



Managing Directors Letter to Shareholders

Dear Shareholders,

I am pleased to announce that Prospect Resources' has successfully completed our rights issue, raising approximately A\$2m. The past two months have been a turbulent time for most facets of the global economy, as well as Prospect, our shareholders, and our staff. As shareholders are aware, we have significantly reduced our workforce and overall cost base.

The rights issue was heavily supported by our major shareholders, board of directors and management. Our shareholders are the life blood of the Company and we are thankful for their continued support. We also welcomed a number of new shareholders from Europe, who have followed the progress Prospect has made in signing Memorandums of Understanding with Sibelco and Uranium One.

It is clear that COVID-19 has substantially reshaped the global landscape, not only for investors, but particularly new opportunities within the clean energy supply chain. This shifting focus towards clean energy minerals such as lithium has attracted enormous awareness as the drop in airborne pollution during lockdown has reinforced the mechanism to reduce emissions, we need to reduce our dependence on fossil fuels.

I think it is worth reminding shareholders of what we have at Arcadia because whilst global markets have dropped, the Arcadia asset has not changed, and it is still one of the largest undeveloped lithium deposits in the world.

Arcadia is in a unique position, as it is the only lithium asset that will produce both low iron spodumene for the electric vehicle market and ultra-low iron petalite lithium concentrates for the glass and ceramics markets. Prospect is expected to be the largest ultra-low iron petalite producer in the world.

Sibelco

In Mid-April, the Company entered into an MOU with Sibelco to provide an exclusive period up to 1st June 2020 for the parties to negotiate and execute a Binding Offtake Agreement for Arcadia's ultra-low iron petalite product. Sibelco is the largest distributor of ultra-low iron petalite in Europe and possibly the world. It is a significant 'blue chip' European customer, with annual turnover of some €3.5 billion.

**Uranium One Group**

The strategic race by nations to secure battery metals is a continuing theme in 2020, and continues unabated during the COVID-19 lockdown, Prospect is at the forefront of this in Africa. Reaffirming this in December 2019, we signed a MOU with Uranium One, (Uranium One is a company of ROSATOM, the Russian State Corporation for Nuclear Energy) providing them exclusivity (subject to certain conditions) through to 10 August 2020 to allow them to complete due diligence with a view to potentially entering into an offtake agreement for at least 51% of Arcadia's future lithium production, and an equity investment in Prospect or its subsidiaries.

Russia lacks any substantial lithium reserves but remains committed to building a renewable energy supply chain with Uranium One mandated to manage this clean energy portfolio. This has firmly placed Arcadia on the map, as Uranium One conduct a global search to strategically secure supply of lithium and other battery metals. To Russia, Arcadia represents a potential cornerstone asset to build out a battery supply chain and EV ecosystem. We see Uranium One as a complimentary partner to our existing offtake partner Sinomine and our future partner, Sibelco.

Afreximbank

On 17 December 2019, we signed a mandate with Afreximbank to arrange the debt finance for Arcadia. This process is progressing at a frustratingly slow pace which has been exacerbated by the global finance upheavals caused by COVID-19. As the world gets back to normal, we expect that progress with Afreximbank will accelerate.

With completion of the share rights issue, our focus is now on:

1. Completing a binding off-take with Sibelco for the Company's ultra-low iron petalite.
2. Completing discussions with Uranium One Group; and
3. Completing project finance with Afreximbank.

I look forward to bringing updates as we take the Arcadia Lithium Project forward.

Sam Hosack

Managing Director

Prospect Resources

This release was authorised by Mr Sam Hosack, Managing Director of Prospect Resources Ltd.

ENDS



Africa's leading battery mineral company



Well positioned Lithium Resource in regard to both Scale and Grade



Strong Project Economics demonstrated in DFS



Path forward to Financing, Development and Production



Offtake Agreement in place and positioned to capitalise on Market Demand

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About Prospect Resources Limited (ASX:PSC, FRA:5E8)

Prospect Resources Limited (ASX:PSC, FRA:5E8) is an ASX listed lithium company based in Perth with operations in Zimbabwe. Prospect's flagship project is the Arcadia Lithium Project located on the outskirts of Harare in Zimbabwe. The Arcadia Lithium Project represents a globally significant hard rock lithium resource and is being rapidly developed by Prospect's experienced team, focusing on near term production of petalite and spodumene concentrates.

About Lithium

Lithium is a soft silvery-white metal which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits (such as Arcadia) and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. Lithium has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries.