Prospect Resources Limited
Level 2
33 Richardson Street
West Perth WA 6005
ACN: 124 354 329

www.prospectresources.com.au

Prospect Resources Limited

Notice of General Meeting

Explanatory Statement | Proxy Form

Friday, 25 June 2021

10.30AM AWST

Address
Level 2
1 Walker Avenue
West Perth WA 6000

Independent Expert Report: Shareholders should carefully consider the Independent Expert Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction described in this Notice of Meeting to the Non-Associated Shareholders. The Independent Expert has determined the transaction the subject of Resolutions 12 and 13 is **FAIR AND REASONABLE** to the Non-Associated Shareholders.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Contents

Chairman's Letter to Shareholders	3
Venue and Voting Information	5
Notice of General Meeting – Agenda and Resolutions	6
Notice of General Meeting – Explanatory Statement	16
Glossary	34
Annexure A – Independent Expert's Report	Attached
Proxy Form	Attached

Important Information for Shareholders about the Company's General Meeting

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice is received by Shareholders, circumstances may have changed, however, this Notice is given based on circumstances as at 26 May 2021.

Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at www.prospectresources.com.au. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Chairman's Letter to Shareholders

Dear Shareholder,

I wanted to take this opportunity to thank you for your ongoing support of Prospect. I also thought it appropriate to briefly highlight why we believe the resolutions put forth in the upcoming General Meeting are beneficial for Prospect and worthy of your support.

We have recently strengthened the Board and balance sheet. We are also seeking to complete a highly accretive transaction that will increase our underlying ownership in the world-class Arcadia Lithium Project (Arcadia). Finally, we are working to maximise alignment between shareholders and Prospect's Board and management team via suitable equity-linked remuneration. All these actions are expected to enhance and advance Prospect's ability to progress, fund and develop Arcadia – and realise maximum value for all shareholders.

The Company has called a General Meeting to ratify a number of these key initiatives. The accompanying Notice of General Meeting contains comprehensive details with respect to all proposed resolutions.

In summary, the key purpose(s) of each of these resolutions is as follows:

1. **Re-election of Mr Devidas Shetty and Mr Mark Wheatley as Non-Executive Directors (RESOLUTIONS 1 and 2)**. Mr Shetty and I are recent appointees to the Prospect Board as additional Directors under the Company's constitution, subject to ratification at the Company's next General Meeting. These resolutions constitute this ratification. Both Mr Shetty and I bring considerable additional experience and capability in project advancement, financing, development, and operations across Africa. We are strongly committed to seeing Prospect succeed as a lithium project developer and realising maximum value for all shareholders from Arcadia.
2. **Ratification of Placement Shares and Lead Manager Options (RESOLUTIONS 3, 4 and 5)**. These resolutions are to ratify the share and option issuance associated with the recent capital raising announced on 23 April 2021. We were pleased to have received such strong support from our largest shareholder in the capital raising and also to welcome a number of new domestic and international institutional investors onto the Prospect register. The funds raised are planned to be used to complete the acquisition of a further 17% interest in Arcadia, as well as advance the development funding process with sufficient cash and time to complete the best possible deal. Ratification of this issuance allows Prospect to keep its placement capacity to maximise short term optionality with respect to potential project funding options for development of Arcadia.
3. **Ratification of Placement Shares to Non-Executive Chairman (RESOLUTION 6)**. As a Director, and therefore related party of Prospect, issuance of placement shares to myself requires the ratification of shareholders. I was keen to contribute meaningfully into the recent capital raising given my strong belief in the Prospect business case and value proposition, and a desire to further enhance my direct alignment with shareholders.
4. **Issuance of Options to Managing Director and CEO, Mr Sam Hosack (RESOLUTION 7)**. Sam has endured a challenging period for key executives where he voluntarily halved his own salary to place Prospect in a stronger position. The issuance of these out-of-the-money options is focussed on an appropriate total remuneration package, retention of Sam's skills and capability, and further alignment of his interests with all shareholders. The majority of the options only vest if specific performance metrics are satisfied, including reaching Final Investment Decision (FID) on Arcadia before the end of calendar 2021 and shipping of first on-specification product within 18 months of the FID date.
5. **Issuance of Options to Non-Executive Chairman (RESOLUTION 8)**. As part of my appointment as Chairman, Prospect agreed to issue out-of-the-money options designed to

enhance my alignment with all shareholders. These options are all subject to performance vesting hurdles that are the same as those that apply to the majority of Sam's options and, therefore, are also aligned with the interests of all shareholders.

6. **Issuance of Options to Non-Executive Directors, Mr Devidas Shetty, Mr Gerry Fahey and Mr Henian Chen (RESOLUTIONS 9, 10 and 11)**. For the past 12 months, Non-Executive Directors have voluntarily agreed to halve their fees to support the Company. Prospect is focussed on strengthening its governance standards over the coming year, with the planned establishment of a number of Board committees. The issuance of these options is also, in part, aimed at compensation for the expected increased time and work load of the Non-Executive Directors as the Company advances from developer to producer. These options are also all subject to performance vesting hurdles that align with the applicable hurdles to Sam's options and, therefore, with the interests of all shareholders.

7. **Approval for Proposed Acquisition of Additional Shares in Prospect Lithium Zimbabwe and Issuance of Shares to Farvic (RESOLUTIONS 12 and 13)**. Prospect currently owns 70% of Prospect Lithium Zimbabwe (PLZ). The 30% minority interests in PLZ are 'free carried' in PLZ through to production from Arcadia. This means that Prospect funds 100% of the expenditure on Arcadia, including development capital, until at least production status is achieved. The outcome of approving this transaction is that Prospect will increase its share of prospective future revenues and profits from Arcadia by 17% (to 87%), in exchange for a cash payment of A$1,187,210 and a 2.5% increase in the Company's share capital (i.e. 9,497,680 shares), and without any increase in future expenditure. Given that, the Prospect Board believes that the transaction is highly accretive to Prospect shareholders.

   The Board's view is supported by the Independent Expert, Stantons Corporate Finance Pty Ltd (Stantons), who has independently assessed the transaction to be "fair and reasonable to Prospect Shareholders". Stantons has determined the 17% interest in PLZ proposed to be acquired by Prospect to be valued at A$28 million, compared to the implied valuation of the consideration to be paid by Prospect of A$4.1 million (i.e. an 85% discount). I encourage shareholders to read the Independent Expert Report closely for the various assumptions that have been used.

The Board and management team intend to vote for all resolutions, where permitted. I would respectfully request that all shareholders actively consider doing the same.

I believe the future for Prospect is bright and the coming year will be an exciting one for the Company and its shareholders. I would like to conclude by again thanking all shareholders for their support. I look forward to meeting those of you who are able to attend the General Meeting.

Yours faithfully,

Mark Wheatley

Non-Executive Chairman

Venue and Voting Information

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.30am (AWST) on Friday, 25 June 2021 at Level 2, 1 Walker Avenue, Perth WA 6000.

Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the General Meeting on the date and at the place set out above.

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the **Online Proxy Lodgement Guide** at https://www.automicgroup.com.au/meetings/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of Prospect Resources Limited ACN 124 354 329 will be held at 10.30am (AWST) on Friday, 25 June 2021 at Level 2, 1 Walker Avenue, Perth WA 6000 (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 7:00pm (AWST) on Wednesday, 23 June 2021.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Resolutions

Re-election of Directors

1. **Resolution 1** – Re-election of Mr Devidas Shetty as Director

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That Devidas Shetty, a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be re-elected as a Director of the Company, effective immediately."

2. **Resolution 2** – Re-election of Mr Mark Wheatley as Director

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That Mark Wheatley, a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be re-elected as a Director of the Company, effective immediately."

Ratification of Prior Issue of Placement Shares

3. **Resolution 3** – Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 8,081,285 ordinary fully paid shares, issued on 23 April 2021 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. **Resolution 4** – Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1 A

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 33,209,037 ordinary fully paid shares, issued on 23 April 2021 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Ratification of Prior Issue of Lead Manager Options

5. **Resolution 5** - Ratification of Prior Issue of Lead Manager Options

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 13,500,000 unlisted options issued on 23 April 2021 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

(a) a person who participated in the issue or is a counterparty to the agreement being approved; or

(b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 5 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Issue of Placement Shares to a Related Party

6. **Resolution 6** – Approval of Issue of Placement Shares to Mark Wheatley (or his nominee), a Director of the Company

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 645,162 fully paid ordinary shares to Mark Wheatley (or his nominee), a director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

(a) Mark Wheatley;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 6 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Issue of Options to Directors

7. **Resolution 7** – Approval of Issue of Options to Mr Sam Hosack (or his nominee), a Director of the Company

To consider and, if thought fit, to pass, with or without amendment the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 6,000,000 unlisted options to Mr Sam Hosack (or his nominee) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:

(a) Sam Hosack;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 7 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 7 if:

(a) the proxy is either:
  (i) a member of the Company's Key Management Personnel; or
  (ii) a closely related party of a member of the Company's Key Management Personnel; and
(b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair of the Meeting; and
(b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

8. **Resolution 8** – Approval of Issue of Options to Mr Mark Wheatley (or his nominee), a Director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,000,000 unlisted options to Mr Mark Wheatley (or his nominee) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

(a) Mark Wheatley;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 8 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 8 if:

(a) the proxy is either:
  (i) a member of the Company's Key Management Personnel; or
  (ii) a closely related party of a member of the Company's Key Management Personnel; and

(b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair of the Meeting; and

(b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

9. **Resolution 9** – Approval of Issue of Options to Mr Devidas Shetty (or his nominee), a Director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 1,000,000 unlisted options to Mr Devidas Shetty (or his nominee) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of:

(a) Devidas Shetty;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 9 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 9 if:

(a) the proxy is either:
  (i) a member of the Company's Key Management Personnel; or
  (ii) a closely related party of a member of the Company's Key Management Personnel; and
(b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair of the Meeting; and
(b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

10. **Resolution 10** – Approval of Issue of Options to Mr Gerry Fahey (or his nominee), a Director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 1,000,000 unlisted options to Mr Gerry Fahey (or his nominee) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

(a) Gerry Fahey;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 10 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 10 if:

(a) the proxy is either:
  (i) a member of the Company's Key Management Personnel; or
  (ii) a closely related party of a member of the Company's Key Management Personnel; and

(b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair of the Meeting; and

(b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

11. **Resolution 11** – Approval of Issue of Options to Mr Henian Chen (or his nominee), a Director of the Company

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution:**

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 1,000,000 unlisted options to Mr Henian Chen (or his nominee) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of:

(a) Henian Chen;

(b) a person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 11 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 11 if:

(a) the proxy is either:
    (i) a member of the Company's Key Management Personnel; or
    (ii) a closely related party of a member of the Company's Key Management Personnel; and
(b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair of the Meeting; and
(b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

Proposed Acquisition of Prospect Lithium Zimbabwe

12. Resolution 12 - Acquisition of shares in Prospect Lithium Zimbabwe

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 13, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given by the Shareholders of the Company to complete the acquisition of shares in Prospect Lithium Zimbabwe on the terms and conditions set out in the Explanatory Statement."

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the Shareholders.

The Independent Expert has determined that the acquisition of shares in Prospect Lithium Zimbabwe is both fair and reasonable to the Shareholders.

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 12 by or on behalf of:

(a) a person who is a party to the transaction the subject of this Resolution or;

(b) a person who will obtain a material benefit as a result of transaction to which this resolution relates; or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 12 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

13. **Resolution 13** - Issue of Consideration Shares to Farvic

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 12, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 9,497,680 Consideration Shares to Farvic (or its nominee(s)) in consideration for the Company's acquisition of shares in Prospect Lithium Zimbabwe on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 13 by or on behalf of:

(a) a person who is a party to the transaction the subject of this Resolution, including but not limited to Farvic (or its nominees) or;

(b) a person who will obtain a material benefit as a result of transaction to which this resolution relates; or

(c) an Associate of that person or those persons described in (a) or (b).

However, this does not apply to a vote cast in favour of Resolution 13 by:

(i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or

(ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Ian Goldberg and Lee Tamplin
Joint Company Secretaries

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.30am (AWST) on Friday, 25 June 2021 at Level 2, 1 Walker Avenue, Perth WA 6000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the General Meeting are set out below.

Resolutions

Re-election of Directors

Background to Resolutions 1 and 2

The Company's Constitution provides that any Director appointed in addition to the existing Directors will hold office until the next following annual general meeting and is then eligible for re-election.

ASX Listing Rule 14.4 also provides that each additional director appointed during the year must not hold office (without re-election) past the next annual general meeting of the entity and is then eligible for election as a Director of the Company.

Accordingly, Mr Devidas Shetty (Resolution 1) and Mr Mark Wheatley (Resolution 2) are seeking re-election at this General Meeting and, if approved, will not be required to seek re-election at the Annual General Meeting to be held later in the year.

Resolution 1 – Re-election of Mr Devidas Shetty as Director

Mr Devidas Shetty was appointed as an additional Director of the Company on 18 December 2020 and has since served as a Non-Executive Director of the Company.

Under this Resolution, Mr Shetty seeks re-election as a Director of the Company.

Mr Shetty is a highly experienced mining executive and qualified chartered account. He is currently President and CEO of Fura Gems Inc. He was previously a director and group Chief Operating Officer of Gemfields plc (LSE:GEM), and also held roles in private-equity firms.

Directors' recommendation

The Directors (excluding Mr Shetty) recommend that Shareholders vote for this Resolution.

Resolution 2 – Re-election of Mr Mark Wheatley as Director

Mr Mark Wheatley was appointed as an additional Director of the Company on 8 January 2021 and has since served as Non-Executive Chairman of the Company.

Under this Resolution, Mr Wheatley seeks re-election as a Director of the Company.

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.

Mr Wheatley holds a Bachelor of Engineering (Chemical Engineering) from the University of New South Wales and a Master of Business Administration from West Virginia University.

Directors' recommendation

The Directors (excluding Mr Wheatley) recommend that Shareholders vote for this Resolution.

Ratification of Prior Issue of Placement Shares

Background to Resolutions 3 and 4

As announced by the Company on 16 April 2021, the Company successfully completed a placement to sophisticated and professional investors (**Placement**) of 41,935,484 new fully paid ordinary shares at an issue price of 15.5 cents ($0.155) per Share (**Placement Shares**) raising $6,500,000 (before costs) for the Company.

On 23 April 2021, the Company completed Tranche 1 of the Placement to non-related parties and issued 8,081,285 Placement Shares under ASX Listing Rule 7.1 (**7.1 Placement Shares**) and 33,209,037 Placement Shares under ASX Listing Rule 7.1A (**7.1A Placement Shares**).

Resolution 3 seeks ratification of the issue of the 7.1 Placement Shares.

Resolution 4 seeks ratification of the issue of the 7.1A Placement Shares.

Resolution 3 - Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1 & **Resolution 4** - Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1A

ASX Listing Rules 7.1 and 7.1A

Resolution 3 proposes that Shareholders of the Company approve and ratify the prior issue and allotment of the 7.1 Placement Shares, being 8,081,285 fully paid ordinary shares issued on 23 April 2021 (**Issue Date**).

Resolution 4 proposes that Shareholders of the Company approve and ratify the prior issue and allotment of the 7.1A Placement Shares, being 33,209,037 fully paid ordinary shares issued on the Issue Date.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

At last year's AGM, the Company sought and obtained approval of its Shareholders under Listing Rule 7.1A to increase this 15% limit by an extra 10% to 25%.

