



QUARTERLY ACTIVITY REPORT - 31 DECEMBER 2020

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is leveraging its world class lithium asset to develop a sustainable, low cost, large scale lithium business. Prospect is pleased to report on activities undertaken in the December 2020 quarter and its financial position at the end of the period.

Project Development

- Commenced high purity petalite and spodumene pilot plant
- Analysis and sizing of stage 1 of project to reduce initial capital requirements and accelerate staged project execution .
- Prospect was accepted into the European Raw Material Alliance (ERMA)

Financial & Corporate

- Successful completion of a A\$6m placement to derisk and advance the Arcadia Lithium Project
- As at 31 December 2020, Prospect was debt free with a cash balance of A\$5.46m and US\$10m prepayment commitment from offtake partner Sinomine Resources¹
- Appointment of experienced mining professional, Dev Shetty, as Non-Executive Director.
- Subsequent to the quarter end, appointed an experienced mining Non-Executive Chairman Mark Wheatley to lead Prospect's Board as the Company targets near term production of high purity petalite and spodumene.

Lithium Market & Prospect's pathway to production

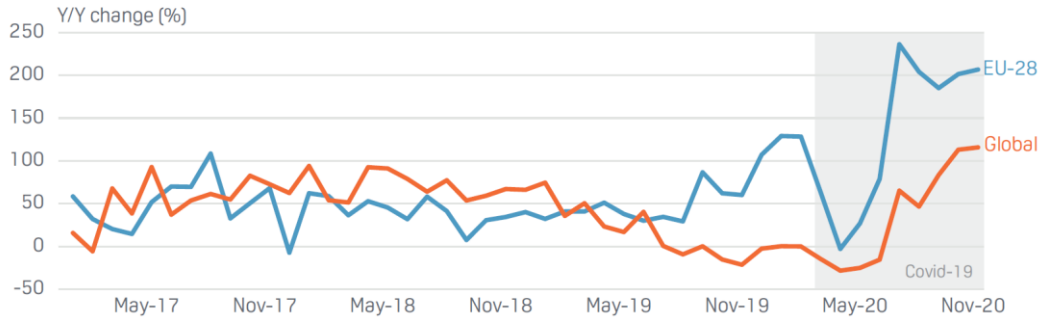
Electric Vehicle sales faced headwinds at the beginning of 2020 due to COVID-19 economic uncertainty faced across the globe. The second half of the year saw a large recovery led by emissions regulations, electric vehicle subsidies and COVID-19 relief funding.

The change in supply and demand, led by strong sales of electric vehicles and government incentives across Europe, resulted in a 120% year on year growth in plug-in electric vehicle sales in Europe.

