



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 30 SEPTEMBER 2019

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

Key ASX Announcements released in the Quarter

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|----------------|---|
| 8th July | Waiver from ASX Listing Rule 14.7 |
| 19th July | RBZ approves PSC to increase Arcadia ownership to 87% |
| 31st July | Low iron report confirms premium pricing for Arcadia |
| 31st July | Quarterly Activities Report |
| 31st July | Quarterly Cashflow Report |
| 23rd August | MOU signed for power supply to Arcadia |
| 16th September | Prospect Resources presentation – Benchmark World Tour |
| 20th September | Prospect Resources' listing on the Frankfurt Stock Exchange |
| 27th September | 2019 Annual Report |
| 27th September | Appendix 4G and Corporate Governance Statement |

ARCADIA LITHIUM PROJECT

The September 2019 quarter has been productive in progressing the development of the Arcadia Lithium Project. The three key activities on Arcadia have been around project finance, offtake and updating project economics.

Project Finance

Prospect has been in ongoing discussions with a number of entities including African development banks and institutions regarding the project financing of Arcadia, since completion of Arcadia's Definitive Feasibility Study (DFS) in November 2018.

Prospect has screened a number of the potential financial partners and is progressing detailed discussions with a select group that we believe are appropriate financial partners for the project.

The Company believes that these proposals are currently incomplete and require further development before they would be able to be announced, although they indicate there is appetite for financing tier one greenfield lithium mining projects in Africa.



Offtake Discussions

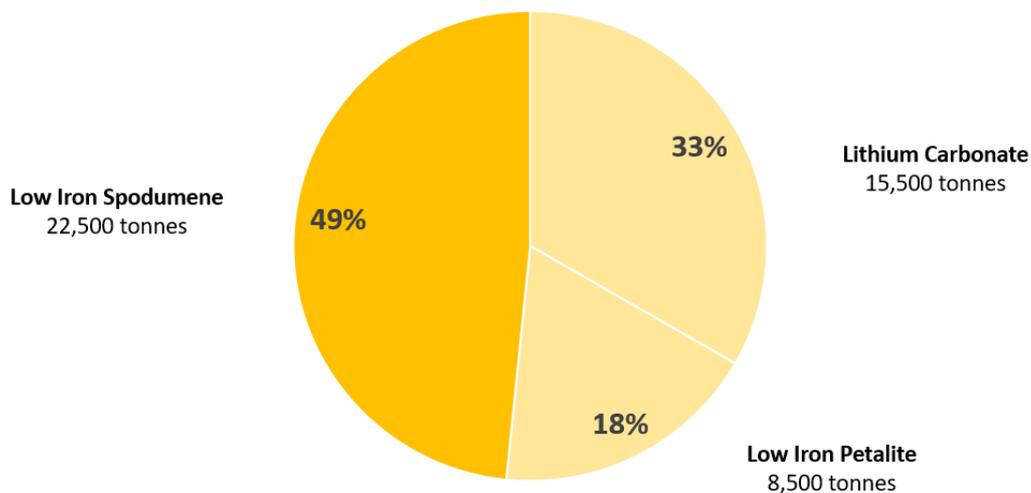
During the quarter, Prospect has continued discussions with a number of parties across Europe, China, Japan and Korea. These discussions relate primarily to Arcadia’s ultra-low iron petalite product. Prospect expects to be the largest of only 2 ultra-low iron petalite producers in the world.

Although these discussions are expected to be ongoing in the lead up to the commencement of production at Arcadia, the feedback Prospect has received around its ultra-low iron levels (Fe₂O₃) provides Prospect a deeper understanding that its products are expected to receive premium pricing on the account of their high demand.

Ultra-Low Iron Petalite Report

In July 2019, Prospect commissioned Benchmark Minerals Intelligence (Benchmark) to undertake research in the glass & ceramics market and its uses of lithium products. The objective of the research was to understand this market and the potential premium pricing available for ultra-low iron concentrates, such as Arcadia’s ultra-low iron petalite concentrate. Not all spodumene and petalite can be used in this market because the glass & ceramics market has a maximum tolerance of 0.08-0.1% Fe₂O₃ for spodumene and 0.04-0.06% Fe₂O₃ for petalite - globally, there is only one producer of each signalling constrained supply.

Lithium Minerals and Chemicals for Glass & Ceramics Market 2018 (volume in LCE)



The findings were that, in May and June 2019, prices for ultra-low iron petalite in China being sold to end users were being quoted in the US\$1,300-1,400/t range and that ultra-low iron petalite has historically traded at an average premium of 61% to the chemical grade spodumene price.



The key findings that are relevant for Prospect is that there is demand for additional ultra-low iron petalite supply as the market is supply constrained and there is a substantial commercial basis suggesting market share can be taken away from lithium carbonate consumed in this market (equivalent to 157,00 tonnes of petalite per annum).

Frankfurt Listing

On the 20th September 2019, Prospect dual listed on the Frankfurt Exchange, trading under the code "5E8". The Frankfurt listing expands Prospect's investor reach and increases the Company's exposure to European markets, which is one of the largest regions consuming ultra-low iron petalite in the glass & ceramics market.

The Frankfurt Stock Exchange is the world's third largest exchange-trading market, behind the New York Stock Exchange and NASDAQ. More than 50% of the total trades on the Frankfurt Stock Exchange are conducted through investors in countries outside of Germany.

As Prospect's shares are quoted on the Australian Securities Exchange, which is a Frankfurt Stock Exchange approved exchange, the dual listing was possible without primary listing procedures and at nominal cost to the Company.

EXPLORATION AND DIVESTMENT

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

CORPORATE

Prospect finished the Quarter with:

- A\$3.2m cash at bank; and
- US\$10m funding commitment on placement of ball mill

Funds during the quarter have been focused on progressing the Company's finance and offtake activities.



Summary of Activities Planned for the 31 December 2019 Quarter

Arcadia Lithium Project

- Project finance discussions
- Upgrading Arcadia's Ore Reserve, extending life of mine operations.
- Offtake discussions with potential partners with regards to:
 - Spodumene – battery sector
 - Petalite – glass ceramics sector
- Target proximal lithium opportunities as future feed sources to the Arcadia Mine

Upgraded Ore Reserve

Following the completion of testwork and value engineering activities earlier this year and updated pricing information provided by Benchmark Minerals Intelligence, Prospect will be upgrading its ore reserve, with updated project economics to shortly follow. Leading mining consulting firm CSA Global will be providing the statement of ore reserve upgrade and is expected to be released in November 2019.

Corporate Activities

During October, Prospect conducted a roadshow in China targeting investors and potential offtake partners, attended the Russia Africa Economic Forum event in Sochi, as well as its inaugural roadshow to Germany and Switzerland to engage with European investors following Prospect's listing on the Frankfurt Stock Exchange.

The roadshow in China was focused on meeting with a number of key chemical converter and cathode producers, with Prospect also presenting at the Mining Indaba China events in Shanghai and Beijing. The trip has led to a number of discussions that are progressing our interests, and Prospect will be actively pursuing each opportunity thoroughly.

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.