The issue of Placement Shares did not fit within any of the exceptions (to Listing Rules 7.1 and 7.1A) and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the expanded 25% limit in Listing Rule 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the Issue Date (noting that the extra 10% under Listing Rule 7.1A will expire unless re-approved by the Company's Shareholders on an annual basis).

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

A note to Listing Rule 7.4 also provides that an issue made in accordance with Listing Rule 7.1A can be approved subsequently under Listing Rule 7.4 and, if it is, the issue will then be excluded from variable "E" in Listing Rule 7.1A.2 (which means that the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1A is not reduced).

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution 3 seeks Shareholder approval to subsequently approve the issue of 7.1 Placement Shares for the purposes of Listing Rule 7.4.

If Resolution 3 is passed, the issue of 7.1 Placement Shares will be <u>excluded</u> in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

If Resolution 3 is not passed, the issue of 7.1 Placement Shares under the Placement will be <u>included</u> in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

If Resolution 4 is passed, the issue of 7.1A Placement Shares will be <u>excluded</u> in calculating the Company's additional 10% capacity to issue equity securities under Listing Rule 7.1A without Shareholder approval during the period in which the 7.1A additional 10% capacity is available to the Company to use.

If Resolution 4 is not passed, the issue of 7.1A Placement Shares under the Placement will be <u>included</u> in calculating the Company's additional 10% capacity to issue equity securities under Listing Rule 7.1A without Shareholder approval during the period in which the 7.1A additional 10% capacity is available to the Company to use.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

(a) The Placement Shares were issued to institutional and sophisticated investors identified by the lead manager, Canaccord Genuity (Australia) Limited and the Company;

(b) The Company issued 41,290,322 Placement Shares;

(c) The Placement Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(d) The Placement Shares were issued on 23 April 2021.

(e) Each of the Placement Share was issued at an issue price of $0.155 per Placement Share which raised $6,400,000.

(f) Funds raised from the issue of the Placement Shares have been and will be used by the Company for the acquisition of an additional 17% project equity in Arcadia (the approval of which is being sought in Resolution 9 of this Notice of Meeting), to progress the project development funding process and for working capital purposes.

Directors' recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Ratification of Prior Issue of Lead Manager Options

Resolution 5 – Ratification of Prior Issue of Lead Manager Options

Background

In connection with the Placement described in the background to Resolutions 3 and 4, Canaccord Genuity (Australia) Limited was engaged to act as lead manager and bookrunner (**Lead Manager**). As part consideration for the services provided by the Lead Manager, the Company agreed to issue 13,500,000 unlisted options (**Lead Manager Options**) on the following terms:

1. 4,000,000 Lead Manager Options exercisable at $0.22 expiring on 31 December 2025;
2. 4,500,000 Lead Manager Options exercisable at $0.25 expiring on 31 December 2025; and
3. 5,000,000 Lead Manager Options exercisable at $0.28 expiring on 31 December 2025.

The material terms of the Lead Manager Options are set out below.

The Lead Manager Options were issued to the Lead Manager using the Company's existing capacity under ASX Listing Rule 7.1 on 23 April 2021 (**Option Issue Date**).

ASX Listing Rule 7.1

Resolution 5 proposes that Shareholders of the Company approve and ratify the prior issue and allotment of Lead Manager Options.

All of the Lead Manager Options were issued by utilising the Company's existing capacity under Listing Rule 7.1.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of Lead Manager Options did not fit within any of the exceptions to Listing Rule 7.1 and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Option Issue Date.

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to subsequently approve the issue of Lead Manager Options for the purposes of Listing Rule 7.4.

If Resolution 5 is passed, the issue of the Lead Manager Options will be excluded in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Option Issue Date.

If Resolution 5 is not passed, the issue of Lead Manager Options will be included in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Option Issue Date.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

(a) The Lead Manager Options were issued to Canaccord Genuity (Australia) Limited.

(b) The Company issued 13,500,000 unlisted options, being the Lead Manager Options;

(c) The material terms of the Lead Manager Options are as follows:

The Options entitle Canacorrd Genuity (**CG**) to subscribe for Shares in the Company on the following terms and conditions:

a. Each Option gives CG the right to subscribe for 1 Share upon:
    i. exercise of the Option in accordance with these terms; and
    ii. payment of the Exercise Price as follows:
        1. Tranche 1 – 4 million options at an exercise price of $0.22, expiring 31 December 2025
        2. Tranche 2 – 4.5 million options at an exercise price of $0.26, expiring 31 December 2025
        3. Tranche 3 – 5 million options at an exercise of $0.28, expiring 31 December 2025
b. Any Option not exercised before the Expiry Date will automatically lapse at 5.00pm (AWST) on the Expiry Date.
c. CG may exercise all or some of the Options held by CG. If CG exercises only part of the Options held by CG, multiples of 100,000 Options must be exercised on each occasion.
d. If CG exercises fewer than all of the Options held by CG, the Company will cancel CG's holding statement and issue or cause to be issued a new holding statement for the balance of the Options held by CG.
e. The exercise of only some Options will not affect the rights of CG in respect of the balance of the Options held by CG.
f. Options may only be exercised by CG lodging with the Company:
    i. a signed written notice of exercise of Options (in the form attached to this Schedule) specifying the number of Options being exercised;
    ii. the holding statement for the Options; and
    iii. a cheque or electronic funds transfer notice for the Exercise Price for the number of Options being exercised,

    (**Exercise Notice**).
g. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
h. Within 10 Business Days of receipt of the Exercise Notice and the full amount of the Exercise Price in cleared funds, the Company will allot the number of Shares to CG required under these Rules in respect of the number of Options specified in the Exercise Notice.
i. Subject to the Corporations Act and the ASX Listing Rules, the Options are freely transferable.
j. All Shares allotted upon the exercise of the Options will, upon issuance, rank pari passu in all respects with other Shares.
k. The Company will not apply for quotation of the Options on ASX.
l. The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX within 10 Business Days after the date of allotment of those Shares.
m. If at any time the issued capital of the Company is reconstructed, all rights of CG are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
n. There are no participating rights or entitlements inherent in the Options and CG will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give CG the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

o. In the event the Company proceeds with a pro rata issue (other than a bonus issue) of securities to shareholders after the date of issue of the Options, the Exercise Price may be reduced in the manner permitted by the ASX Listing Rules applying at the time of the pro rata issue.

p. In the event the Company proceeds with a bonus issue of securities to shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased in the manner permitted by the ASX Listing Rules applying at the time of the bonus issue.

q. The Company is entitled to treat the registered holder of Options as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.

(d) The Lead Manager Options were issued on 23 April 2021;

(e) The Lead Manager Options were issued for a nil issue price.

(f) Funds were not raised from the issue of the Lead Manager Options as they were issued as part consideration of the Lead Manager Fees in connection with the Placement.

(g) The Lead Manager Options were issued pursuant to a "Mandate to Act as Lead Manager" the material terms of which are as follows:

The Company agreed to pay the following fees (exclusive of GST, to be deducted from Gross Proceeds and withheld from settlement) to the Lead Manager on the date of Completion of the Offer:

a. a capital raising fee of 3.0% of the Gross Proceeds raised under the Offer ("Capital Raising Fee"); and

b. a management fee of 2.0% of the Gross Proceeds raised under the Offer ("Management Fee").

c. No Capital Raising Fee will be charged on any Chairman's List investors (which may include existing major shareholders) as agreed by the Company and Canaccord.

Directors' recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Issue of Placement Shares to a related party

Resolution 6 – Approval of Issue of Placement Shares to Mark Wheatley (or his nominee), a Director of the Company

Background

As advised in the background to Resolutions 3 and 4 above, the Company announced on 16 April 2021, that it had successfully completed a placement to sophisticated and professional investors (**Placement**) of 41,935,484 new fully paid ordinary shares at an issue price of 15.5 cents ($0.155) per Share (**Placement Shares**) raising $6,500,000 (before costs) for the Company.

Tranche 1 of the Placement raising $6,400,000 was completed on 23 April 2021 through the issue of 41,290,322 Placement Shares to non-related parties.

The remaining 645,162 Placement Shares, raising A$100,000, are proposed to be subscribed for by Director of the Company, Mark Wheatley (**Related Party Placement Shares**). Mr Wheatley's subscription for the Related Party Placement Shares is subject to the passing of Resolutions 2, 6 and 8 as contained in this Notice of Meeting. If any of Resolutions 2, 6 or 8 are not passed Mr Wheatley will not proceed with his subscription to acquire the Related Party Placement Shares.

Accordingly, in the event that Resolutions 2 and 8 as contained in this Notice of Meeting are passed, this resolution seeks approval to issue the Related Party Placement Shares to Mark Wheatley (or his nominee), a Director of the Company.

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in (a) to (c) above; and

(e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As Mark Wheatly is a director of the Company, he is a person in a position of influence for the purposes of Listing Rule 10.11. The proposed issue of the Related Party Placement Shares does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

To this end, this Resolutions seeks the required Shareholder approval to issue the Related Party Placement Shares to mr Wheatley under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to proceed with the proposed issue of the Related Party Placement Shares to Mark Wheatley or his nominee upon receipt of the investment proceeds in the amount of A$100,000.

If Resolution 6 is not passed, the Company will not be able to proceed with the proposed issue of the Related Party Placement Shares and it will not receive the related investment proceeds.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of the financial benefit falls within one of the exceptions to the provisions; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Related Party Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being Sam Hosack, Harry Greaves, Gerry Fahey, Zed Rusike, Henian Chen and Dev Shetty) carefully considered the issue of these Related Party Placement Shares to Mark Wheatley and formed the view that the giving of this financial benefit is on arm's length terms, as the securities are proposed to be issued on the same terms as offered to non-related parties of the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Related Party Placement Shares to Mark Wheatley fall within the "arm's length terms" exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Related Party Placement Shares to Mark Wheatley requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Related Party Placement Shares to Mark Wheatley is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

(a) The allottee is Mark Wheatley (or his nominee);

(b) Mark Wheatley falls under the related party category (Listing Rule 10.11.1) of Listing Rule 10.11 as he is a director of the Company;

(c) The maximum number of Related Party Placement Shares to be issued is 645,162.

(d) The Related Party Placement Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.

(e) The Related Party Placement Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

(f) The Related Party Placement Shares will be offered at an issue price of $0.155 per share.

(g) Funds raised from the issue of the Placement Shares have been and will be used by the Company for the acquisition of an additional 17% project equity in Arcadia (the approval of which is being sought in Resolution 9 of this Notice of Meeting), to progress the project development funding process and for working capital purposes.

Directors' recommendation

The Board of Directors (excluding Mr Wheatley) recommend that Shareholders vote for this Resolution.

Issue of Options to Directors

Resolution 7 - 11 – Approval of Issue of Options to Directors of the Company

Background to Resolution 7

As announced to the ASX on 8 March 2021 the Company's Board of Directors has resolved to issue 6,000,000 unlisted and unvested options to Managing Director, Mr Sam Hosack (or his nominee) (**Hosack Options**).

The Board resolved to issue the Hosack Options to incentivise and align Mr Hosack's performance with the Company's targets of attaining funding and successful operations from the Arcadia Project and the stated pathway to near term production, creating essential alignment with shareholders.

In resolving to issue the Hosack Options the Board also acknowledged that Mr Hosack has been operating on a reduced salary of 50% of his base package since April 2020. Mr Hosack agreed to the reduction in salary to help the Company preserve its cash during the COVID-19 pandemic. The Company will be returning Mr Hosack to his full salary effective 1 July 2021being $350,000 per annum including superannuation.

The material terms of the Hosack Options can be seen below. A valuation of these options is provided below.

Background to Resolution 8

As announced to the ASX on 11 January 2021 Mr Mark Wheatley was appointed as Non-Executive Chairman of the Company. As part of Mr Wheatley's appointment, the Company agreed to issue Mr Wheatley (or his nominee) 2,000,000 unlisted and unvested options (**Wheatley Options**).

The material terms of the Wheatley Options can be seen below and have been designed such that they align Mr Wheatley's role in providing guidance and oversight with the Company's stated objectives. A valuation of these options is provided below.

Background to Resolution 9 -11

Non-Executive Directors, in April 2020, had previously agreed to half their fees to support the Company during the following depressed period. The Company is focused on strengthening its governance standards for the coming year, by establishing board sub committees and increasing the frequency of board meetings. The Board agreed to issue options to these directors, in part, as compensation for the increased workload. It is proposed that the Company issue unlisted and unvested options to several of the Company's non-executive directors on the same material terms as the Wheatley Options:

(i) 1,000,000 unlisted and unvested options to Mr Devidas Shetty (or his nominee) (**Shetty Options**);

(ii) 1,000,000 unlisted and unvested options to Mr Gerry Fahey (or his nominee) (**Fahey Options**); and

(iii) 1,000,000 unlisted and unvested options to Mr Henian Chen (or his nominee) (**Chen Options**).

Together, the Wheatley Options, Shetty Options, Fahey Options and Chen Options shall be referred to as the **Non-Executive Director Options**. [It is noted one non-executive director, being Mr Zed Rusike, is not receiving options].

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in (a) to (c) above; and

(e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As Messrs Hosack, Wheatley, Shetty, Fahey and Chen are directors of the Company, they are persons in a position of influence for the purposes of Listing Rule 10.11. None of the proposed issue of the Hosack Options or the Non-Executive Director Options fall within any of the exceptions in Listing Rule 10.12, and the proposed issues therefore require the approval of the Company's Shareholders under Listing Rule 10.11.

Accordingly:

- Resolution 7 seeks Shareholder approval to issue the Hosack Options to Mr Sam Hosack (or his nominee) under and for the purposes of Listing Rule 10.11;
- Resolution 8 seeks Shareholder approval to issue the Wheatley Options to Mr Mark Wheatley (or his nominee) under and for the purposes of Listing Rule 10.11;
- Resolution 9 seeks Shareholder approval to issue the Shetty Options to Mr Devidas Shetty (or his nominee) under and for the purposes of Listing Rule 10.11;
- Resolution 10 seeks Shareholder approval to issue the Fahey Options to Mr Gerry Fahey (or his nominee) under and for the purposes of Listing Rule 10.11; and
- Resolution 11 seeks Shareholder approval to issue the Chen Options to Mr Henian Chen (or his

nominee) under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If Resolutions 7 – 11 are passed, the Company will be able to proceed with the proposed issue of the Hosack Options and Non-Executive Director Options.

If any of Resolutions 7 – 11 are not passed, the Company will not be able to proceed with the proposed issue of Options pursuant to the Resolution which is not passed. In such circumstances the Company may consider alternative incentives for the Director that is not issued Options, including but not limited to, cash.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(c) the giving of the financial benefit falls within one of the exceptions to the provisions; or

(d) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of both the Hosack Options and the Non-Executive Director Options (all of which are types of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being Harry Greaves and Zed Rusike) carefully considered the issue of the Hosack Options and Non-Executive Director Options and formed the view that the giving of these financial benefits is reasonable remuneration given the circumstances of the Company, the quantum and value of the options and the responsibilities of each of the respective directors.

Accordingly, the non-conflicted Directors of the Company believe that the issue of the Hosack Options and the Non-Executive Director Options fall within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act, and rely on this exception for the purposes of Resolutions 7, 8, 9, 10 and 11. Therefore, the proposed issue of the Hosack Options and the Non-Executive Director Options requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Hosack Options and Non-Executive Director Options to the Directors of the Company is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

(a) The allottees are:

    (i) Mr Sam Hosack (or his nominee) (**Resolution 7**);

    (ii) Mr Mark Wheatley (or his nominee) (**Resolution 8**);

    (iii) Mr Devidas Shetty (or his nominee (**Resolution 9**);

    (iv) Mr Gerry Fahey (or his nominee) (**Resolution 10**); and

    (v) Mr Henian Chen (or his nominee) (**Resolution 11**).

(b) Each of Messrs Hossack, Wheatley, Shetty, Fahey and Chen fall under the related party category (Listing Rule 10.11.1) of Listing Rule 10.11 as they are each a director of the Company.

(c) The maximum number of options to be issued is:

    (i) Hosack Options - 6,000,000;

    (ii) Wheatley Options – 2,000,000;

(iii) Shetty Options – 1,000,000;
(iv) Fahey Options – 1,000.000; and
(v) Chen Options – 1,000,000.

(d) The material terms of the options are as follows:

Hosack Options

Exercise price (cents	$0.26 (being 150% of the 5 day VWAP at the time the Board resolved to offer the Hosack Options)
Expiry Date	3 February 2025
Vesting conditions	i. 2,000,000 options vest in 12 months from date of issue; ii. 2,000,000 options vest at FID (Final investment Decision) before end of 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project; and iii. 2,000,000 options vest with first on-spec product shipped within 18 months of the FID decision iv. All options will vest immediately upon a change of control event v. The options are non transferable For any vesting condition to be satisfied Mr Hosack must be engaged by the Company at the point in time at which the vesting condition is satisfied.

Non-Executive Director Options

Exercise price (cents	$0.24
Expiry Date	7 January 2025
Vesting conditions	i. 50% of the options vest at FID (Final investment Decision) before end of 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project; and ii. 50% of the options vest with first on-spec product shipped within 18 months of the FID decision iii. All options will vest immediately upon a change of control event iv. The options are non transferable. For any vesting condition to be satisfied Mr Wheatley must be engaged by the Company at the point in time at which the vesting condition is satisfied.

Further, the Hosack Options and Non-Executive Director Options:

(i) Are not transferable (and, consequently, will not be quoted on ASX or any other exchange):
(ii) Do not confer any right to vote, except as otherwise required by law;
(iii) Do not confer any entitlement to a dividend, whether fixed at the discretion of the directors;
(iv) Do not confer any right to a return of capital, whether in winding up, upon a reduction of capital or otherwise;
(v) Do not confer any right to participate in the surplus profit or assets of the entity upon winding up; and
(vi) Do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues,

unless and until the applicable vesting conditions have been achieved and the options have been converted into fully paid ordinary shares.

(e) The Hosack Options and Non-Executive Director Options will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

(f) The Hosack Options and Non-Executive Director Options will be offered for nil cash consideration.

(g) Funds will not be raised from the issue of the Hosack Options and Non-Executive Director Options as the issues are proposed to incentivise and align the performance of the Directors with the achievement of the Company's aims and objectives.

(h) The current total remuneration package received by each of the Directors is:

(i) Mr Sam Hosack - A$175,000 inclusive of superannuation;

(ii) Mr Mark Wheatley – A$87,600 inclusive of superannuation;

(iii) Mr Devidas Shetty – A$12,000 inclusive of superannuation;

(iv) Mr Gerry Fahey – A$12,000 inclusive of superannuation; and

(v) Mr Henian Chen – A$12,000 inclusive of superannuation.

Note: The salary of Mr Hosack will increase to $350,000 (inclusive of superannuation) per annum and the salaries of Mr Shetty, Mr Fahey and Mr Chen will be increasing to A$36,000 (inclusive of superannuation) per annum, effective 1 July 2021.

In addition to this current remuneration if the Resolutions 7 – 11 are passed each Director will be issued with the number of options the subject of that Resolution. These options have been valued as follows using the Black Scholes Model:

Tranche	Number	Exercise Price	Expiry Date	B.S. Value/Option	B.S. Tranche Value
Hosack Options	6,000,000	$0.26000	03/02/2025	$0.01806	$108,336
Wheatley Options	2,000,000	$0.24000	07/01/2025	$0.02063	$41,260
Shetty Options	1,000,000	$0.24000	07/01/2025	$0.02063	$20,630
Fahey Options	1,000,000	$0.24000	07/01/2025	$0.02063	$20,630
Chen Options	1,000,000	$0.24000	07/01/2025	$0.02063	$20,630

The Company has made the following assumptions for the purposes of calculating the above valuation of the Hosack Options and the Non-Executive Director Options:

Valuation Date	Assumed Offer Price (A$)	Market Capitalisation	Risk Free Rate	3 Month Volatility
30 April 2021	$0.150	56,007,104	1.77%	35.42%

Directors' recommendation

The Board of Directors (excluding Mr Hosack for Resolution 7, Mr Wheatley for Resolution 8, Mr Shetty for Resolution 9, Mr Fahey for Resolution 10 and Mr Chen for Resolution 11) recommend that Shareholders vote for Resolutions 7 to 11 (inclusive).

Proposed Acquisition of Prospect Lithium Zimbabwe

Background to Resolutions 12 & 13

Ownership of Prospect Lithium Zimbabwe

The principal activity of the Company is mining exploration. The Company has operations in Australia, and Zimbabwe. The Company's flagship operation in Zimbabwe is the Arcadia lithium project, which the Company holds indirectly through its interest in Prospect Lithium Zimbabwe (Pvt) Ltd (**Prospect Lithium Zimbabwe**).

Currently, the Company has an indirect 70% ownership interest in Prospect Lithium Zimbabwe, with the remaining 30% held by:

(a) Farvic Consolidated Mines (Pvt) Zimbabwe (**Farvic**) (17%);

(b) Mr Paul Chimbodza (7%); and

(c) Professor Kingston Kajese (6%).

Ownership and control of Farvic

Two Directors of the Company, Mr Harry Greaves and Mr Zed Rusike, are also directors of, and shareholders in, Farvic.

The shareholders of Farvic are:

(a) Harry's Hunts Pvt Ltd, an entity controlled by Mr Harry Greaves (holding approximately 20% of the shares in Farvic);

(b) Mr Zed Rusike (holding approximately 16% of the shares in Farvic);

(c) the Farvic Workers Trust and the Farvic Community Trust, trusts set up for the benefit of Farvic's workers (each trust holding approximately 10% of the shares in Farvic). Messrs Greaves and Rusike are trustees of both trusts;

(d) the Doddieburn Trust, an entity controlled by Mr Ian Henderson, the father-in-law of Mr Greaves (holding approximately 9% of the shares in Farvic); and

(e) other minority shareholders who are not affiliated with the Company, Mr Greaves or Mr Rusike (holding the remaining 35% of the shares in Farvic).

Acquisition of shares in Prospect Lithium Zimbabwe

On 14 March 2018, the Government of Zimbabwe relaxed the restrictions on foreign ownership of mining projects in Zimbabwe which had previously applied to the Arcadia lithium project. As a result of the change in law, the Company is now able to increase its interests in the Arcadia lithium project.

As announced on 3 October 2018, the Company has entered into a conditional agreement (the **PLZ Agreement**), under which the Company will increase its interest in Prospect Lithium Zimbabwe from 70% to 87%. Under the PLZ Agreement, Farvic has agreed to transfer the shares it holds in Prospect Lithium Zimbabwe (**Transfer Shares**) to Prospect Minerals Pte Ltd, a wholly owned subsidiary of the Company. In consideration for the Transfer Shares, the Company proposes to issue 9,497,680 fully paid ordinary shares (**Consideration Shares**) to Farvic and pay Farvic $1,187,210 in cash.

Material terms and conditions of the PLZ Agreement

The Material terms of the PLZ Agreement are as follows:

(a) (**Conditions Precedent**): Acquisition of the Transfer Shares by the Company is conditional on the following approvals having been obtained:

1. any approval of the Company's Shareholders required by the ASX Listing Rules;
2. any approval from the Reserve Bank of Zimbabwe that is required by law to be obtained in order for the Company to acquire shares in Prospect Lithium Zimbabwe; and

3. any approval of any other government agency in Zimbabwe that is required by law to be obtained in order for the Company to acquire shares in Prospect Lithium Zimbabwe.

(b) (**Consideration**): In consideration for the Transfer Shares, the Company proposes to issue 9,497,680 Consideration Shares to Farvic and pay Farvic $1,187,210 in cash as further detailed below:

	Transfer Shares	Consideration Shares	Consideration Funds
	227	9,497,680	N/A
	113	N/A	$1,187,210
TOTAL	**340** 17% of the total shares of Prospect Lithium Zimbabwe on issue)	9,497,680	$1,187,210

The transfer of the 113 Transfer Shares for cash consideration is conditional on the transfer of the 227 Transfer Shares (which are being transferred in exchange for the issue of the Consideration Shares) having been completed.

(c) (**Escrow**): The Consideration Shares proposed to be issued to Farvic will be subject to a voluntary escrow, with 25% of the Consideration Shares being released from escrow every 6 months, subject to any additional escrow imposed by ASX.

(d) (**Warranties**): Each of Farvic and the Company has provided customary warranties for an agreement of this nature.

<u>Advantages and disadvantages of the acquisition of shares in Prospect Lithium Zimbabwe</u>

The Independent Expert's Report (see Annexure A) concludes that the Company's acquisition of shares in Prospect Lithium Zimbabwe is fair and reasonable to Shareholders.

The Directors consider that the acquisition of shares in Prospect Lithium Zimbabwe is advantageous for the Company because:

(a) the price is commercially attractive being at a discount to the valuation implied by the Company's current market capitalisation. The Company will increase its interest in the Arcadia lithium project by 17%, but the Company's share capital will only increase by 2.54%; and

(b) it will enhance the Company's returns because it will increase the Company's share of future revenue from the Arcadia lithium project without increasing the Company's share of project costs. The Company currently 'free carries' the other shareholders in Prospect Lithium Zimbabwe, meaning that the Company currently bears 100% of the Arcadia lithium project's costs. The outcome of the transaction will be that the Company increases its share of future revenue and profits from the Arcadia lithium project by 17% to 87%, without an increase in expenditure (or financial risk).

Potential disadvantages of the PLZ Agreement include:

(a) the acquisition of further shares in Prospect Lithium Zimbabwe will increase the Company's risk exposure to Zimbabwe. However, the Directors consider that Zimbabwe is still a good investment destination in Africa and intends to mitigate any country risk exposure through continued good relationships with the government of Zimbabwe and continued prudent good management of the Arcadia lithium project;

(b) the issue of the Consideration Shares will have a small but immediate dilutionary effect on Shareholders' interests in the Company. However, the Directors consider that any dilution of

Shareholders' interests will be tempered by the expected increase in Share value for Shareholders as a result of the acquisition of shares of Prospect Lithium Zimbabwe; and

(c) there is no guarantee that the Company's acquisition of further shares in Prospect Lithium Zimbabwe pursuant to the PLZ Agreement will result in any beneficial economic outcome.

Resolution 12 - Acquisition of shares in Prospect Lithium Zimbabwe

ASX Listing Rule 10.1

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, (amongst other persons):

(a) a Related Party of that entity;

(b) an Associate of a Related Party of that entity; or

(c) a person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by security holders,

without approval of the entity's shareholders.

Relevant Relationship

For the purposes of ASX Listing Rule 10.1, a Related Party of the Company includes the Directors and entities controlled by the Directors. 'Control' for the purposes of ASX Listing Rule 10.1 means the capacity to determine the outcome of decisions about the entity's financial and operating policies.

Two of Farvic's directors, Mr Greaves and Mr Rusike, are also Directors of the Company. Mr Greaves and Mr Rusike are also substantial shareholders of Farvic, holding 20% and 16% (respectively) of the shares in Farvic.

The Directors consider it unlikely that Mr Greaves' or Mr Rusike's individual directorships and shareholdings are sufficient to give either of them control of Farvic. It is therefore unlikely that Farvic is technically caught by the definition of a 'Related Party' to the Company for the purposes of ASX Listing Rule 10.1.

However, due to the connections Mr Greaves and Mr Rusike have with other shareholders of Farvic (as set out in the "Ownership and control of Farvic" section of this Explanatory Statement), it is possible that Messrs Greaves and Rusike have enough practical influence over the decisions of Farvic to amount to 'control' for the purposes of ASX Listing Rule 10.1.

Accordingly, after consulting with ASX, the Directors are of the view that the relationship between the Company and Farvic is such that Shareholder approval should be obtained before the Company acquires a substantial asset from Farvic, notwithstanding Farvic may not strictly be a Related Party.

Substantial Asset

For the purposes of ASX Listing Rule 10.1, an asset is a 'substantial asset' if its value, or the value of the consideration given for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial half-year ending on 31 December 2020) were $34,485,000. 5% of this amount is $1,724,250.

For the purposes of Resolution 12, the relevant "asset" that the Company proposes to acquire is 340 shares in Prospect Lithium Zimbabwe (or 17% of all of the shares in Prospect Lithium Zimbabwe), from Farvic.

The value of the Consideration Shares proposed to be issued to Farvic in exchange is $1,424,652 (based on a Share price of $0.15) and the Company will also pay $1,187,210 in cash. This exceeds 5% of the equity interests in the Company as set out above.

Consequently, the Company's acquisition of 340 shares in Prospect Lithium Zimbabwe will constitute an acquisition of a substantial asset.

Classified Asset

For the purposes of ASX Listing Rule 10.7, the consideration for an acquisition of a 'classified asset' (as defined in the ASX Listing Rules) must be securities in the entity only and those securities must be restricted securities.

The Company has received a waiver from ASX in relation to ASX Listing Rule 10.7 so that it is able to pay cash as part consideration of the acquisition of Farvic's shares in Prospect Lithium Zimbabwe. Further the Consideration Shares proposed to be issued to Farvic will not be required to be restricted securities though it is noted that the Farvic shareholders that will receive the Consideration Shares have, in any case, agreed to a voluntary escrow with 25% of the Consideration Shares being released from escrow every 6 months, subject to any additional escrow imposed by ASX.

Requirement for Shareholder Approval

On the basis of the above, the proposed acquisition of 340 shares in Prospect Lithium Zimbabwe from Farvic will constitute an acquisition of a substantial asset from a person whose relationship with the Company is such that the transaction should be approved by Shareholders.

The Company is therefore seeking Shareholder approval to the proposed acquisition under ASX Listing Rule 10.1.

Information required by ASX Listing Rule 10.5

The following information in relation to the approval of a transaction under ASX Listing Rule 10.1 is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

(a) As detailed above the substantial asset is being acquired from Farvic.

(b) Each of Messrs Greaves and Rusike (two of Farvic's Directors and substantial shareholders) fall under the related party category (Listing Rule 10.11.1) of Listing Rule 10.11 as they are each a director of the Company.

(c) The details of the asset being acquired, and consideration being paid have been outlined above.

(d) The Company will fund the acquisition through its cash reserves which were recently increased in a Placement raising $6.5m of which the funding of the cash component of the consideration to be paid to Farvic was one of the intended uses of the funds.

(e) The Company intends to complete the Acquisition of Farvic's Shares in Prospect Lithium Zimbabwe no later than 1 month after the date of the Meeting.

(f) The material terms of the PLZ Agreement have been set out above.

(g) In accordance with ASX Listing Rule 10.5.10 an Independent Expert's Report (**IER**) has been prepared by Stantons International Securities and is set out in Annexure A. The IER provides a detailed independent examination of the Company's proposed acquisition of shares in Prospect Lithium Zimbabwe. The purpose of the Independent Expert's Report is to enable Shareholders to assess the merits and decide whether to approve the Resolutions contemplated in this Notice of Meeting.

    To the extent that it is appropriate, the IER enclosed with this Notice of Meeting sets out further information with respect to the Company's proposed acquisition of shares in Prospect Lithium Zimbabwe and concludes that the acquisition is both fair and reasonable to the Shareholders.

    Shareholders should read the IER carefully to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

Directors' Recommendation

The Directors, other than Mr Greaves and Mr Rusike (who decline to give a recommendation in respect of Resolution 12 or 13 due to their respective potential interests in those Resolutions), recommend that Shareholders vote in favour of this Resolution.

Resolution 13 – Issue of Consideration Shares to Farvic

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

(a) a related party;

(b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;

(c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in (a) to (c) above; and

(e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As set out in the background to Resolutions 12 and 13, the Directors are of the view that the relationship between the Company and Farvic is such that Farvic is a related party for the purposes of Listing Rule 10.11. The proposed issue does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 13:

(a) The Consideration Shares to be issued pursuant to this Resolution will be issued to Farvic (or its nominee).

(b) Two of Farvic's Directors and substantial shareholders are Mr Harry Greaves and Mr Zed Rusike who are both also Directors of the Company and for the purposes of Listing Rule 10.11 Farvic is therefore considered to be a related party.

(c) The Company proposes to issue 9,497,680 Consideration Shares which are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares except that the Consideration Shares will be subject to a voluntary escrow, with 25% of the Consideration Shares being released from escrow every 6 months, subject to any additional escrow imposed by ASX.

(d) The Consideration Shares to be issued pursuant to this Resolution will be issued no later than 1 month after the date of the Meeting. It is intended that all Consideration Shares to be issued pursuant to this Resolution will be issued on the same date.

(e) The Consideration Shares issued pursuant to this Resolution will be issued for nil cash consideration as part consideration of Farvic's Shares in Prospect Lithium Zimbabwe. Accordingly, no funds will be raised.

(f) The Consideration Shares are issued under the PLZ Agreement the material terms of which have been set out in the background to Resolutions 12 and 13.

Chapter 2E of the Corporations Act

Under Chapter 2E of the Corporations Act, in order for a public company, or an entity that a public company controls, to give a financial benefit to a Related Party, the public company must:

(a) obtain the approval of its shareholders in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors (other than Mr Greaves and Mr Rusike who have a potential interest in the Resolutions) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because:

(a) the Directors do not consider that Farvic is a Related Party of the Company for the purposes of Chapter 2E of the Corporations Act; and

(b) the PLZ Agreement was negotiated on an arm's length basis. Therefore, the exception in section 210 of the Corporations Act would apply in any event.

Directors' Recommendation

The Directors, other than Mr Greaves and Mr Rusike (who decline to give a recommendation in respect of Resolution 12 or 13 due to their respective potential interest in those Resolutions), recommend that Shareholders vote in favour of this Resolution.

Enquiries

Shareholders are asked to contact the Company Secretary on 02 8072 1400 if they have any queries in respect of the matters set out in these documents.

Glossary

ASIC means Australian Securities and Investment Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

means Australian Western Standard Time as observed in Perth, Western Australia.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or of the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;

(e) a company the member controls; or

(f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means Prospect Resources Limited ACN 124354329

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Dollar or "**$**" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Farvic means Farvic Consolidated Mines (Pvt) Ltd, a private company incorporated in Zimbabwe with the registration number 20/2003.

KMP means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting dated 26 May 2021 including the Explanatory Statement.

Option means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Proxy Form means the proxy form attached to this Notice of Meeting.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

Securities mean Shares and/or Options (as the context requires).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means Automic Group.

Special Resolution means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

VWAP means the volume weighted average market (closing) price, with respects to the price of Shares.

Annexure A – Independent Expert's Report

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11 May 2021

The Board of Directors
Prospect Resources Limited
Level 2, 33 Richardson Street
West Perth WA 6005

Dear Directors,

Independent Expert's Report for Prospect Resources Limited Relating to Proposed Ownership Restructure of the Arcadia Lithium Project

1 Executive Summary

Opinion

1.1 In our opinion, the proposed transaction outlined in Resolution 12 of the Notice of Meeting ("**NoM**") relating to the acquisition by Prospect Resources Limited (**"Prospect**" or the "**Company**") of 340 ordinary shares in its partially owned subsidiary, Prospect Lithium Zimbabwe (Pvt) Ltd ("**PLZ**") from a potential related party, Farvic Consolidated Mines Pvt Ltd ("**Farvic**") is considered **FAIR** and **REASONABLE** to the non-associated shareholders of Prospect as at the date of this report.

Introduction

1.2 Stantons Corporate Finance Pty Ltd ("**Stantons**") were engaged by the independent directors of Prospect to prepare an Independent Expert's Report ("**IER**") to determine the fairness and reasonableness of the proposal outlined in Resolution 12 of the attached NoM and Explanatory Statement ("**ES**"). We note that the Resolution 12 is interdependent with Resolution 13. The NoM will be released ahead of a general meeting of Prospect shareholders to be held in or around June 2021 (the "**Meeting**").

1.3 Prospect is an Australian resource development company listed on the Australian Securities Exchange ("**ASX**"). The Company holds an interest of approximately 70% in PLZ, which holds the Arcadia lithium project located in Zimbabwe. Farvic is a minority shareholder in PLZ.

1.4 Prospect is proposing to restructure the ownership of Arcadia, subject to shareholder approval of Resolution 12 (to which this IER relates) and the interdependent Resolution 13. The proposed restructure will involve a share swap with Farvic, such that:

i) Farvic will transfer all the 340 ordinary shares it holds in PLZ, increasing Prospect's interest in Arcadia by 17% (to a total of 87%); and

ii) Prospect will issue 9,497,680 new ordinary shares and pay A$1,187,210 in cash to Farvic.

1.5 We note that the Farvic shares in PLZ will be transferred to a Singapore based wholly owned subsidiary of Prospect, Prospect Minerals Pte Ltd (**"Prospect Singapore**").

1.6 The proposals outlined at paragraph 1.4 are herein referred to as the "**Transaction**".

1.7 The Transaction is subject to several conditions precedent, including shareholder approval for Resolutions 12 and 13, and a number of Zimbabwean regulatory approvals.

Purpose

1.8 ASX Listing Rule 10.1 ("**Listing Rule 10.1**") provides that an entity must ensure that neither it, nor any of its child entities, acquire a substantial asset from, or dispose of a substantial asset to, amongst other persons, a subsidiary or a related party, without the prior approval of holders of the entity's ordinary shareholders.

1.9 For the purpose of Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration (in ASX's opinion) for it is 5% or more of the equity interests of the entity as set out in the latest accounts submitted to ASX.

1.10 Two Prospect directors, Mr Harry Greaves and Mr Zed Rusike, are also substantial shareholders of Farvic. Accordingly, the independent Prospect directors have decided that shareholder approval should be sought for the acquisition of a substantial asset from Farvic.

1.11 Accordingly, Prospect intends to seek approval at the Meeting, of Resolution 12, from the shareholders who are not restricted from voting on the proposal (the "**Non-Associated Shareholders**") pursuant to Listing Rule 10.1. The Company will also seek approval for the interdependent Resolution 13 pursuant to ASX Listing Rule 10.11.

1.12 The proposed Transaction will be described in the NoM and ES to be forwarded to shareholders ahead of the Meeting. This IER provides an opinion on the fairness and reasonableness of the Transaction to Non-Associated Shareholders and will be attached to the NoM.

Basis of Evaluation

1.13 With regard to the Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111: Content of Expert Reports ("**RG111**"), we have assessed the Transaction as:

- fair if the value of the financial benefit to be provided by the entity is equal to or less than the value of the consideration received by the entity; and
- reasonable if it is fair, or if despite not being fair there are sufficient reasons for Non-Associated Shareholders to accept the offer.

Assessment

Prospect Share Value Prior to the Transaction

1.14 We assessed the fair market value of a Prospect ordinary share prior to the Transaction with regard to both net assets and traded share price methodologies.

1.15 Stantons engaged Valuation and Resources Management Pty Ltd ("**VRM**") as a technical specialist to provide fair market valuations for the mineral interests of Prospect to support our assessment. We have relied on the valuations provided by VRM in their report contained in (the "**VRM Report**") in forming our opinion.

1.16 Our net assets methodology assessed the fair market value of a Prospect ordinary share as at 4 May 2021, as follows:

Table 1. Net Asset Valuation of Prospect Shares Prior to Transaction

	Ref	Low	Preferred	High
Arcadia project (70% interest) (A$)	Table 18	113,190,000	133,140,000	153,160,000
Add: Non-project related net assets (A$)	Table 16	19,091,921	19,091,921	19,091,921
Net asset value (A$)		**132,281,921**	**152,231,921**	**172,251,921**
Less: outstanding options value (A$)	Table 21	(1,657,967)	(1,657,967)	(1,657,967)
Value to ordinary shareholders (A$)		**130,623,954**	**150,573,954**	**170,593,954**
Number of shares outstanding	Table 11	373,380,693	373,380,693	373,380,693
Value per share (A$) (control)		**0.350**	**0.403**	**0.457**
Discount for minority interest (%)	7.22	23.1%	23.1%	23.1%
Value per share (A$) (minority interest)		**0.269**	**0.310**	**0.351**

Source: Stantons analysis

1.17 After considering the recent traded prices history of Prospect, our adopted value is as follows.

Table 2. Prospect Adopted Value

	Ref	Low	Preferred	High
Net assets value (A$)	Table 17	0.269	0.310	0.351
Prospect traded prices value (A$)	Table 24	0.100	0.150	0.200
Adopted value (A$)		**0.269**	**0.310**	**0.351**

Source: Stantons analysis

1.18 Due to the ASX trading of Prospect shares having only a moderate liquidity, and a variety of other market factors (refer paragraph 7.33) we considered the traded market value as a secondary methodology only.

1.19 Accordingly, we assessed the fair value of a Prospect ordinary share prior to the Transaction, on a minority interest basis, to be between A$0.269 and A$0.351, with a preferred value of A$0.310.

PLZ Valuation

1.20 We assessed the value of a PLZ share to Prospect using a net assets-based methodology.

Table 3. PLZ Net Assets Valuation

	Ref	Low	Preferred	High
Arcadia project (100% interest) (A$)	Table 18	161,700,000	190,200,000	218,800,000
Add: other net assets (A$)	Table 25	(22,637,543)	(22,637,543)	(22,637,543)
Total net assets (A$)		**139,062,457**	**167,562,457**	**196,162,457**
Number of shares outstanding	Table 13	2,000	2,000	2,000
Value per share (A$)		**69,531**	**83,781**	**98,081**

Source: Stantons analysis

1.21 Accordingly, we assessed the fair value of a PLZ ordinary share to Prospect to be between A$69,531 and A$98,081 with a preferred value of A$83,781.

Fairness Assessment

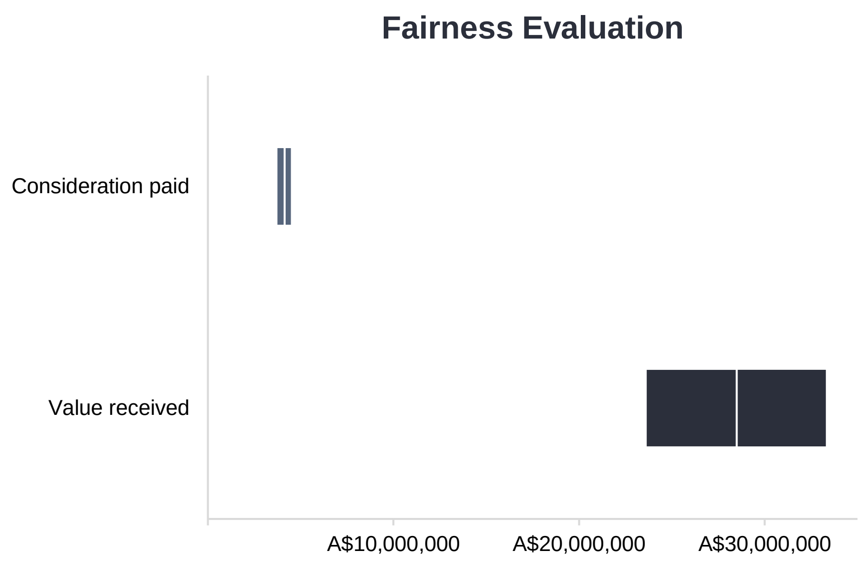
1.22 Our fairness assessment of the Transaction (incorporating Resolutions 12 and 13) is as set out below. Further details on the methodology and material assumptions are available in Section 9.

Table 4. Fairness Evaluation

	Ref	Low	Preferred	High
Value Received				
Value of a PLZ share (A$)	Table 27	69,531	83,781	98,081
Number of shares acquired	Table 13	340	340	340
Value of PLZ acquired (A$)		**23,640,618**	**28,485,618**	**33,347,618**
Total value received (A$)		**23,640,618**	**28,485,618**	**33,347,618**
Consideration paid				
Value of a Prospect share (A$)	Table 25	0.269	0.310	0.351
Number of shares issued to Farvic	Table 6	9,497,680	9,497,680	9,497,680
Value of shares issued to Farvic		**2,555,908**	**2,946,268**	**3,337,997**
Cash consideration	2.6	1,187,210	1,187,210	1,187,210
Total consideration paid (A$)		**3,743,118**	**4,133,478**	**4,525,207**
Premium/(discount) (A$)		**19,897,500**	**24,352,140**	**28,822,411**
Fairness conclusion		**Fair**	**Fair**	**Fair**

Source: Stantons analysis

Figure 1. Transaction Fairness Evaluation



Source: Stantons analysis

1.23 As the value received by Prospect is greater than the value of the consideration paid under each of the low, preferred and high cases, we consider Resolution 12 of the NoM, to be **FAIR** to the Non-Associated Shareholders for the purpose of ASX Listing Rule 10.1.

Reasonableness Assessment

1.24 As the Transaction (including Resolution 12) is considered fair, under RG111.12 it is also considered reasonable. For informative purposes, we also considered the following likely advantages and disadvantages of the proposed Transaction to Non-Associated Shareholders.

Table 5. Reasonableness Assessment of Transaction

Advantages	Disadvantages
▪ The Transaction is fair	▪ Dilution of existing shareholders
▪ Prospect increases its interest in Arcadia at a discount	▪ Decreases cash position
▪ Simplifies ownership structure of Arcadia	▪ Increases exposure to Arcadia project risks
▪ Entitles Prospect to additional revenues from Arcadia without changing expenditure obligations	▪ Potential increase in political risk as a result of decreased local ownership of Arcadia
▪ Improves alignment between Non-Associated Shareholders and Farvic	
▪ May increase market capitalisation of Prospect	

Source: Stantons analysis

Conclusion

1.25 In our opinion, the Transaction proposal subject to Resolution 12 is **FAIR** and **REASONABLE** to the Non-Associated Shareholders of Prospect.

1.26 This opinion must be read in conjunction with the more detailed analysis included in this report, together with the disclosures, Financial Services Guide, and appendices to this report.