¹ Offtake pre-payment due on installation of ball mill

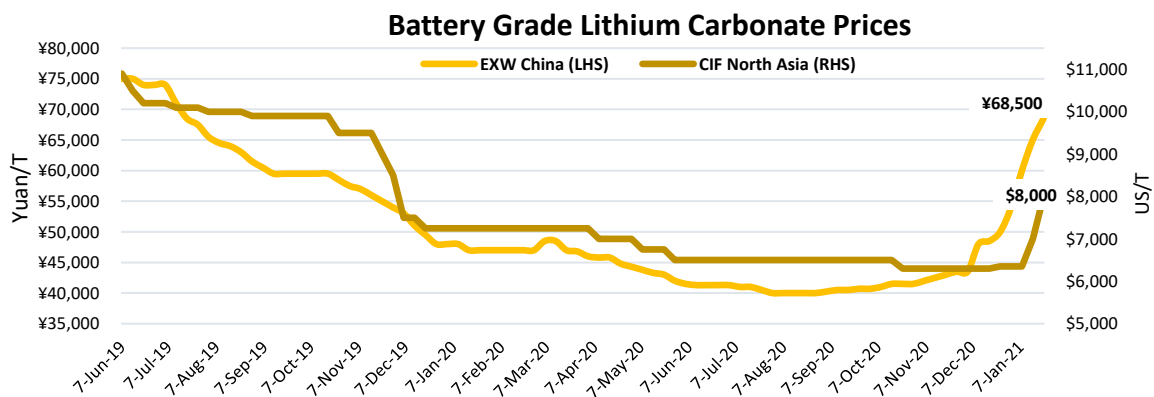


EU-28 PLUG-IN LIGHT DUTY EV SALES HAVE SEEN SUSTAINED GROWTH, BOOSTED BY EMISSIONS REGULATIONS AND FINANCIAL INCENTIVES



Source: S&P Global Platts Analytics

The December 2020 quarter bear witness to the largest rise in Chinese domestic lithium carbonate prices. Lithium carbonate prices are now at their highest level since July 2019, having gained Yuan 28,500/mt since the recent intermittent stop-start uptick began in early September 2020. The current spot price of Yuan 68,500/T is equivalent to US\$10,600/T². Based on the price performance of lithium products in the first few weeks of 2021, it is evident that the market is now looking to secure supplies of raw materials ahead of what is broadly anticipated to be a very strong year of demand, based on recent end-user market data.



Source: S&P Platts

Prospect’s Arcadia Lithium Project is one of the most advanced lithium projects globally, having completed a Definitive Feasibility Study delivering strong project economics placing Arcadia in the lowest cost quartile, able to deliver the high purity petalite and spodumene products, having existing offtake agreements across Europe and Asia, with a target of commencing production in CY2023.

Prospect’s offtake partners have provided positive indications in terms of demand for petalite, as lithium inventories decrease from 6 months to under 2 months. Lithium supply is being sold into the battery

² Reported by S&P Platts on the 22nd January 2021 at exchange rate of CNYUSD \$0.15



market due to the rapid rise in prices for battery grade lithium chemicals, leaving customers in the technical market exposed to price increases in the spot market.

Prospect is evaluating options in terms of sizing and plant design to accelerate project delivery and optimise project economics for the Arcadia Lithium Project.

Prospect is utilising its advanced development position to negotiate with current offtake partners, potential offtake partners and finance partners, with Arcadia expected to commence production as the lithium market enters a supply deficit, delivering competition for its products and robust pricing. Management continues to engage with major shareholders and strategic investors on the development of the project.

Commencement of high purity petalite and spodumene pilot plant

Pilot plant long lead orders raised, allowing confidence around execution. Detailed Pilot Plant cost estimates and schedule informing the optimal pathway has been completed.

The high purity flotation pilot plant will:

1. De-risk the metallurgical process by operating the optimised flow sheet;
2. Supply bulk samples of high purity products to offtake partners and customers in the technical and chemical markets, to obtain product qualification and maximise market demand for Arcadia's products;
3. Supplying samples to large corporates with strategic interest for their own product validation purposes and their continuing due diligence on Prospect and the Arcadia Lithium Mine; and
4. Define all technical elements of the project execution phase.

Chishanya Carbonatite

Approved preliminary exploration budget and commenced collection and assessment of grab samples

Land ownership assessment completed to evaluate further prospective ground to maximise exposure to the RRE interest.

Penhalonga

On 8 December 2020, the Company announced that Luzich Partners LLC ("Luzich") paid the non-refundable deposit of US\$200,000 in accordance with the option to purchase the Penhalonga Gold Project announced on 23 October 2020.

Luzich will now undertake due diligence on the asset for a period of 180 days and pay further consideration of US\$800,000 if it elects to exercise the option.



Prospect accepted into the European Raw Material Alliance (ERMA)

On 9 December 2020, the Company announced that it has been accepted into the European Raw Material Alliance (“ERMA”) as a primary raw material partner. ERMA aims to make Europe economically more resilient by diversifying its supply chains, creating jobs, attracting investments to the raw materials value chain, fostering innovation, training young talent and contributing to the best enabling framework for raw materials worldwide.

Prospect plans to accelerate its engagement with European stakeholders and to participate in ERMA’s development strategy for critical materials. The offtake agreement with Sibelco N.V (“Sibelco”) is a practical step to improving Europe’s critical material resilience.

