	827	827	827
NON-CURRENT LIABILITIES			
Provisions	43	43	43
TOTAL NON-CURRENT LIABILITIES	43	43	43
TOTAL LIABILITIES	870	870	870
NET ASSETS	26,320	27,465	29,335
EQUITY			
Share capital ¹	62,554	63,699	65,569
Reserve	12,175	12,175	12,175
Accumulated losses	(47,303)	(47,303)	(47,303)
Total Equity Attributable to Shareholders of Parent Company	27,426	28,571	30,441
Non-controlling interests	(1,106)	(1,106)	(1,106)
TOTAL EQUITY	26,320	27,465	29,335

Notes:

- The Company receives either the minimum raise of \$1,200,000 or the maximum raise of \$3,069,897, in each case, less expected costs of \$54,575.

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	245,591,757
Shares offered pursuant to the Offer	61,397,940
Total Shares on issue after completion of the Offer	306,989,697

Options

	Number
Unquoted Options currently on issue exercisable at \$0.60 per Option on or before 12 May 2022.	4,500,000
New Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	4,500,000

The capital structure on a fully diluted basis as at the date of this Prospectus would be 250,091,757 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 311,489,697 Shares.

Pursuant to the Placement and Framework Agreement entered into between the Company, Prospect Lithium Zimbabwe (Pvt) Ltd (**PLZ**), Sinomine Resource Exploration Co Ltd (**Sinomine**) and Sinomine International Exploration (Hong Kong) Co Ltd (**Sinomine HK**) dated 29 March 2018 (as amended), Sinomine must not, and must procure that its related bodies corporate including Sinomine HK do not, deal in Shares until Sinomine HK has paid the prepayment amount to the Company and PLZ in accordance with the Offtake Agreement dated 28 March 2018. As at the date of this Prospectus, the prepayment amount is not due and payable and has not been paid. Aside from the foregoing, no Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5.5 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	Voting Power (%)	Entitlement	\$
Citicorp Nominees Pty Limited	27,383,848	11.15	6,845,962	342,298
Lord of Seven Hills Holding FZE	25,900,000	10.55	6,475,000	323,750
Sinomine International Exploraiton (Hong Kong) Co Ltd	16,666,667	6.79	4,166,667	208,333
Elliott Holdings Pty Ltd & associated entities	16,366,668	6.66	4,091,667	204,583
MBM Capital Partners LLP	14,125,000	5.75	3,531,250	176,563

Note:

1. The voting power in the table is prior to settlement of the Offer.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

6.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

6.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

6.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

6.5 Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

6.6 Transfer of shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

6.7 Future increase in capital

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

6.8 Variation of rights

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.9 Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) **Coronavirus (COVID – 19)**

The outbreak of the coronavirus disease (**COVID-19**) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market regarding the impact of the coronavirus on its revenue channels and adverse impact on the Company. If any of these impacts appear material prior to close of the Offer, the Company will notify investors under a supplementary prospectus.

(b) **Uranium One**

The Company and Uranium One have entered into a memorandum of understanding pursuant to which the Company granted Uranium One a period of 90 days (subsequently extended to 30 April 2020) to conduct due diligence and negotiate terms for an equity investment in the Company and off-take terms for at least 51% of the Company's future lithium production.

The discussions with Uranium One are incomplete and there is no assurance that the discussions will result in a formal binding agreement.

(c) **Off-take Discussions**

The Company is undertaking off-take discussions with potential buyers of lithium products. The discussions are incomplete and there is no assurance that the discussions will result in formal binding agreements.

(d) **Afreximbank**

The Company has appointed Afreximbank to arrange and manage the primary syndication of a US\$143,000,000 project finance debt facility (**Facility**).

The final facility agreements are subject to negotiation. There can be no assurance that the Company will be able to agree satisfactory terms with Afreximbank.

If Afreximbank is unable to syndicate the Facility, the Facility may not be made available to the Company.

Execution of the agreements is subject to a number of conditions precedent including further due diligence enquiries and further credit approvals by Afreximbank. There can be no assurance that the Company will satisfy Afreximbank's due diligence enquiries or that Afreximbank will grant all necessary credit and other approvals.

Drawdown of the Facility will be subject to a number of conditions precedent including, amongst others, the Company raising additional equity funding. There can be no assurance that the Company will be able to raise sufficient equity funding or satisfy the conditions precedent to drawdown.

There can be no assurance that drawdown of the Facility will occur within commercially acceptable timeframes or at all.

If the Company is unable to drawdown the Facility for any of the foregoing reasons or otherwise, the Company's financial position could be adversely affected.

(e) **Financing**

If the Company is unable to secure additional debt and equity financing, it will be unable to construct the Arcadia Mine and its financial position could be adversely affected.

(f) **Risks associated with operating in Zimbabwe**

The Company's assets are located in Zimbabwe and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations.

Changes to Zimbabwe's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

(g) **Political and economic risk**

Government policy in Zimbabwe has been unpredictable and the institutions of government and market economy have been unstable and subject to rapid and unpredictable change.

Any mining operations carried out by the Company in Zimbabwe will be subject to Zimbabwean laws, policies and regulations governing the prospecting, developing and mining of mineral reserves, taxation, exchange controls, investment approvals, employee relations and other matters. If the Company cannot obtain or maintain the necessary permits, authorisations or agreements to implement planned projects or continue its operations under conditions or within time frames that make such plans and operations economic, or if legal or fiscal regimes or the governing political authority change materially, its financial position could be adversely affected.

(h) **Zimbabwe's legal environment**

Zimbabwe's legal system is less developed than more established countries and this could result in the following risks:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (ii) a higher degree of discretion held by various government officials or agencies;
- (iii) the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (v) relative inexperience of the judiciary and court in matters affecting the Company.

(i) **Foreign exchange**

The Company will hold tenure in Zimbabwe with expenditure required in US dollars and Zimbabwean dollars.

In the future, a significant proportion of the Company's revenues, cash inflows, other expenses, capital expenditure and commitments may be denominated in foreign currencies.

This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets.

Zimbabwe regulates trading in Zimbabwean dollars. There can be no assurance that the Company will be able to convert Zimbabwean dollars into foreign currency on commercially acceptable terms or at all. Zimbabwe may change the manner in which it regulates trading in Zimbabwean dollars. Zimbabwe may also change the currency or currencies of legal tender within the country. There can be no assurance that the Company will be able to convert such currencies into foreign currency on commercially acceptable terms or at all.

(j) **Potential for dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 245,591,757 currently on issue to 306,989,697. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.10 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(k) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its construction of its proposed colocation facilities. There is, however, no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(l) **Approval Risk**

The operation of colocation facilities by the Company may require some local, state or federal authority approvals associated with building works and the delivery of utility services to the sites.

There is no guarantee that approvals will be obtained within a timely fashion or on the terms requested or expected. A delay in obtaining the necessary approvals or changes made to a development in order to obtain the necessary approvals may materially adversely affect a development and consequently the returns to be paid to the Company.

(m) **Commodity Pricing**

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange

rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macroeconomic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollars and Australian Dollars as determined in international markets.

(n) **Key Personnel Risk**

A failure to attract and retain executive, business development, technical and other key personnel could reduce the Company's revenues and operational effectiveness. There is a continuing demand for relevant qualified personnel, and the Company believes that its future growth and success will depend upon its ability to attract, train and retain such personnel. Competition for personnel in the Company's industry is intense, and there is a limited number of persons with knowledge of, and experience in, this industry. An inability to attract or maintain a sufficient number of requisite personnel could have a material adverse effect on the Company's performance or on the Company's ability to capitalise on market opportunities.

(o) **Dilution**

Investors may be diluted by future capital raisings by the Company. Shares may be issued to finance future data centre development, acquisitions or pay down debt which may, under certain circumstances, dilute the value of Shareholders' interests. The Company will only look to raise equity if it believes that the benefit to investors of acquiring the relevant assets or reducing gearing is greater than the impact caused by the dilution associated with a capital raising.