Financial Services Guide

Dated 11 May 2021

Stantons Corporate Finance Pty Ltd

Stantons Corporate Finance Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) (**"Stantons"** or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

a) who we are and how we can be contacted;

b) the services we are authorized to provide under our **Australian Financial Services Licence, Licence No: 448697;**

c) remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;

d) any relevant associations or relationships we have; and

e) our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without considering your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report, you should seek advice from a registered financial adviser.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Our fee for preparing this report is expected to be A$20,000 exclusive of GST.

You have a right to request for further information in relation to the remuneration, the range of amounts or rates of remuneration and you can contact us for this information.

Except for the fees referred to above, neither Stantons, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

Stantons and Stantons International Audit and Consulting Pty Ltd employees and contractors are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Stantons is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, Stantons and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons Corporate Finance Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 10 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("**AFCA**"). AFCA has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority Limited
GPO Box 3
MELBOURNE VIC 3001

Telephone: 1800 931 678

Stantons confirms that it has arrangements in place to ensure it continues to maintain professional indemnity insurance in accordance with s.912B of the Corporations Act 2001 (as amended). In particular our Professional Indemnity insurance, subject to its terms and conditions, provides indemnity up to the sum insured for Stantons and our authorised representatives / representatives / employees in respect of our authorisations and obligations under our Australian Financial Services Licence. This insurance will continue to provide such coverage for any authorised representative / representative / employee who has ceased work with Stantons for work done whilst engaged with us.

Contact details

You may contact us using the details set out at above or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

Table of Contents

1 Executive Summary 1
2 Summary of Transaction 10
3 Scope 12
4 Profile of Prospect 14
5 Profile of PLZ 21
6 Valuation Methodology 23
7 Valuation of Prospect Shares 25
8 Valuation of PLZ Shares 33
9 Fairness Evaluation 35
10 Reasonableness Evaluation 37
11 Opinions 38
12 Other Considerations 38
13 Shareholders Decision 38
14 Source Information 38

2 Summary of Transaction

Background

2.1 Prospect currently holds a 70% interest in PLZ, a holding company for the Arcadia project in Zimbabwe. The remaining 30% is held by several minority shareholders, including Farvic.

2.2 Prospect entered into a conditional agreement on 2 October 2018 (the "**Share Swap Agreement**") to acquire all the PLZ shares held by Farvic, and thereby increasing its interest in PLZ to 87%. The transaction was referred to in a Notice of Meeting released by the Company via ASX on 10 May 2019.

2.3 Conditions precedent to the transaction included that approvals must be obtained from:

i) the Company's shareholders pursuant to any requirement from ASX Listing Rules;

ii) the Reserve Bank of Zimbabwe as required; and

iii) any other government agency in Zimbabwe as required by Zimbabwean law.

2.4 Approval from the Company's shareholders was obtained on 11 June 2019. Approval from the Reserve Bank of Zimbabwe was announced on 19 July 2019.

2.5 Stantons understands that the Company previously obtained all approvals both from shareholders and the regulatory authorities in Zimbabwe, but due to budgetary constraints at the time, were unable to complete the transaction. The Company was given a limited time period under its approval from the ASX to complete the transaction before it would require Prospect to renew the shareholder approval. We note that this period has expired, and therefore the Company must renew the shareholder approval for the transaction to complete.

Proposed Transaction

2.6 Accordingly, pursuant to the Share Swap Agreement (which remains on foot), Prospect is seeking reapproval for the issue of ordinary shares to Farvic. The key terms of the proposed Transaction are:

- Prospect will acquire all 340 ordinary shares of PLZ held by Farvic (through its wholly owned subsidiary, Prospect Singapore), increasing its interest in PLZ by 17% to 87%; and
- Prospect will issue 9,497,680 ordinary shares and pay A$1,187,210 in cash to Farvic.

2.7 We note that the shares issued to Farvic will be subject to voluntary escrow, with 25% being released every six months (subject to any additional escrow imposed by the ASX).

2.8 The potential impact on the capital structure of Prospect should the proposed Transaction complete is presented below.

Table 6. Capital Structure Impact of Transaction

Transaction	Number	Post Transaction Interest (%)	Fully diluted post Transaction interest (%)
Total pre-Transaction ordinary shares	**373,380,693**	**97.52%**	**90.49%**
Shares issued to Farvic under Transaction	9,497,680	2.48%	2.30%
Total post Transaction ordinary shares	**382,878,373**	**100.00%**	**92.79%**
Options outstanding	29,750,000	n/a	7.21%
Total fully diluted shares post-Transaction	**412,628,373**	**n/a**	**100.00%**

Source: Stantons analysis

3 Scope

Purpose of the Report

3.1 ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquire a substantial asset from, or disposes of a substantial asset to, amongst other persons, a subsidiary or a related party, without the prior approval of holders of the entity's ordinary shareholders.

3.2 For the purpose of ASX Listing Rule 10.1, a related party of the Company includes directors and entities controlled by directors.

3.3 Two directors of Prospect, Harry Greaves and Zed Rusike, are also directors and significant shareholders of Farvic. Harry Greaves, Zed Rusike and entities controlled by them or their associates have a combined interest in Farvic of approximately 65%. Accordingly, Farvic is considered a related party of Prospect for the purpose of ASX Listing Rule 10.1.

3.4 For the purpose of ASX Listing Rule 10.1, an asset is a substantial asset if its value, or the value of the consideration given for it is, or in ASX's opinion is, 5% or more of the equity interest of the entity as set out in the latest accounts lodged with ASIC under the ASX Listing Rules.

3.5 If the Transaction is completed Farvic will receive 9,497,680 ordinary shares in Prospect and A$1,187,210 in cash.

3.6 As per the half year accounts of Prospect as at 31 December 2020, the Company's total equity value was A$30,485,000. Accordingly, 5% of the outstanding equity equates to A$1,524,250 for the purpose of ASX Listing Rule 10.1. Therefore, based on the current share price of Prospect, the consideration is deemed a substantial asset under ASX Listing Rule 10.1.

3.7 Accordingly, the acquisition of the PLZ Shares from Farvic may constitute acquiring a substantial asset from a related party.

3.8 ASX Listing Rule 10.5 prescribes that the NoM to approve a Transaction pursuant to Rule 10.1 must include a report on the transaction from an independent expert. The report must state the expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's securities whose votes in favour of the transaction are not to be disregarded.

Purpose

3.9 Accordingly, Prospect intends to seek approval from the Non-Associated Shareholders at a general meeting expected to be held in or around June 2021, for Resolution 12 of the NoM, pursuant to ASX Listing Rule 10.1. We note that for Resolution 12 to pass, Resolution 13 must also be approved pursuant to ASX Listing Rule 10.11.

3.10 The proposed Transaction will be referred to in the NoM and ES to be forwarded to shareholders ahead of the Meeting. The directors of Prospect have engaged Stantons to prepare an IER, to be appended to the NoM, to assess the fairness and reasonableness of the proposal contained in Resolution 12.

Basis of Evaluation

3.11 In determining the fairness and reasonableness of the Transaction, we have had regard to the guidelines set out by ASIC's RG111.

3.12 RG111 requires a separate assessment of whether a transaction is "fair" and whether it is "reasonable".

3.13 We therefore considered the concepts of "fairness" and "reasonableness" separately. The basis of assessment selected and the reasons for that basis are discussed below.

3.14 We note that under RG111 the Transaction is not considered to be a control transaction.

Fairness

3.15 Under RG111.57, a proposed related party transaction is fair if the value of the financial benefit provided by the entity to the related party is equal to or less than the value of the consideration received by the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

3.16 Per RG111.58, where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by the related party, the value of the entity's securities should be compared to the value of the securities it is acquiring.

3.17 In valuing the financial benefit given and the consideration received by the entity, an expert should consider all material terms of the proposed transactions.

3.18 With regard to the above, we have assessed the Transaction as fair if:

- the value of the financial benefit given by Prospect is less than or equal to;
- the value of the consideration received by Prospect.

3.19 The value of a Prospect ordinary share is assessed at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

> *"The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."*

3.20 While RG111 contains no explicit definition of value, we believe the above definition of fair market value is consistent with RG111.11 and common market practice.

Reasonableness

3.21 In accordance with RG111.12, we have defined the proposed Transaction as being reasonable if it is fair, or if despite not being fair we believe that there are sufficient reasons for the Non-Associated Shareholders to accept the proposal.

3.22 We therefore considered whether the advantages to Non-Associated Shareholders of approving the proposed Transaction outweigh the disadvantages.

Individual Circumstances

3.23 We have evaluated the proposed Transaction for Non-Associated Shareholders generically. We have not considered the effect on the circumstances of individual investors. Due to their personal circumstances, individual investors may place different emphasis on various aspects of the proposed Transaction from those adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the proposed Transaction is fair and reasonable. If in doubt, investors should consult an independent financial adviser about the impact of the proposed Transaction on their specific financial circumstances.

4 Profile of Prospect

History and Principal Activities

4.1 Prospect is an ASX listed company based in Perth with operations in Zimbabwe.

4.2 Prospect's primary focus is the development of the Arcadia lithium project located near Harare, Zimbabwe. The Company also holds interests in several other early-stage mining exploration projects in Zimbabwe. The Company also has ancillary operations in farming, which are currently on hold. We note that the vast majority of the value of Prospect is represented by the Arcadia project and the other project values are insignificant to the overall value of Prospect.

4.3 Prospect holds an interest in the following subsidiaries.

Table 7. List of Prospect Subsidiary Interests

Company	Principal activity	Country	Ownership
Prospect Minerals Pte Ltd	Holding Company	Singapore	100%
PLZ	Exploration and evaluation	Zimbabwe	70%
Thornvlei Farming Enterprises (Private) Limited	Farming	Zimbabwe	70%
Hawkmoth Mining & Exploration (Pvt) Ltd	Exploration and evaluation	Zimbabwe	70%
Coldawn Investments (Private) Limited	Exploration and evaluation	Zimbabwe	70%

Source: Prospect 31 Dec 2020 Half Year Report

Arcadia Project

4.4 The Arcadia project is a lithium development project located 38 km East of Harare, Zimbabwe. The Arcadia project consists of the Mining Lease ML38 that covers an area of 1,031 hectares.

4.5 Prospect holds a 70% interest in Arcadia through its subsidiary, PLZ. Prospect is responsible for contributing 100% of the costs towards the development of the project, with the other minority interests being free carried.

4.6 Arcadia is a large, hard rock lithium resource which is expected to produce petalite and spodumene concentrates. A pre-feasibility study ("**PFS**") was performed on Arcadia in 2017 and has subsequently been updated. Prospect has reported a JORC total mineral resource of 72.7 Mt at 1.11% Li_2O and 119 ppm Ta_2O_5 as at 25 October 2017 and ore reserve estimate of 37.4 Mt at 1.22% Li_2O and 121 ppm Ta_2O_5 as at 20 November 2019.

4.7 As at 30 March 2021, the Company announced that it had appointed Lycopodium Limited, a Perth based engineering consulting group, to complete an Optimised Feasibility Study ("**OFS**") for a staged development of Arcadia of 1.2 Mtpa to 2.4 Mtpa. The OFS is expected to be completed in the third quarter of calendar 2021. A key component of the OFS is the development of a pilot plant, which is expected to ship high purity petalite by the end of June 2021.

Chishanya Project

4.8 The Chishanya project ("**Chishanya**") is one of five known phosphate bearing carbonites in Zimbabwe. Chishanya consists of four tenement licences. The project is in early-stage exploration, and the Company has commenced soil sampling for rare earths.

4.9 Prospect holds a 70% interest in Chishanya through its subsidiary Hawkmoth Mining and Exploration (Pvt) Ltd ("**Hawkmoth**"), with the remaining 30% held by Farvic. Hawkmoth has an option to purchase the adjoining tenements from Meikle Mining Syndicate for US$30,000 payable in two instalments, comprising a US$15,000 deposit which has been paid, and an optional US$15,000 on completion. Hawkmoth may exercise the option at any time up to 5 August 2021.

Penhalonga Gold Project

4.10 The Penhalonga gold project ("**Penhalonga**") consists of a number of shear and vein hosted gold deposits covering an area of approximately 1.8 square kilometres in eastern Zimbabwe, near the border with Mozambique.

4.11 As announced on 23 October 2020, the Company has entered a binding term sheet with Luzich Resources (Africa) LLC ("**Luzich**"), a Las Vegas based private equity investor. Under the agreement, Luzich has an option to acquire 100% of the Penhalonga gold project in exchange for US$1,000,000. The Company has received a US$200,000 initial payment, and Luzich has an additional 180 days to conduct due diligence before deciding whether to exercise the option via a further US$800,000 payment.

Board of Directors

4.12 The current board of directors of Prospect, as at 11 May 2021, are:

Table 8. Prospect Board of Directors

Director	Position	Date Appointed	Details
Mark Wheatley	Non-Executive Chairman	11 Jan 2021	Mr Wheatley has over 15 years of director and chairman experience with exposure across gold, copper and uranium. He has previously held non-executive chairman positions at ASX listed Norton Gold Fields Ltd, Xanadu Mines Ltd and Gold One International Ltd; was previously a non-executive director at St Barbara Ltd and Uranium One Inc.; and is currently a non-executive director at Ora Banda Mining Ltd and Peninsula Energy Ltd.
Sam Hosack	Managing Director	14 May 2018	Mr Hosack has been employed by First Quantum Minerals Ltd for the past 12 years, primarily in their projects team where he has project managed the building of a port, transmission line and coal fired power station for the Minera Panama project in Panama.
Harry Greaves	Executive Director	15 July 2013	Mr Greaves is the founding shareholder of Farvic, which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe, all of which have been bought back into production over the past 10 years.
Gerry Fahey	Non-Executive Director	15 July 2013	Mr Fahey is a specialist in mining geology and worked for 10 years as Chief Geologist Mining for Delta Gold where he was involved in the development of a number of gold projects. He is currently a director of Focus Minerals Ltd and formerly a director of CSA Global Pty Ltd, and is a member of the Joint Ore Reserve Committee.
Zed Rusike	Non-Executive Director	26 Sept 2013	Mr Rusike was previously the Managing Director of United Builders Merchant before being promoted to Group Managing Director for Radar Holdings Ltd, a large company listed on the Zimbabwe Stock Exchange. He currently sits on the boards of Cairns Holdings, TSL Ltd, Dulux Paints Ltd and Halsted Brothers (Pvt) Ltd.
Henian Chen	Non-Executive Director	13 Nov 2017	Mr Chen has served as the Chairman of Changshu Yuhua Property Co Ltd since 2003 and has served as Deputy Chairman of Afore New Energy Technology (Shanghai) Co Ltd since 2007.
Dev Shetty	Non-Executive Director	21 Dec 2020	Mr Shetty is an experience mining executive who is currently President and CEO of Fura Gems Inc. He was previously a director and Group COO of London Stock Exchange listed Gemfields PLC

Source: S&P Capital IQ, Company website

Financial Performance

4.13 Prospect's audited Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2019, 30 June 2020, and reviewed for the year ended 31 December 2020 are as set out below.

