

## March Quarterly Review of Activities

27 April 2018

Prospect Resources Ltd (ASX: PSC) (Prospect, the Company) is pleased to report on another busy quarter of activities.

### Summary of Significant Announcements in the Quarter and up to the date of this announcement:

- |             |  |
|-------------|--|
| 17 January  | • New Zimbabwe Government gives Priority Status to Arcadia   |
| 31 January  | • Prospect Raises A\$10,000,000 via share placement  |
| 2 February  | • Prospect acquires option over Tombolo Copper/Cobalt Project  |
| 5 February  | • Investor Presentation – Mining Indaba – Cape Town  |
| 5 February  | • Commencement of Exploration for rare earths at Chishanya   |
| 12 February | • Update of A\$10m Placement at 5c per share   |
| 12 February | • Update on Sinomine Placement & Framework Agreement   |
| 26 February | • Update on Sinomine Transaction   |
| 27 February | • Commissioning of Lithium Carbonate Pilot Plant   |
| 28 February | • Option on Good Days Lithium Project Exercised  |
| 13 March    | • Investor Presentation  |
| 19 March    | • Significant value upgrade following updated PFS - Arcadia  |
| 29 March    | • Results of Shareholder meeting – approving placement to Sinomine                                   |
| 4 April     | • Completion of A\$10m placement at 6c per share to Sinomine and US\$557m Sinomine offtake agreement |
| 5 April     | • Hunter Capital Advisers issues for research report   |

The 31 March Quarter was another busy period for Prospect both on the corporate front and the operations front.

We finished the Quarter with:

- A\$20m cash available to spend on Arcadia and a further US\$10m funding commitment;
- A completed Sinomine transaction including, a A\$10m share placement at 6c and a future prepayment of US\$10m and a repricing of the offtake agreement resulting in a US\$61m increase in NPV of Arcadia to US\$401m;
- Conditional, indicative offers to finance the balance of the Arcadia mining development; and
- Continued third party interest to build the lithium carbonate & hydroxide plant in Zimbabwe.

### **Arcadia - Sinomine Transaction**

Following receipt of shareholder approval to complete the share placement to Sinomine on 29 March 2018 and receipt of A\$10,000,000, Prospect completed the share placement to Sinomine of 166,666,667 fully paid ordinary shares in Prospect at 6c per share (a premium to the original placing price of 5c per share).

In addition to completion of the placement, Prospect announced that certain terms under the conditional offtake agreement between Prospect and its Zimbabwean subsidiary, Examix Investments (Pvt) Limited (the **Seller**) and Sinomine Resource had been favourably renegotiated in respect of the spodumene and petalite pricing formula such that the NPV of the Arcadia Lithium Project located in Zimbabwe (the **Project**) has increased by US\$61m, from US\$340m to US\$401m. The spodumene and petalite pricing formula, consistent with other industry contracts, is linked to the lithium carbonate price. (Please refer to ASX announcement dated 19 March 2018 for basis of calculation of US\$340m NPV, which has now increased to US\$401m).

Further amendments included the requirement for Sinomine Resource to prepay US\$10,000,000 under the offtake agreement with these funds being payable upon installation of the ball mill at the Project.

Prospect has also reduced the offtake volumes to be supplied to Sinomine Resource to approximately 70% of earlier agreed volumes. Offtake volumes are now classified as tonnes of spodumene, petalite and lithia units, giving Prospect the flexibility to alter supply quantities of spodumene and petalite provided the total lithia units supplied are satisfied. The surplus is expected to give Prospect flexibility to negotiate offtake terms with other lithium downstream customers and enable Prospect to divert additional spodumene and petalite volumes to a proposed company owned, lithium carbonate facility.

Prospect also cancelled the build and finance component of the original transaction. Cancellation of the build contract for the process facility, mine and associated infrastructure on site enables Prospect to dictate the build timetable and process. We believe that taking control of the build process for the process facility and mine will enable Prospect to commence construction of the mine and process facility in a shorter period of time and potentially bring forward revenues. Prospect has all necessary mining licences and environmental approvals to commence construction of the mine, process facility and tailings dam.

Prospect intends to enter into first engineering contracts and pioneer mine strip and tailings dam construction contracts during April 2018. Importantly, by taking control of the build process, Prospect can ensure a greater local Zimbabwean input with respect to suppliers and workers. We are committed to building Africa's largest lithium mine with, where possible, a Zimbabwe sourced workforce.

### **Tombolo Copper/Cobalt Project**

During the Quarter, the terms of the Option Agreement were unable to be met by the vendor and this option has lapsed.

### **Option over Good Days Lithium Project**

During the Quarter, the option over the Good Days Lithium Project was exercised. Whilst the immediate focus is on bringing Arcadia into production as soon as possible, we continue to carry out low level exploration at Good Days.

### **Farming – Arcadia Surface Rights**

Cropping continues on the leased land around the mine property with 60 hectares of dry land maize and 60 hectares of soya beans drying in the field and due for reaping in the coming weeks . This project forms part of Prospect’s ongoing commitment to local stakeholders and communities. These farming operations are expected to provide an additional source of employment within the region and a small source of income to Prospect.

### **Summary of Activities Planned for the 30 June 2018 Quarter**

#### **Arcadia High Grade Lithium Project**

- Complete process plant design
- Execute first mining contracts
- Ground breaking ceremony to mark the commencement mining operations at Arcadia
- Continue talking to potential Lithium Carbonate Facility partners

#### **Other Acquisitions**

- Continue to investigate additional lithium regionally
- Accelerate potential cobalt acquisitions in the DRC

#### **Corporate Promotion**

The Company intends to participate in a number of investor and trade events over the 2018 year to promote Prospect, Arcadia and Zimbabwe.

Upon a date being set for the ground breaking ceremony at Arcadia, an invitation will be issued to all shareholders to attend.

*Investors should note that the above activities may change as and when results are generated and as such they should simply be used as a guide to activities for the Quarter ending 30 June 2018*

**For further information, please contact:**

**Hugh Warner**  
Prospect Resources  
Executive Chairman  
Ph: +61 413 621 652

**Harry Greaves**  
Prospect Resources  
Executive Director  
Ph: +263 772 144 669