(p) **Funding for the Company**

Although the Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its stated business objectives in the short term, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that it can be obtained on favourable terms or at all. If additional funds are raised by issuing equity securities, this may result in dilution of some or all of the existing Shareholders of the Company.

The Company's ability to raise capital from either debt or equity markets on favourable terms for future activities cannot be guaranteed and is dependent on a number of factors, including:

- (i) the general economic climate;
- (ii) the state of debt and equity capital markets; and
- (iii) the performance, reputation and financial strength of the Company.

A lack of or increased cost of capital could impact the funding costs of the Company and therefore impact the Company's earnings.

(q) **Management of future growth**

The Company may experience rapid growth and an increase in the number of its employees. This growth will potentially result in new and increased responsibilities for management and place a significant strain on the Company's management. The Company will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operation. A failure to do so may adversely affect the Company's revenue and profitability.

(r) **Foreign Operation**

The Company has operations outside of Australia and investors should be aware of the risks of operating internationally. These risks include but are not limited to regulatory requirements, tariffs, customs, duties and other trade barriers, exchange rates, collecting amount receivable, political instability, expropriation, nationalisation and war.

(s) **Litigation, Claims and Disputes**

The Company may be subject to litigation and other claims and disputes in the course of its business, including contractual disputes, employment disputes, occupational and personal claims. Such litigation, claims and disputes, including the costs of settling such claims, could materially adversely affect the Company's business, operations and financial performance.

7.3 Industry specific

(a) **Environmental**

The operations and proposed activities of the Company are subject to various laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that

environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals may be required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(b) **Failure to satisfy Expenditure Commitments**

Each of the Company's tenements is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(c) **Resource estimates**

In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(d) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses. General risks

(e) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(f) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(g) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(h) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.]

(i) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility

with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(j) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Underwriting Agreements

The Company has entered into underwriting agreement with each of the Underwriters pursuant to which they each agree to underwrite a portion of the Offer as set out in this Prospectus (**Underwriting Agreements**).

No fees are payable to the Underwriters under the Underwriting Agreements.

The Underwriting Agreements are only terminable in certain limited circumstances, given the relationship between the Underwriters and the Company. Those termination events are:

(a) **Default**

Default or breach by the Company under the underwriting agreement of any terms, condition, covenant or undertaking.

(b) **Incorrect or untrue representation**

Any representation, warranty or undertaking given by the Company in the underwriting agreement is or becomes untrue or incorrect in a material respect.

(c) **Contravention of constitution or Act**

A material contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX.

(d) **Event of Insolvency**

An Event of Insolvency occurs in respect of a Relevant Company.

(e) **Timetable**

Any date in the timetable is not met for more than five (5) Business Days otherwise than as the direct result of actions taken by the underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the prior consent of the underwriter).

8.3 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
3 April 2020	Share Rights Issue
1 April 2020	Extension of Voluntary Suspension
30 March 2020	Extension of Voluntary Suspension
25 March 2020	Extension of Voluntary Suspension
23 March 2020	Suspension from Official Quotation
19 March 2020	Trading Halt
13 March 2020	Half Yearly Report and Accounts
13 March 2020	Extension of MOU with Uranium One
11 February 2020	Caesium discovered in satellite deposits around Arcadia
3 February 2020	Corporate Presentation 2020
31 January 2020	Quarterly Cashflow Report
31 January 2020	Quarterly Activities Report
16 January 2020	Cleansing Notice
16 January 2020	Appendix 2A
16 January 2020	Completion of Placement
14 January 2020	Proposed issue of Securities - PSC
14 January 2020	Equity Placement
10 January 2020	Trading Halt
6 January 2020	Petalite passes second product qualification stage
30 December 2019	Cleansing Notice
30 December 2019	Appendix 3B
30 December 2019	Reinstatement to Official Quotation
30 December 2019	Placement and take-off discussions to advance Arcadia
27 December 2019	Extension of Voluntary Suspension
24 December 2019	Extension of Voluntary Suspension
23 December 2019	Suspension from Official Quotation
19 December 2019	Trading Halt
19 December 2019	Pause in trading
17 December 2019	Afreximbank mandated to arrange debt facility
16 December 2019	Prospect secures power supply to Arcadia
12 December 2019	Trading Halt lifted
12 December 2019	Arcadia Updated DFS Presentation – December 2019
12 December 2019	Prospect signs MOU with Uranium One
12 December 2019	Updated DFS confirms robust lithium mine
11 December 2019	Trading Halt
6 December 2019	Arcadia receives government incentive
29 November 2019	Results of Meeting
20 November 2019	Significant increase in Arcadia's Ore Reserve

