



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 31 MARCH 2019

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to report to shareholders its activities for the quarter ended 31 March 2019.

ASX Announcements released in the Quarter

01st Feb	Quarterly Activities Report
01st Feb	Quarterly Cashflow Report
04th Feb	Prospect Corporate Presentation - 2019
28th Feb	Arcadia approved for Special Economic Zone status
05th Mar	Arcadia project economics update
15th Mar	Half Yearly Report and Accounts
20th Mar	Investor Presentation March 2019
Subsequent announcement 05th Apr	Petalite testwork results deliver increased recovery

ARCADIA LITHIUM PROJECT

The March 2019 quarter has been a highly productive one for Prospect, as the Company has advanced the Arcadia Lithium Project (Arcadia, the Project) through three key areas:

- Further progression of funding discussions for the Project
- Securing Special Economic Zone Status – this is a key building block in securing long term project finance; and
- Improved the projects economics with the inclusion of HPGR in the process flowsheet;

Prospect, along with its advisors, is currently reviewing multiple financing strategies to enable Prospect to deliver the project. The strategies are focused on providing funds at a low cost of capital and minimising dilution to existing shareholders.

In anticipation of development, Prospect is undertaking numerous continuous improvement initiatives in order to further de-risk the project technically, and to improve project economics.



Arcadia Secures Special Economic Zone status

On the 28 February 2019, Prospect announced that its application for Special Economic Zone (SEZ) status for Arcadia has been approved by the Zimbabwe Special Economic Zones Authority (ZIMSEZA).

SEZ status provides Prospect with an extensive list of benefits for Arcadia that includes; tax relief and exemptions and the ability to hold and operate foreign currency accounts, as well as exemptions and reductions of costs & trade barriers associated with the import of raw materials and capital goods through to the exportation of the concentrates. The incentives and benefits to be received from the SEZ status reinforce the financial outcomes of the Project outlined in the Definitive Feasibility Study (DFS).

The SEZ licence is valid for 10 years, with the ability to renew and extend the licence prior to expiry.

A summary of the SEZ incentives includes:

	STANDARD	INCENTIVES AVAILABLE UNDER SEZ STATUS
Corporate Income Tax	25%	Corporate Income Tax at zero percent (0%) for the first 5 years, with 15% thereafter
Non-Residents Withholding Taxes	15% ¹	Tax exemption (0%) from non-residents tax on: <ol style="list-style-type: none"> 1. Dividends – Payments to shareholders; 2. Remittances – Payments made between Prospect Lithium Zimbabwe and Prospect Resources (intercompany payments); 3. Royalties – Payments for offshore software and other subscription services; and 4. Fees for imported services
Foreign Currency Accounts and Payments in Foreign Currency	Required to bank onshore with a registered domestic bank	Prospect can operate a foreign currency account with any banking institution within the Special Economic Zone or outside Zimbabwe ²
Permits for import and export of goods	Permits required for the import and export of goods under the Control Goods Act	Exempt from the requirement to obtain permits for the import and export of goods from and to countries outside Zimbabwe
Customs duty on raw materials and capital equipment		100% rebate or duty free importation

With Arcadia now securing SEZ status, Prospect can hold and transact in foreign currency. This simplifies Prospect's ability to make payments to and from suppliers & customers, as well as providing financiers confidence that the Company can manage its currency freely to meet its operational and capital management requirements.

¹ Non-Residents' Withholding taxes that applies to Singapore and Australia. Rates may vary depending on Non-Residents' country

² Subject to any approval required under the Exchange Control Act



Updated Project Economics

The Company is currently undertaking continuous improvement and value engineering initiatives to further reduce Arcadia's technical risk and improve its economics. During the quarter, Prospect announced improvements to the DFS flow sheet through the introduction of High Pressure Grinding Rolls (HPGR) to replace the tertiary and quaternary crushers. This is expected to deliver reductions to the Project's capital expenditure and operating costs, whilst maintaining or improving metallurgical recoveries.

The use of a HPGR is expected to deliver the following improvements to the DFS:

- o Reduction in Capital Expenditure by US\$2.3m (1.4%), to **US\$163m**;
- o Reduction of Operating Expenditure by US\$7/t or 2.46% (approx. US\$3.2m p.a.), to **US\$278/t**;
- o Increased project NPV10 by US\$22m to **US\$533m**; and
- o Increased average annual EBITDA by US\$3m to **US\$109m**.

EXPLORATION

Following the completion of the Arcadia Lithium Project DFS in November 2018, Prospect's major focus has been to rapidly progress the Project from financing through to production. During the Quarter, Prospect continued to focus its resources on securing a project finance facility for Arcadia and has therefore scaled back exploration activities.

CORPORATE

Prospect finished the Quarter with:

- A\$3.0m cash at bank; and
- US\$10m funding commitment on placement of ball mill

During the quarter, the Governor of the Reserve Bank of Zimbabwe released a Monetary Policy Statement which amended the country's functional currency from the US\$ to a new currency known as RTGS. The pronouncement removed the 1:1 pegged rate and established an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS with US\$ and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change. Immediately after the effective date of the Statutory Instrument giving effect to the Monetary Policy Statement (being 25 February 2019) the opening published inter-bank exchange rate was RTGS dollars 2.50 to US\$ 1.00. The rate at 31 March 2019 was 3.03 to 1.

It is worth noting that the devaluation of the RTGS relative to the US dollar is expected to reduce the operating costs at Arcadia, and therefore further reduce our cost per tonne of spodumene and petalite produced.



Summary of Activities Planned for the 30 June 2019 Quarter

Arcadia Lithium Project

- Project finance discussions
- Additional value engineering and continuous improvement initiatives
- Offtake discussions with potential partners with regards to:
 - Spodumene – battery sector
 - Petalite – glass ceramics sector

Exploration

- Target proximal lithium opportunities as future feed sources to the Arcadia Mine
- Continue to investigate additional lithium opportunities regionally

Corporate Activities

The Company intends to participate in a number of investor and trade events over the 2019 year to promote Prospect, Arcadia and Zimbabwe as it seeks to expand its identity globally. Prospect has been invited to speak and present at The Junior Indaba event in Johannesburg 4-5 June.

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.

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) is an ASX listed lithium company based in Perth with operations in Zimbabwe, and exploration activities in Zimbabwe and the DRC. 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.

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