Appointment of experience mining Non-Executive Chairman

On the 11 January 2021, the Company announced it had appointed Mr Mark Wheatley as non-executive (independent) chairman of the Board effective immediately.

Mr Wheatley has over 15 years of director and chairman experience with exposure predominantly across gold, copper and uranium sectors. Mr Wheatley has previously held non-executive chairman positions with Norton Gold Fields Limited (ASX: NGF), Xanadu Mines Ltd (ASX: XAM) and Gold One International Limited (ASX: GDO). Mr Wheatley has also held a number of non-executive director roles including St Barbara Limited (ASX: SBM) and was a founding director of Uranium One Inc., with his 5 year tenure including a successful period of growth culminating in Russian state owned, Rosatom, earning a 51% equity position.

Mr Wheatley is currently a non-executive director of Ora Banda Mining Ltd (ASX: OBM) and Peninsula Energy Limited (ASX: PEN). Mr Wheatley is well known to institutional investors and has served as a nominee director for a private equity group across a number of their portfolio companies. His experience includes growth through the financing and development of projects, and he has been instrumental in a number of successful merger and acquisition transactions.

Corporate

Prospect finished the Quarter with:

- a cash balance as at 31 December 2020 of A\$5.46m; and
- US\$10m funding commitment from offtake partner Sinomine on placement of ball mill.

The Company commenced the pilot plant with prepayments of A\$360k being made to secure long lead items.

The Company received US\$200k (A\$277k) non refundable deposit for the sale of the Penhalonga Gold Project via the option to dispose of its subsidiary Coldawn Investments (Private) Limited.

**Appendix 5B - Related Party Payments**

During the quarter, the Company made payments of \$250,000 to related parties and their associates. These payments relate to director fees (including final payment to Hugh Warner in relation to cessation of his employment), superannuation and commercial rent.

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

ENDS

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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”)

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%	-	-



Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
23473	Zimbabwe	Arcadia	PLZ	70%	-	-
37856	Zimbabwe	Moonstone	PLZ	70%	-	-
37857	Zimbabwe	Moonstone	PLZ	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%	-	-
12227	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
20560 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
10675	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
21795 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
13166 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18879	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18880	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18881	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
21748 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18666 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
12212	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
12213	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
19474 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
14135 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
10338	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
G3425	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18582 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
G2335	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-

- (i) Refer to announcement 23 October 2020, the Company has entered into a binding term sheet whereby Luzich has acquired an option to buy 100% of the Company's Penhalonga Gold Project.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

PROSPECT RESOURCES LIMITED

ABN

30 124 354 329

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2	5
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development	(77)	(105)
(c) production		
(d) staff costs	(293)	(515)
(e) administration and corporate costs	(343)	(582)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	55
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(711)	(1,142)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements	(13)	(13)
(c) property, plant and equipment	(33)	(33)
(d) exploration & evaluation (if capitalised)	(10)	(10)
development expenditure	(650)	(831)
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	277	277
	(b) tenements		
	(c) property, plant and equipment	1	14
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
	Net proceeds from assets held for sale	(32)	266
	Cash flows for loans to minority interest	(27)	(27)
	Interest received	1	2
2.6	Net cash from / (used in) investing activities	(486)	(355)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,000	6,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(475)	(484)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	5,525	5,516

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,388	1,698
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(711)	(1,142)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(486)	(355)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,525	5,516
4.5	Effect of movement in exchange rates on cash held	(259)	(260)
4.6	Cash and cash equivalents at end of period	5,457	5,457

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	55	67
5.2	Call deposits	2,822	1,031
5.3	Bank overdrafts		
5.4	Other (provide details)		
	US dollars at bank	2,559	198
	Zimbabwe dollars at bank	1	2
	Petty cash	20	90
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,457	1,388

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	241
6.2	Aggregate amount of payments to related parties and their associates included in item 2	9

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments include director fees (including final payment to Hugh Warner in relation to cessation of his employment), superannuation and rent.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(711)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(660)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,371)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	5,457
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	5,457
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.98
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/a
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer:
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: Sam Hosack
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.