



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 31 MARCH 2020

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to report to shareholders its activities for the quarter ended 31 March 2020.

Key ASX Announcements released in the Quarter

6th January	Petalite passes second qualification stage
14th January	Equity Placement
31st January	Quarterly Activities Report
31st January	Quarterly Cashflow Report
11th February	Caesium discovered in satellite deposits around Arcadia
13th March	Extension of MOU with Uranium One
13th March	Half Year Report and Accounts

Subsequent announcements

3rd April	Share Rights Issue
6th April	Entitlement Issue Prospectus
15th April	Prospect Resources signs MOU with Sibelco
27th April	Prospect extends MOU with Uranium One
28th April	Extension of Rights Issue

The March 2020 quarter had been shaping up to be a pivotal quarter in progressing the Arcadia Lithium Project, with key announcements covering Offtake, Project Finance and a small equity placement at 20c per share. Unfortunately, the Covid 19 Virus has put paid to that momentum for the moment. That being said, we are still progressing our discussions with Uranium One and Sibelco with the expectation that life will get back to normal and commerce will continue.

What will be interesting as life gets back to normal is what populations expect of their governments and what sort of environment they want to live in. We have seen reports of blue skies above India, the Himalayan Mountains being seen from some Indian cities for the first time in decades. Clear waters in Venice and the drop in airborne pollutants around the world with the reduced industrial activity. This may well spur the populations of the world demand a cleaner environment and so accelerate the adoption of electric cars, so that we can maintain the clean air that many have seen over the last month or so.

Whilst Australia and Western Australia have suffered a limited lock down, Zimbabwe is undertaking a more strict lockdown. Our team is safe and working from their homes in Zimbabwe.



Offtake and Marketing

Petalite passes Glass & Ceramic customer qualification processes

Following on from the announcement released on the 4 November 2019, Prospect's ultra-low iron petalite product has progressed through the secondary qualification process with one of the world's largest glass-ceramic manufacturers, based in Europe.

Prospect provided the manufacturer with a sample for larger scale laboratory testing and analysis. The outcome from their analysis is that the ultra-low iron petalite surpasses the glass ceramic market's stringent ultra-low iron and alkali technical specifications.

To pass the final step in the product qualification process, Prospect's ultra-low iron petalite product needs a full test in the production kiln. This is expected to be undertaken in 2020, once the pilot plant is constructed and larger volume of product is available. 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.

Prospect is currently engaging with glass and ceramics customers across Europe, Asia and Africa who collectively, consume over 130,000 tpa equivalent of ultra-low iron petalite. Prospect's ability to consistently produce approx. 100,000tpa of ultra-low iron petalite product, over its 15.5 year Life-of-Mine, is a key attraction from customers.

Memorandum of Understanding with Sibelco

The progress made with end customers lead to Prospect being approached by industrial mineral companies across Europe and Asia. One of the key outcomes from the discussions with these parties is that Prospect signed a Memorandum of Understanding ("MOU") with SCR-Sibelco N.V ("Sibelco").

The purpose of the MOU is to provide an exclusive period of time for the parties to negotiate and execute a Binding Offtake Agreement for Arcadia's ultra-low iron petalite product ("the Product"). The MOU contemplates signing the Binding Offtake Agreement by 1 June 2020.

Whilst Prospect and Sibelco have agreed not to deal with any other party in relation to the supply of ultra-low iron petalite, nothing in the MOU prohibits Prospect from continuing discussions with the Uranium One Group.

Sibelco is the largest distributor of ultra-low iron petalite in Europe and possibly the world, demonstrating Sibelco as a significant 'blue chip' European partner. The MOU with Sibelco represents validation of Prospect's ultra-low iron petalite by a global leader and once in production, Prospect will be the largest ultra-low iron petalite producer in the world."

Sibelco is a global industrial minerals solutions company. Sibelco was founded in 1872, initially supplying silica sand from deposits in Flanders to Belgium's major glass producers. Sibelco is a privately owned family business, generating revenues over €3.5 billion, operating 174 production sites in more than 30 countries and with a team of over 8,500 people. Sibelco's main products are silica, high purity quartz and speciality minerals such as petalite. <https://www.sibelco.com/>



Memorandum of Understanding with Uranium One

In December 2019 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 was 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
- Offtake terms for at least 51% of the Company's future lithium production.

Prospect has agreed to a request by Uranium One Group JSC ("Uranium One") to extend their exclusivity under the terms of the MOU to 10 August 2020.

The reason for the extension is the logistical challenges facing all companies during the COVID-19 lockdown.

Project Finance

Since appointing African Export-Import Bank ("Afreximbank") to arrange and manage the primary syndication of a US\$143m project finance debt facility, Prospect has been progressing through Afraximbank's credit approval process and the Company will provide further updates to the market as they become available.

EXPLORATION AND DIVESTMENT

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

Refer to Appendix A for tenement schedule

CORPORATE

Prospect finished the Quarter with:

- a cash balance at 31 March 2020 of A\$564,000;
- a non-renounceable rights issue to raise up to A\$3.1m with a Closing Date of 11 May 2020; and
- US\$10m funding commitment from offtake partner Sinomine on placement of ball mill.



Rights Issue

The Company has made a non-renounceable rights issue ("Rights Issue") to shareholders on a one-for-four basis at A\$0.05 per fully paid ordinary share to raise up to approximately A\$3.1m., with a minimum raising of A\$1.2m. The Rights Issue is being priced at a 50% discount to the last traded price and a 64% discount to the 30 day VWAP, which is an attractive discount and materially lower than the Company's last two share issues at 20c and 15c, to encourage all shareholders to participate.

Board members have committed to participate in the offer and partially underwrite it to A\$504,000 and management has committed to invest \$68,000. The board has canvassed major shareholders and believes it has broad support for the offer.

The proceeds of the Rights Issue are planned to be used for project development, progressing due diligence with Afreximbank and off-take discussions, the expenses of the offer and working capital.

Implemented Cost Reduction

The Company has undertaken a material cost reduction strategy so that funds raised meet the Company's requirement for an extended period considering the current global conditions developing related to COVID-19. The strategy targets a reduction of operating costs of 57% and includes:

- Reduction in staff count;
- Reduction in salaries of directors and the remaining staff of approximately 50%;
- Reduction of costs that are not directly related to the current corporate activities.

Summary of Activities Planned for the 30 June 2020 Quarter

Strategic objectives:

- Afreximbank – progress due diligence and negotiation of final facility agreements
- Uranium One – progress due diligence and negotiation of equity investment and offtake
- Sibelco – Negotiation of a binding offtake agreement

The Company has scaled back all non-essential activities and has restructured its team to be focused on its three strategic objectives. The June quarter will see a material decrease in its recurring operating expenses in line with the Company's cost reduction strategy as stated above. The June quarter cash outflows will include associated restructuring costs and settlement of creditors.

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

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.

APPENDIX A – PROSPECT RESOURCES LIMITED TENEMENT SCHEDULE

Prospect Resources Limited has interests in tenements via the following companies:

- 1) Coldawn Investment (Private) Limited (“Coldawn”)
- 2) Hawkmoth Mining and Exploration (Private) Limited (“Hawkmoth”)
- 3) Prospect Lithium Zimbabwe (Pvt) Limited (“PLZ”)
- 4) Farvic Consolidated Mines (Pvt) Limited (“Farvic”)

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
ML 38	Zimbabwe	Arcadia	PLZ	70%	-	-
37680	Zimbabwe	Arcadia	PLZ	70%	-	-
ME284G	Zimbabwe	Arcadia	PLZ	70%	-	-
23189	Zimbabwe	Arcadia	PLZ	70%	-	-
23190	Zimbabwe	Arcadia	PLZ	70%	-	-
23233	Zimbabwe	Arcadia	PLZ	70%	-	-
32132	Zimbabwe	Arcadia	PLZ	70%	-	-
32133	Zimbabwe	Arcadia	PLZ	70%	-	-
32126	Zimbabwe	Arcadia	PLZ	70%	-	-
32733	Zimbabwe	Arcadia	PLZ	70%	-	-
23277	Zimbabwe	Arcadia	PLZ	70%	-	-
23278	Zimbabwe	Arcadia	PLZ	70%	-	-
23279	Zimbabwe	Arcadia	PLZ	70%	-	-
23276	Zimbabwe	Arcadia	PLZ	70%	-	-
23281	Zimbabwe	Arcadia	PLZ	70%	-	-
23474	Zimbabwe	Arcadia	PLZ	70%	-	-
23630	Zimbabwe	Arcadia	PLZ	70%	-	-
23201	Zimbabwe	Arcadia	PLZ	70%	-	-
23217	Zimbabwe	Arcadia	PLZ	70%	-	-
23468	Zimbabwe	Arcadia	PLZ	70%	-	-
23469	Zimbabwe	Arcadia	PLZ	70%	-	-
23470	Zimbabwe	Arcadia	PLZ	70%	-	-
23471	Zimbabwe	Arcadia	PLZ	70%	-	-
23472	Zimbabwe	Arcadia	PLZ	70%	-	-
23473	Zimbabwe	Arcadia	PLZ	70%	-	-
SG6853	Zimbabwe	Mistress	PLZ	70%	-	-
37856	Zimbabwe	Moonstone	PLZ	70%	-	-
37857	Zimbabwe	Moonstone	PLZ	70%	-	-
12227	Zimbabwe	Penhalonga	Coldawn	70%	-	-
20560 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
10675	Zimbabwe	Penhalonga	Coldawn	70%	-	-
21795 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
13166 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
18879	Zimbabwe	Penhalonga	Coldawn	70%	-	-
18880	Zimbabwe	Penhalonga	Coldawn	70%	-	-

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
18881	Zimbabwe	Penhalonga	Coldawn	70%	-	-
21748 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
18666 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
12212	Zimbabwe	Penhalonga	Coldawn	70%	-	-
12213	Zimbabwe	Penhalonga	Coldawn	70%	-	-
19474 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
14135 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
10338	Zimbabwe	Penhalonga	Coldawn	70%	-	-
G3425	Zimbabwe	Penhalonga	Coldawn	70%	-	-
18582 BM	Zimbabwe	Penhalonga	Coldawn	70%	-	-
G2335	Zimbabwe	Penhalonga	Coldawn	70%	-	-
M2873 BM	Zimbabwe	Chishanya	Hawkmoth	70%	-	-
M2874 BM	Zimbabwe	Chishanya	Hawkmoth	70%	-	-
M2875 BM	Zimbabwe	Chishanya	Hawkmoth	70%	-	-
M2876 BM	Zimbabwe	Chishanya	Hawkmoth	70%	-	-
30419	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
31773	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
31774	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
32194	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
32195	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
32196	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
32716	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
33181	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
33280	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36972	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36973	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36974	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36975	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36976	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36977	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36978	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36979	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36980	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36981	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36982	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
36983	Zimbabwe	Greater Farvic	Hawkmoth	70%	-	-
GA 5243	Zimbabwe	Greater Farvic	PLZ	-	-	70%
GA 5244	Zimbabwe	Greater Farvic	PLZ	-	-	70%