Table 9. Prospect Statement of Profit or Loss and Other Comprehensive Income

	Audited 12 months to 30 June 2019 (A$'000)	Audited 12 months to 30 June 2020 (A$'000)	Reviewed 6 months to 31 December 2020 (A$'000)
Revenue from continuing operations	3,320	314	351
Other income	-	55	-
Cost of sales	(2,614)	(260)	-
Depreciation expense	(92)	(88)	(9)
Development costs expensed	(905)	(973)	(97)
Employee benefits expense	(1,619)	(1,316)	(474)
Exploration and evaluation expenditure expensed	(118)	-	-
Reversal of impairment of exploration and evaluation expenditure/(impairment)	(132)	21	-
Impairment of assets held for sale	-	(268)	-
Occupancy expenses	(59)	(56)	(25)
Project generation expense	(784)	-	-
Share based payment - options expense	(535)	-	(175)
Other administrative expenses	(2,184)	(2,036)	(759)
Loss before tax	**(5,722)**	**(4,607)**	**(1,188)**
Income tax	(31)	-	-
Loss after tax from continuing operations	**(5,753)**	**(4,607)**	**(1,188)**
Loss for the year from discontinued operations	(1,216)	-	-
Loss after tax	**(6,969)**	**(4,607)**	**(1,188)**
Other comprehensive income			
Exchange differences on translating foreign operations	843	637	(2,935)
Other comprehensive income for the year, net of tax	**843**	**637**	**(2,935)**
Total comprehensive loss	**(6,126)**	**(3,970)**	**(4,123)**
Loss attributable to:			
Equity holders of the Company	(7,152)	(4,389)	(1,219)
Non-controlling interests	183	(218)	31
	(6,969)	**(4,607)**	**(1,188)**
Total comprehensive loss attributable to:			
Equity holders of the Company	(6,050)	(3,776)	(4,301)
Non-controlling interests	(76)	(194)	178
	(6,126)	**(3,970)**	**(4,123)**

Source: Prospect 2020 Annual Report, Half Year Report to 31 Dec 2020

Financial Position

4.14 Set out below is the audited Statement of Financial Position of Prospect as at 30 June 2020, and the reviewed Statement of Financial Position as at 31 December 2020 prepared on a consolidation basis. We have adjusted Prospect's financial position based on the following key events to 4 May 2021 (being the valuation date used in this report).

- Net cash increase of A$6,096,237 as a result of a placement completed on 23 April 2021 of 41,290,322 shares at A$0.155 per share (raising a gross A$6,400,000), net of broker fees of A$285,226 and ASX fees of A$18,537. We note that a further 645,162 shares ($100,000 worth at the placement price) have been subscribed for by the Chairman, Mark Wheatley, and may be issued pending shareholder approval.

- The issue of 13,500,000 unlisted options expiring on 31 December 2025 with various exercise prices to Canaccord Genuity (Australia) Limited as part compensation for acting as Lead Manager to the Placement. The broker options were valued at A$1,034,343 as at the grant date of 23 April 2021 using Black Scholes option valuation methodology, which was subtracted from the issued capital with a corresponding entry made to reserves.

Table 10. Prospect Statement of Financial Position

	Audited as at 30 June 2020 (A$'000)	Reviewed as at 31 December 2020 (A$'000)	Adjustments to 4 May 2021 (A$'000)	Adjusted as at 4 May 2021 (A$'000)
Current assets				
Cash and cash equivalents	1,698	5,457	6,096	11,553
Trade and other receivables	458	470	-	470
Assets held for sale	298	-	-	-
Other current assets	711	1,020	-	1,020
Total current assets	**3,165**	**6,947**	**6,096**	**13,043**
Non-current assets				
Property plant and equipment	550	460	-	460
Exploration and evaluation expenditure	-	17	-	17
Mine properties	**24,257**	**22,127**	**-**	**22,127**
Intangible assets	581	508	-	508
Total non-current assets	25,388	23,112	-	23,112
Total assets	**28,553**	**30,059**	**6,096**	**36,155**
Current liabilities				
Trade and other payables	(509)	(479)	-	(479)
Provisions	(171)	(139)	-	(139)
Total current liabilities	**(680)**	**(618)**	**-**	**(618)**
Total liabilities	**(680)**	**(618)**	**-**	**(618)**
Total net assets/(liabilities)	**27,873**	**29,441**	**6,096**	**35,537**
Equity				
Contributed equity	65,429	70,945	5,062	76,007
Reserves	12,756	9,849	1,034	10,883
Accumulated losses	(49,090)	(50,309)	-	(50,309)
Equity to members	**29,095**	**30,485**	**6,096**	**36,581**
Non-controlling interests	(1,222)	(1,044)	**-**	(1,044)
Total equity	**27,873**	**29,441**	**6,096**	**35,537**

Source: Prospect 2020 Annual Report and Half Year Report to 31 Dec 2020

Current Issued Capital Position

4.15 As at 11 May 2021, the equity capital structure of Prospect was as follows.

Table 11. Prospect Current Equity Structure

Security	Number	Exercise price (A$)	Expiry date
Ordinary shares	373,380,693	n/a	n/a
Ordinary share on issue	**373,380,693**		
Director options	4,500,000	0.60	12 May 2022
Unlisted options	7,250,000	0.24	5 Nov 2023
Unlisted options	4,500,000	0.26	3 Feb 2025
Broker options	4,000,000	0.22	31 Dec 2025
Broker options	4,500,000	0.25	31 Dec 2025
Broker options	5,000,000	0.28	31 Dec 2025
Total options on issue	**29,750,000**	**n/a**	**n/a**
Fully diluted ordinary shares	**403,130,693**	**n/a**	**n/a**

Source: Prospect 2020 Annual Report, Company announcements

4.16 We note that the Company completed a placement of 41,290,322 ordinary shares at an issue price of A$0.155 on 23 April 2021. A further 645,162 ordinary shares were subscribed for under the placement by the Company's Chairman, Mark Wheatley, that will be issued pending shareholder approval pursuant to ASX Listing Rule 10.11.

4.17 In addition, the following options are proposed to be issued to directors pending shareholder approval at the Meeting:

- 2,000,000 options to be issued to Mark Wheatley with an exercise price of A$0.24 expiry on 7 January 2025, containing two separate tranches with non-market based vesting conditions; and
- 6,000,000 options to be issued in three tranches to Sam Hosack, each with an exercise price of A$0.26 and expiry date of 3 February 2025. The first tranche is subject to a 12-month service condition, whilst tranches 2 and 3 are subject to non-market vesting conditions.

4.18 The top 20 ordinary shareholders as at 27 April 2021 were as follows.

Table 12. Top 20 Shareholders

Shareholder	Number of shares	Percentage of total shares (%)
Lord of Seven Hills Holdings Fze	36,463,710	9.77%
Citicorp Nominees Pty Ltd	32,947,565	8.82%
Sinomine International Exploration (Hong Kong) Co Ltd	20,833,334	5.58%
HSBC Custody Nominees (Australia) Ltd	16,518,926	4.42%
MBM Capital Partners LLP	14,125,000	3.78%
JP Morgan Nominees Australia Ltd	13,453,132	3.60%
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	11,174,860	2.99%
HSBC Custody Nominees (Australia) Ltd - A/C 2	10,077,926	2.70%
Elliot Holdings Pty Ltd <CBM Family A/C>	9,045,834	2.42%
Armoured Fox Capital Proprietary Ltd	8,521,089	2.28%
CS Third Nominees Pty Ltd <HSBC Cust Nom Au Ltd 13 A/C>	8,354,845	2.24%
Mr Hugh Warner & Mrs Diane Warner <CBM Superfund A/C>	7,979,168	2.14%
Mr Russell Phillip Quinn <RPQ A/C>	6,636,538	1.78%
BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	4,379,261	1.17%
Mr Jiumin Yan	3,725,052	1.00%
Soirhu Pty Ltd <The Bragg McDonald A/C>	3,525,001	0.94%
Mr Zivanayi Rusike	3,040,374	0.81%
CO2 Capital Private Limited	3,022,580	0.81%
Willec Holdings Pty Ltd <The Lechner Family A/C>	3,000,000	0.80%
Mr Yifeng Chen	2,994,293	0.80%
Top 20 shareholders	**219,818,488**	**58.87%**
Total securities	**373,380,693**	**100.00%**

Source: Prospect shareholder register

5 Profile of PLZ

History and Principal Activities

5.1 PLZ is a Zimbabwean based private Company which holds the rights to the Arcadia project (refer paragraph 4.4 for details). PLZ is a partially owned subsidiary of Prospect.

5.2 The current ownership structure of PLZ is as follows.

Table 13. PLZ Ownership Structure

Owner	Shares	Interest
Prospect	1,400	70%
Farvic	340	17%
Mr Paul Chimbodza	140	7%
Professor Kingston Kajese	120	6%
Total	**2,000**	**100%**

Source: Share Swap Agreement

5.3 We note that while Prospect owns a 70% economic interest, the Company bears 100% of the costs as the minority shareholders of PLZ are free carried.

5.4 Farvic is a private Zimbabwean based company in which the Prospect directors Harry Greaves and Zed Rusike are both significant shareholders and directors. As described in paragraph 3.3, Farvic may be considered a related party of Prospect for the purposes of ASX Listing Rule 10.1. The current ownership of Farvic is as follows.

Table 14. Farvic Capital Structure

Shareholder	Notes	Interest
Harry's Hunts Pvt Ltd	Controlled by Mr Harry Greaves	20%
Mr Zed Rusike	-	16%
Farvic Workers Trust	Zed Rusike and Harry Greaves are trustees	10%
Farvic Community Trust	Zed Rusike and Harry Greaves are trustees	10%
Doddieburn Trust	Controlled by Mr Ian Henderson (Harry Greaves father-in-law)	9%
Other minority interests	-	35%
Total		**100%**

Source: Share Swap Agreement

Financial Position of PLZ

5.5 The financial position of PLZ as at 31 December 2020, as per reviewed accounts provided by the Company, is as follows. We have assumed that no material changes have occurred subsequent to 31 December 2020.

Table 15. PLZ Statement of Financial Position

	As at 31 December 2020 (A$'000)
Current assets	
Cash and cash equivalents	229
Trade and other receivables	280
Other assets	763
Total current assets	**1,272**
Non-current assets	
Plant property and equipment	431
Intangible assets	508
Capitalised development expenditure	21,556
Total non-current assets	**22,495**
Total assets	**23,767**
Current liabilities	
Trade and other payables	(35)
Provisions	(55)
Intercompany loans	(23,820)
Total current liabilities	**(23,910)**
Total liabilities	**(23,910)**
Total net assets/(liabilities)	**(142)**
Equity	
Contributed equity	-
Foreign exchange reserve	14
Accumulated losses	(156)
Total equity	**(142)**

Source: Prospect management accounts (as reviewed)

6 Valuation Methodology

Available Methodologies

6.1 In assessing the value of Prospect, we have considered a range of common market practice valuation methodologies in accordance with RG111, including those listed below.

- Capitalisation of future maintainable earnings ("**FME**")
- Discounted future cash flows ("**DCF**")
- Asset based methods ("**Net Assets**")
- Quoted market prices or analysis of traded share prices
- Common industry rule-based methodologies

6.2 Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of required information. A detailed description of these methods and when they are appropriate is provided in Appendix B.

Selected Methodology – Prospect Shares

6.3 Our primary valuation methodology to value Prospect's shares is a Net Assets based approach on a going concern basis, using the mineral interest values ascribed in the VRM Report.

6.4 In selecting an appropriate valuation methodology to value the shares of Prospect, we considered the following factors:

- Prospect's is currently loss making and is a project development company. As such the FME methodology is not considered appropriate.
- Reliable cash flow forecasts are not available at the Company level and therefore DCF methodology is not appropriate. We note that cash flow forecasts are available at the project level for Arcadia and were used to derive the Arcadia project value in the VRM Report.
- Prospect is predominantly a resource project-based company that derives its value from exploration and development projects. Accordingly, a sum of the parts approach using project values to derive a Net Asset value is appropriate. Additionally, a Net Assets approach was used to value PLZ shares and using the same methodology for Prospect shares provides a more comparable value assessment.
- Trading of Prospect's ordinary shares on ASX demonstrates moderate liquidity and therefore is worthy of consideration as a valuation methodology.

Secondary Methodology – Prospect Shares

6.5 Prospect shares have exhibited a moderate level of liquidity in trading on ASX, and accordingly the traded share prices were considered as a secondary valuation methodology. We have also considered other market factors affecting the reliability of traded share prices for valuation purposes. Accordingly, we considered traded share prices as a secondary methodology for valuing Prospect shares.

Selected Methodology – PLZ Shares

6.6 In selecting an appropriate valuation methodology to value the shares of PLZ, we considered the following factors:

- PLZ is not publicly traded and therefore no quoted market price exists.

- PLZ is a partially owned subsidiary of Prospect and acts as a holding company for the Arcadia project. Accordingly, a Net Assets based approach using project values is considered appropriate.

7 Valuation of Prospect Shares

Prospect Pre-Transaction Net Asset Valuation

7.1 To assess the value of a Prospect ordinary share prior to the proposed Transaction, we used a Net Assets approach, which sums the assessed values of Prospect's assets and liabilities to arrive at a net value of the Company.

7.2 In relation to our approach, we note the following:

- The valuation is conducted as at 4 May 2021.
- The values of Prospect's resource project assets were adopted as assessed by VRM and summarised in paragraphs 7.5 to 7.20. We note that the VRM Report valuation date was 16 April 2021, though notes there are no reasons why this would have subsequently materially changed (refer 7.8)
- We assessed the values of Prospect's non-project related assets and liabilities as at 4 May 2021 as below. Values are based on adjusted net economic interests of Prospect based on the reviewed 31 December 2020 balance sheet. Unconsolidated figures for each subsidiary were used and adjusted for the economic interest of Prospect in each subsidiary (refer Table 7). We note that the cash balance has been adjusted for expenditure between 31 December 2020 and 31 March 2021 and the net A$6,096,237 raised under the placement on 23 April 2021.

Table 16. Prospect Non-Project Related Adjusted Economic Interests

	Value (A$)
Cash and cash equivalents	10,137,434
Trade and other receivables	343,503
Other assets	791,934
Loan/investment Prospect Singapore	732,235
Loan/investment Hawkmoth	1,144,133
Loan/investment PLZ	26,801,315
Loan/investment Thornvlei	352,903
Plant, property and equipment	326,751
Trade and other payables	(461,651)
Provisions	(122,865)
Intercompany loans	(20,953,771)
Prospect non-project net assets	**19,091,921**

Source: Stantons analysis

- Most intangible assets recorded in the balance sheet in Table 10 relate to exploration costs that are represented in the VRM Report valuations, and accordingly was not included.
- In accordance with RG111.15, we are required to consider the funding requirements where capital is required to develop a project, such as the Arcadia project. The project values assigned by VRM are based primarily on DCF models, using market-based discount rates which reflect the likely cost of capital to achieve the project cash flows.
- We have been advised that Prospect has not been involved in any material transactions subsequent to 31 December 2020 other than those already referred to in this report (see paragraph 4.14)
- The Transaction is not considered to be a control transaction. Accordingly, a discount for minority interest has been applied to the Prospect share price.

7.3 Our pre-Transaction Net Assets based valuation of Prospect, as at the valuation date of 4 May 2021, is set out below.