Date	Description of Announcement
4 November 2019	Petalite passes glass & cermics manufacture process
31 October 2019	Quarterly Cashflow Report
31 October 2019	Quarterly Activities Report
30 October 2019	Notice of Annual General Meeting / Proxy Form
14 October 2019	Waiver from ASX Listing Rule 14.7
27 September 2019	Appendix 4G and Corporate Governance Statement
27 September 2019	2019 Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's www.prospectresources.com.au.

8.4 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.265	16 January 2020
Lowest	\$0.10	17 and 18 March 2020
Last	\$0.10	18 March 2020

The Company has been suspended from trading on the ASX since 19 March 2020.

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:

- (i) the formation or promotion of the Company; or
- (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options¹	Entitlement	\$
Hugh Warner	16,366,668	Nil	4,091,667	204,583
Samuel Hosack	1,000,000	4,500,000	250,000	12,500
Duncan Greaves	3,595,794	Nil	898,949	44,947
Gerard Fahey	500,000	Nil	125,000	6,250
Zivanayi Rusike	1,740,374	Nil	435,094	21,755
Henian Chen	4,932,637	Nil	1,233,159	61,658
Meng Sun	Nil	Nil	Nil	Nil

Notes:

1. unlisted, vested and exercisable at \$0.60 per option, expires on 12 May 2022.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements. As outlined above, some of the Directors have also agreed to subscribe for additional Shares under the Shortfall Offer by entering into underwriting agreements to underwrite approximately \$151,906 of the Shortfall.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to current directors.

Director	Annualised remuneration from April 2020	Financial year ending 30 June 2020	Financial year ending 30 June 2019
Hugh Warner	187,500	\$234,375	\$257,318
Samuel Hosack	175,000	\$306,252	\$990,222
Duncan Greaves	125,000	\$218,751	\$250,000
Gerard Fahey	12,000	\$21,000	\$24,000
Zivanayi Rusike	12,000	\$21,000	\$24,000
Henian Chen ¹	12,000	\$21,000	\$24,000 ¹

Notes:

1. All fees were paid or are payable to his alternate director, Meng Sung.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- the formation or promotion of the Company; or
- the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid

fees totalling \$1,038 (excluding GST and disbursements) for legal services provided to the Company.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus, Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$54,575 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	11,369
Legal fees	15,000
Printing and distribution	10,000
Miscellaneous	15,000
Total	<u>54,575</u>

8.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9217 3300 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.prospectresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic

Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

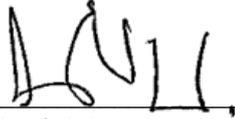
You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Hugh Warner

Chair

**For and on behalf of
PROSPECT RESOURCES LIMITED**

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESSE.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Prospect Resources Limited (ACN 124 354 329).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Event of Insolvency means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:

- (i) appointing a person referred to in paragraphs (a) or (b);
 - (ii) winding up a corporation; or
 - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

Insolvency Provision means any law relating to insolvency, sequestration, liquidation or bankruptcy (including any law relating to the avoidance of conveyances in fraud of creditors or of preferences, and any law under which a liquidator or trustee in bankruptcy may set aside or avoid transactions), and any provision of any agreement, arrangement or scheme, formal or informal, relating to the administration of any of the assets of any person.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Relevant Company means the Company and each subsidiary.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.9 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.