Table 17. Valuation of Prospect Shares Prior to Transaction

	Ref	Low	Preferred	High
Arcadia Project (A$)	Table 18	113,190,000	133,140,000	153,160,000
Add: Non-project adjusted net assets (A$)	Table 16	19,091,921	19,091,921	19,091,921
Total net assets (A$)		**132,281,921**	**152,231,921**	**172,251,921**
Less: outstanding option value (A$)	Table 21	(1,657,967)	(1,657,967)	(1,657,967)
Value to ordinary shareholders (A$)		**130,623,954**	**150,573,954**	**170,593,954**
Number of shares outstanding	Table 11	373,380,693	373,380,693	373,380,693
Prospect pre-Transaction value per share (A$) (control)		**0.350**	**0.403**	**0.457**
Discount for minority interest (%)	7.22	23.1%	23.1%	23.1%
Prospect value per share (A$) (minority interest)		**0.269**	**0.310**	**0.351**

Source: Stantons analysis

7.4 Accordingly, under Net Assets on a going concern methodology and relying on the values attributed to Prospect's resource interests by VRM, the value of a Prospect share prior to the Transaction on a minority interest basis has been assessed to be between A$0.269 and A$0.351 with a preferred value of A$0.310.

VRM Report

Engagement of VRM

7.5 Stantons engaged VRM as a technical specialist to undertake a market valuation of the resource interests of Prospect. We have used and relied on the VRM Report and note that VRM has declared that:

- VRM is a suitably qualified consulting firm and has relevant experience in assessing the merits and preparing asset valuations of mineral resource projects. The principal author of the VRM Report, Mr Paul Dunbar, is also suitably qualified and experienced.
- VRM is independent of all parties involved in the Transaction.

VRM Report Valuation Summary

7.6 We note that the VRM valuation was prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Asserts 2015 ("**VALMIN Code**").

7.7 The primary valuation methodology was conducted using a DCF model that was developed as part of the DFS.

7.8 The valuation was completed as at 16 April 2021. The VRM Report notes that between the valuation date and the date of that report (10 May 2021) nothing came to attention that would materially alter the conclusions.

7.9 The VRM Report considers only the value of the Arcadia project. Since the other mineral interest held by Prospect are very early-stage exploration, their value is considered to be immaterial.

7.10 The values assigned to the Arcadia project held by Prospect in the VRM Report are summarised below. The preferred value was determined by the midpoint of the case of an 80%-20% petalite concentrate split discounted by a pre-tax nominal weighted average cost of capital ("**WACC**") of 25% and a 50%-50% petalite concentrate split with a WACC of 22%. The low and high valuations were determined by 15% above and below this figure.

Table 18. VRM Valuation of Prospect's Resource Interests

Licence	Interest (%)	Low	Preferred	High
Arcadia (US$m)	100.00%	125.0	147.1	169.2
Arcadia (A$m)	**100.00%**	**161.7**	**190.2**	**218.8**
Arcadia (US$m)	70.00%	87.5	103.0	118.4
Arcadia (A$m)	**70.00%**	**113.2**	**133.1**	**153.2**

Source: VRM Report

Arcadia

7.11 VRM considers the Arcadia project to be pre-development, since a feasibility study has been completed but no final investment decision has been made.

7.12 Some key assumptions that were made in the VRM Report include:

- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM and that the mineral licences will remain active;
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe;
- That the owners of the mineral assets can obtain the required funding to continue exploration and development activities; and
- The US$/A$ exchange rate as at 16 April 2021 was used, being 0.77330.

7.13 The lithium minerals for the Arcadia project are spodumene and petalite. The model assumes three different lithium concentrates will be produced. These are a chemical grade spodumene concentrate, chemical grade petalite concentrate and technical grade petalite concentrate.

7.14 As there is no direct quoted market price for lithium, estimates for 6% Li_2O spodumene and 4% Li_2O petalite were determined based on lithium carbonate prices. Based on the global average lithium carbonate price of US$9,938/t as at 31 March 2021, the 6% Li_2O chemical grade spodumene price is estimated to be around US$575/t and the 4% Li_2O chemical grade petalite price around US$383/t. The model splits between technical grade and chemical grade. VRM assessed that technical grade petalite typically sells at an approximate 61% premium to chemical grade spodumene. Accordingly, the technical grade petalite concentrate price is assumed to be US$925/t.

7.15 The VRM Report assumes scenarios of petalite concentrate ratios of 50% and 80% technical grade. Scenarios with 80% technical grade concentrates have a higher risk factor associated and therefore a higher cost of capital is applied.

7.16 A WACC of between 20% and 30%, with a preferred level of 22%, was assumed to account for the high level of geopolitical risk associated with Zimbabwean projects.

7.17 The DCF model assumes a mine life of 15.5 years. VRM has applied an 8-month delay to a final investment decision in the model.

7.18 Other details of inputs to the model can be found in the VRM Report (see Appendix E).

7.19 A comparable transactions valuation was conducted based on projects that have transacted in the past five years and that are considered broadly comparable to Arcadia, based on the resource multiples. Any projects which were operating at the date of the transaction or that have (or have the option to include) downstream processing facilities were excluded. VRM considered the 0.2%Li_2O resource to be appropriate for the valuation. The comparable transactions valuation of Arcadia in the VRM Report is as follows.

Table 19. Arcadia Valuation Secondary Comparable Transaction

	Low	Preferred	High
Resource (Mt contained Li2O)	0.806	0.806	0.806
Resource multiple (US$/t)	139.1	197.6	256.2
Resource valuation (US$)	**112.2**	**159.4**	**206.6**
Resource valuation (A$)	**145.1**	**206.1**	**267.1**

Source: VRM Report

7.20 Furthermore, a Yardstick methodology was used as a check of the comparable transactions. The yardstick methodology is based on a rule of thumb where resources and reserves are multiplied by a percentage of the commodity price. A weighted average of the three lithium concentrate prices was used based on estimated production proportions. Yardstick measures used are between 3% and 5% for Ore Reserves, 2% and 3% for Measured Mineral Resources, 1% and 2% for Indicated Mineral Resources and 0.5% and 1% for Inferred Mineral Resources. The Yardstick method valuation, assuming a 50% ratio of technical and chemical grade petalite and an 80% to 20% ratio, was calculated as follows.

Table 20. Arcadia Secondary Valuation Yardstick

	Concentrate (Mt)	Weighted average concentrate price (US$/t)	Low	Preferred	High
50-50					
Reserves	4.21	614	77.6	103.4	129.3
Measured	0.03	614	0.4	0.5	0.6
Indicated	0.57	614	3.5	5.3	7.0
Inferred	0.77	614	2.4	3.6	4.8
Total valuation (US$m)			**84**	**113**	**142**
Total valuation (A$m)			**108.6**	**145.7**	**183.6**
80:20					
Reserves	4.21	694	87.7	116.9	146.2
Measured	0.03	694	0.4	0.5	0.6
Indicated	0.57	694	4.0	6.0	7.9
Inferred	0.77	694	2.7	4.0	5.4
Total valuation (US$m)			**95**	**127**	**160**
Total valuation (A$m)			**122.9**	**164.7**	**206.9**

Source: VRM Report

Discount for Minority Interest

7.21 We note a Net Asset valuation assumes a 100% interest in the company. We consider that the Prospect shares to be issued pursuant to the Transaction are a minority interest, and therefore we applied a minority interest discount.

7.22 Generally, historical evidence of control premiums offered on takeovers for small cap companies are in the range of 20% to 40%[1] (although outcomes outside this are not uncommon) with 30% a commonly accepted benchmark where a 100% interest is being acquired. We have considered the factors in Appendix C and concluded that a control premium of 30% is appropriate to apply in this circumstance. Accordingly, we applied a minority interest discount of 23.1% (being the inverse of a 30% control premium) to the value of a Prospect share.

Existing Options Valuation

7.23 Prospect had 29,750,000 unlisted options on issue as at 4 May 2021.

7.24 We derived a value for existing options using the Black Scholes option methodology with input assumptions as follows:

- A valuation date of 4 May 2021.
- Exercise prices and expiry dates are as defined in each option's terms.
- An underlying spot price of Prospect shares of A$0.145 as at 4 May 2021.
- The Australian government bond rates for the nearest available period commensurate with the remaining term of each option was used as a proxy for the risk-free rate, being two and five years where appropriate. We accordingly used these Australian government bond rates as at 4 May 2021, being 0.0800%[2] and 0.7025%[2].
- Volatility of 80%, based on the historical average annualised volatility of Prospect shares traded on ASX during the period over the five years to 4 May 2021.
- No dividends to be paid or announced by Prospect during the term of any outstanding option.

7.25 Set out below is a summary of the Black Scholes derived valuations for the existing options over Prospect shares.

Table 21. Prospect Option Values

Option	Number	Exercise Price (A$)	Expiry Date	Black Scholes Value (A$)	Total Value (A$)
Director options	4,500,000	0.60	12 May 2022	0.0036	16,108
Unlisted options	7,250,000	0.24	5 Nov 2023	0.0498	360,861
Unlisted options	4,500,000	0.26	3 Feb 2025	0.0634	285,293
Broker options	4,000,000	0.22	31 Dec 2025	0.0777	310,700
Broker options	4,500,000	0.25	31 Dec 2025	0.0739	332,478
Broker options	5,000,000	0.28	31 Dec 2025	0.0705	352,526
Total	**29,750,000**				**1,657,967**

Source: Stantons analysis, Prospect ASX announcements

Secondary Methodology - Traded Market Price Basis

Analysis of Trading History

7.26 We considered the recent trading history of Prospect shares on ASX for the 12 months prior to 4 May 2021. We note that Prospect was voluntarily suspended from trading on ASX between 19

[1] "*Control Premium Study 2017*", RSM
[2] Note the quoted bond rates of 0.08% and 0.70% were converted to continuously compounded rates due to the underlying assumptions of the Black Scholes model

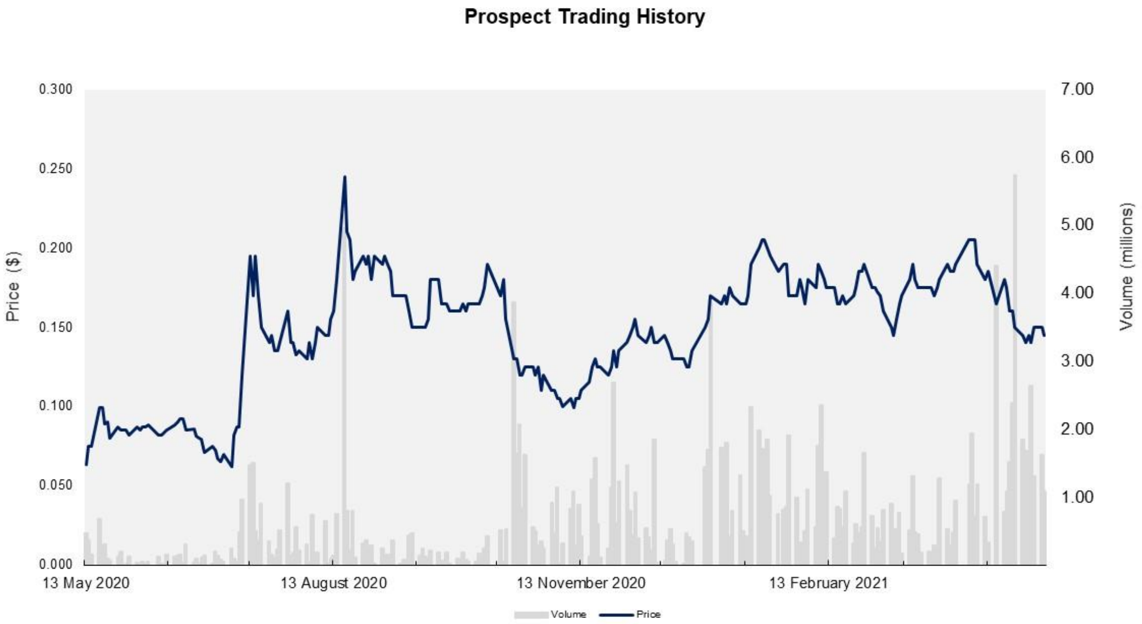
March 2020 and 13 May 2020 while it undertook a share rights issue. Prospect's trading history since reinstatement to official quotation on 13 May 2020 is as set out below.

Table 22. Prospect ASX Trading History to 4 May 2021

Trading Days	Low Price (A$)	High Price (A$)	Volume Weighted Average Price ("VWAP") (A$)	Cumulative Volume Traded	Percentage of Issued Shares (%)	Annual Equivalent (%)
1 Day	0.109	0.116	-	1,076,900	0.29%	71.24%
10 Days	0.105	0.143	0.111	19,808,790	5.30%	131.00%
30 Days	0.105	0.160	0.124	35,536,100	10.15%	83.57%
60 Days	0.105	0.160	0.129	58,690,050	17.21%	70.83%
90 Days	0.094	0.171	0.132	92,015,350	27.22%	74.69%
180 Days	0.072	0.198	0.123	141,873,350	43.88%	60.22%
247 days (period to 13 May 2020)	0.039	0.198	0.120	159,553,840	50.91%	50.91%

Source: S&P Capital IQ, Stantons analysis

Figure 2. Prospect ASX Trading History



Source: S&P Capital IQ

7.27 Generally, the market is a fair indicator of what a share is worth, however for a quoted market price to be a reliable indicator of a company's value, the company's shares must trade in a "liquid and active" market. We consider that a liquid and active market would typically be characterised by:

- regular trading in the company's securities;
- trading of at least 1% of a company's securities on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
- no significant but unexplained movements in the share price.

7.28 As per RG111.58/111.32, we also considered the volatility of the market price of Prospect shares. The historic annualised volatility of Prospect shares to 4 May 2021 is shown below.

Table 23. Volatility of Prospect Shares

Period	Low (A$)	High (A$)	Volatility (%)
1 year	0.06	0.275	123.58%
2 year	0.06	0.275	108.21%
3 year	0.06	0.396	95.66%
Long-term average	n/a	n/a	79.11%

Source: Stantons analysis

7.29 The shares of Prospect have historically demonstrated a level of liquidity of approximately 1% per week, with 50.91% of the Company's shares traded in the period from 13 May 2020 to 4 May 2021. We note that the volatility of Prospect share price returns is high for an ASX listed company, though typical for a pre-development stage resource company.

7.30 We note that on 23 April 2021, the Company completed a placement of 41,290,322 ordinary shares at an issue price of A$0.155. We considered the placement share price when assessing our range of traded share price indicators.

Prospect Quoted Market Price Valuation

7.31 Taking into consideration the above, we assessed the traded share prices of a Prospect share prior to the Transaction to indicate the following range.

Table 24. Quoted Market Price Valuation of Prospect

	Low	Preferred	High
Traded market price (A$)	**0.100**	**0.150**	**0.200**

Source: Stantons analysis

Conclusion on the Value of Prospect Shares

7.32 Based on the above analysis, we have considered the fair market value of a Prospect ordinary share prior to the Transaction, on a minority interest basis, to be as follows.

Table 25. Prospect Shares Valuation Summary

	Ref	Low	Preferred	High
Net Assets methodology (A$)	Table 17	0.269	0.310	0.351
Traded prices (A$)	Table 24	0.100	0.150	0.200
Adopted value (A$)		**0.269**	**0.310**	**0.351**

Source: Stantons analysis

7.33 As the liquidity of Prospect shares is considered to be moderate, and the volatility of traded prices relatively high, we considered the traded market prices as a secondary methodology only.

7.34 Other factors related to traded prices of Prospect shares that were considered include:

- Pre-development mineral company valuations are typically highly subjective and therefore investors may hold a wide range of opinions on the value of the shares
- Trading in a pre-development resource company such as Prospect may be driven by technical chartist traders, market sentiment, the involvement of key individuals and/or expectation/speculation of corporate activity

- Prospect is not covered by any major research analysts
- Prospect is not included in any indices

8 Valuation of PLZ Shares

Valuation of a PLZ share

8.1 To assess the value of a PLZ ordinary share, we took a Net Assets approach, which sums the assessed values of PLZ's assets and liabilities to arrive at a net value of PLZ.

8.2 In relation to our approach, we note the following:

- We have relied on the valuation of the Arcadia project as per the VRM Report summarised in paragraphs 7.5 to 7.20.
- The non-project related net assets of PLZ have been included at their book values as per the Statement of Financial Position at Table 15 and summarised below.

Table 26. PLZ Other Net Assets

	Ref	Value (A$)
Cash and cash equivalents	Table 15	229,317
Trade and other receivables	Table 15	280,278
Other assets	Table 15	762,624
Trade and other payables	Table 15	(35,359)
Provisions	Table 15	(54,700)
Intercompany loan	Table 15	(23,819,703)
Total other net assets		**(22,637,543)**

Source: Prospect management accounts (as reviewed)

8.3 Accordingly, our valuation of a PLZ share is as set out below.

Table 27. PLZ Net Assets Valuation

	Ref	Low	Preferred	High
Value of Arcadia interest (A$)	Table 18	161,700,000	190,200,000	218,800,000
Other net assets (A$)	Table 25	(22,637,543)	(22,637,543)	(22,637,543)
Net asset value (A$)		**139,062,457**	**167,562,457**	**196,162,457**
Number of shares outstanding	Table 13	2,000	2,000	2,000
PLZ value per share (A$) (control)		**69,531**	**83,781**	**98,081**

Source: Stantons analysis

8.4 Our assessed value of a share in PLZ is between A$69,531 and A$83,781 with a preferred value of A$98,081.

Ownership Basis

8.5 We note a Net Asset valuation assumes a 100% interest in the company. Prospect currently owns a controlling interest of 70% in PLZ and the Transaction is not considered a control transaction.

8.6 Even though the shares in PLZ being acquired by Prospect are a minority interest we note that Prospect has control and we have assessed the value of the PLZ stake to Prospect. Accordingly, we do not consider it appropriate to apply a minority interest discount to the shares being acquired by Prospect.

8.7 We note that the PLZ shares held by the minority shareholders are free carried in that they are not required to contribute to the costs of the project but participate in the revenues of the project.

Accordingly, whilst the free carry aspect is difficult to quantify, we consider there is possible value upside to our assessed value of the PLZ shares as a result of the free carry terms.

8.8 We note the PLZ shares are not traded and therefore are illiquid, whereas Prospect shares have moderate liquidity and are traded on ASX. We have not adjusted for the value of PLZ shares for a lack of liquidity as we have considered the value of the PLZ stake to Prospect with the expectation of Prospect maintaining control and developing the project.

9 Fairness Evaluation

Evaluation Methodology

9.1 In determining the fairness and reasonableness of the Transaction including Resolution 12, we have had regard to the guidelines set out by ASIC's RG111.

9.2 As per RG111, the Transaction is fair if:

- the value of the financial benefit to be provided by Prospect to the Related Parties is less than or equal to;
- the value of the consideration received by Prospect.

Fairness Assessment

9.3 Our assessed value of the financial consideration to be received and the value of the financial consideration to be provided by Prospect is set out below.

Table 28. Transaction Fairness Evaluation

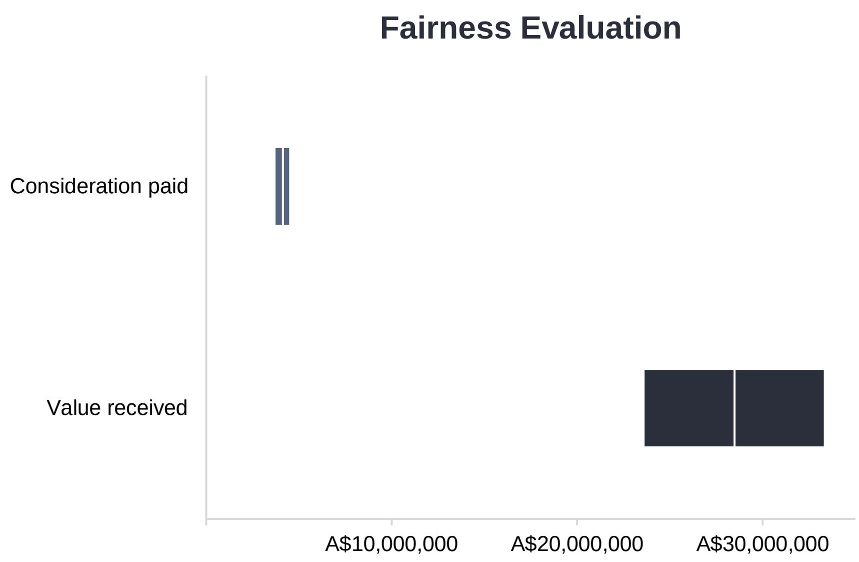
	Ref	Low	Preferred	High
Value Received				
Value of a PLZ share (A$)	Table 27	69,531	83,781	98,081
Number of shares acquired	Table 13	340	340	340
Value of PLZ acquired (A$)		**23,640,618**	**28,485,618**	**33,347,618**
Total value received (A$)		**23,640,618**	**28,485,618**	**33,347,618**
Consideration paid				
Value of a Prospect share (A$)	Table 25	0.269	0.310	0.351
Number of shares issued to Farvic	Table 6	9,497,680	9,497,680	9,497,680
Value of shares issued to Farvic (A$)		**2,555,908**	**2,946,268**	**3,337,997**
Cash consideration (A$)	2.6	1,187,210	1,187,210	1,187,210
Total consideration paid (A$)		**3,743,118**	**4,133,478**	**4,525,207**
Premium/discount (A$)		**19,897,500**	**24,352,140**	**28,822,411**
Fairness conclusion		**Fair**	**Fair**	**Fair**

Source: Stantons analysis

Summary

9.4 Set out below is the low, preferred and high valuations of the consideration paid and the value received by Prospect.

Figure 3. Fairness Evaluation



Source: Stantons analysis

9.5 We have assessed that the value received by Prospect is greater than the consideration paid to Farvic under all the low, preferred and high valuations.

9.6 Accordingly, the proposed Transaction, including the issue of 9,497,680 ordinary shares to Farvic in exchange for increasing their indirect interest in the Arcadia project, as per Resolutions 12 and 13 of the NoM is considered to be **FAIR** to the Non-Associated Shareholders of Prospect.

10 Reasonableness Evaluation

10.1 Under RG111, a transaction is considered "reasonable" if it is "fair". As the transaction outlined in Resolution 12 of the NoM is considered **FAIR**, it is also considered **REASONABLE**.

10.2 For the information of the Non-Associated Shareholders, we note below some of the advantages, disadvantages, and other factors relating to the Transaction.

Advantages

The Transaction is considered fair

10.3 As per our assessment in Section 9, the Transaction is fair to the Non-Associated Shareholders. Prospect is acquiring an additional 17% in the Arcadia project at a significant discount to the assessed fair value of the project.

Simplifies ownership structure

10.4 The share swap transaction incrementally simplifies the ownership structure of Arcadia, which may improve access to project financing.

Increases interest in Arcadia revenues without increasing costs

10.5 The Transaction provides Prospect with an additional 17% interest in the revenues derived from the Arcadia project, and no change to Prospect's obligation to cover project costs, as the Farvic interest is free carried.

Improves alignment between Prospect shareholders and Farvic.

10.6 Increasing the interest of Farvic in Prospect may increase the alignment of interests with Non-Associated Shareholders.

May increase market capitalisation

10.7 If the Transaction is successful, the market capitalisation of Prospect may increase, and may increase the relevance of Prospect to investment and financing markets.

Disadvantages

Dilution of Non-Associated Shareholders

10.8 Pursuant to the Transaction, ordinary shares may be issued. Accordingly, the Non-Associated Shareholders of Prospect may dilute their interest in the ordinary shares by up to 2.48% of the post-Transaction entity (refer Table 6). However, we note that the Company is increasing its interest in the primary Arcadia asset by 17%. the Company is increasing its interest in the primary Arcadia asset by 17%.

Increases exposure to Arcadia risks

10.9 Increases Prospect's economic exposure to the Arcadia project which is not guaranteed to be successful.

May increase political risks

10.10 Foreign ownership of the Arcadia project will increase which may increase the political risks associated with developing a project in Zimbabwe.

Decreases the cash position of Prospect

10.11 Prospect will decrease its cash position by A$1,187,210 by completing the Transaction. However, we note that the Company has recently completed a placement, the proceeds of which are intended to cover the costs of the Transaction.

11 Opinions

11.1 The proposed Transaction, including the proposal outlined in Resolution 12 of the NoM that allows for the disposal of a substantial asset to the potential related party, Farvic, is considered **FAIR** and **REASONABLE** to the Non-Associated Shareholders of Prospect as at the date of this report.

12 Other Considerations

Covid-19

12.1 We note that the COVID-19 pandemic has significantly impacted the global economy and capital markets in recent times. Market volatility has been particularly high as a result, and this may lead to significant uncertainty around asset valuations. However, we do not have any reason to believe that these factors would alter our opinion.

13 Shareholders Decision

13.1 Stantons has been engaged to prepare an IER setting out whether in its opinion the proposal to allow the Transaction is fair and reasonable and to state reasons for that opinion. Stantons has not been engaged to provide a recommendation to shareholders as to whether to approve the Transaction.

13.2 The decision whether to approve Resolution 12 pertaining to the disposal of a significant asset to the related parties or not is a matter for individual shareholders based on each shareholder's views as to the value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure, and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 12, shareholders should consult their own professional advisor.

13.3 Similarly, it is a matter for individual shareholders as the whether to buy, hold or sell shares in Prospect. This is an investment decision upon which Stantons does not offer an opinion and is independent on whether to accept the proposal under Resolution 12. Shareholders should consult their own professional advisor in this regard.

14 Source Information

14.1 In making our assessment as to whether the proposed Transaction, including the terms under Resolution 12, is fair and reasonable to Non-Associated Shareholders, we have reviewed published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we held discussions with the management of Prospect about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith, but in the preparation of this report we have relied in part on information provided by the directors and management of Prospect.

14.2 Information we have received includes, but is not limited to:

- Drafts of the NoM and ES to shareholders of Prospect to 11 May 2021
- Details of historical market trading of Prospect shares to 11 May 2021
- Prospect Annual Reports for the years ended 30 June 2019 and 30 June 2020
- Prospect Half Year Report for the half year ended 30 December 2020
- Announcements made by the Company on ASX to 11 May 2021
- The Share Swap Agreement between Prospect and Farvic dated 2 October 2018
- Amendments to the Share Swap Agreement dated 11 February 2021 and 19 April 2021
- Register of Prospect shareholders as at 27 April 2021
- The VRM Report on the mineral assets of Prospect dated 10 May 2021 and discussions

with Paul Dunbar

14.3 Our report includes the appendices, our declarations, and our Financial Services Guide.

Yours Faithfully

STANTONS CORPORATE FINANCE PTY LTD
(Trading as Stantons Corporate Finance)

Samir Tirodkar
Director

APPENDIX A

GLOSSARY

	Definition
AFCA	Australian Financial Complaints Authority
Arcadia	The Arcadia lithium project in Zimbabwe
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Chapter 2E	Chapter 2E of the Corporations Act
Chishanya	The Chishanya phosphate project in Zimbabwe
Company	Prospect Resource Limited
Corporations Act	Corporations Act 2001 Cth
DCF	Discounted cash flows valuation methodology
ES	Explanatory Statement
Farvic	Farvic Consolidated Mines Pvt Ltd
FME	Capitalisation of future maintainable earnings valuation methodology
FSG	Financial Services Guide
Listing Rule 10.1	ASX Listing Rule 10.1
Luzich	Luzich Resources (Africa) LLC
IER	Independent Expert's Report
Meeting	The meeting at which shareholders will vote on Resolutions 12 and 13
Net Assets	Net Asset based valuation methodologies
NoM	Notice of Meeting
Non-Associated Shareholders	The Prospect shareholders who are not excluded from voting on the proposal contemplated under Resolutions 12
Optimised Feasibility Study	The Optimised Feasibility Study for the staged development of Arcadia announced on 31 March 2021
Penhalonga	The Penhalonga gold project in eastern Zimbabwe
PFS	Pre-Feasibility Study
PLZ	Prospect Lithium Zimbabwe Pvt Ltd
Prospect	Prospect Resources Limited
Prospect Singapore	Prospect Minerals Pte Ltd
Resolution 12	The resolution of the NoM to approve the acquisition of the PLZ shares pursuant to ASX Listing Rule 10.1
Resolution 13	The resolution of the NoM to approve the issue of 9,487,680 ordinary shares to Farvic pursuant to ASX Listing Rule 10.11
RG111	ASIC Regulatory Guide 111: Content of Expert Reports
RG76	ASIC Regulatory Guide 76: Related Party Transactions
Share Swap Agreement	The share swap agreement between Prospect and Farvic dated 2 October 2018
Stantons	Stantons Corporate Finance Pty Ltd
Transaction	The issue of 9,497,680 ordinary shares and A$1,187,210 in cash by Prospect to Farvic in exchange for PLZ shares representing a 17% interest in Arcadia.
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015
VRM	Valuation and Resources Management Pty Ltd
VRM Report	The report on Prospects mineral interests by VRM dated 10 May 2021
VWAP	Volume Weighted Average Price

APPENDIX B

VALUATION METHODOLOGIES

Introduction

In preparing this report we have considered several valuation approaches and methods. These approaches and methods are consistent with:

- Market practice
- The methods recommended by the Australian Securities and Investments Commission in Regulatory Guide 111
- The International Valuation Standards
- The International Glossary of Business Valuation Terms

A valuation approach is a general way of determining an estimate of value of a business, business ownership interest, security or intangible asset. Within each valuation approach there are a number of specific valuation methods, which are specific ways to determine an estimate of value.

There are three general valuation approaches as follows:

i) Income Approaches

Provides an indication of value by converting future cash flows to a single present value. Examples of an income approach are:

- The discounted cash flow method ("**DCF**")
- The capitalisation of future maintainable earnings method (**"FME**")

ii) Asset/Cost Approaches

Provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.

iii) Market Approaches

Provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The main examples of the market approach are:

- Analysis of recent trading
- Industry rules of thumb

1. Discounted Cash Flow Method

Of the various methods noted above, the DCF method has the strongest theoretical basis. The DCF method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A DCF valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate
- An estimate of terminal value

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue and cost drivers, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under FME below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows to provide an estimate for the overall value of the business.

The DCF method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All these assumptions can be highly subjective, sometimes leading to a valuation conclusion presented that is too wide to be useful.

A DCF approach is usually preferred when valuing:

- Early-stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support an FME approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

A DCF approach is not recommended when assets are expected to earn below the cost of capital. Also, when valuing a minority interest in a company, care needs to be taken if a DCF based on earnings for the whole business is prepared, as the holder of a minority interest would not have access to, or control of, those cash flows.

2. Capitalisation of Future Maintainable Earnings Method

The FME method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a DCF, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The FME methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple

Any of the following measures of earnings can be used:

Revenue – mostly used for early stage, fast growing companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA – most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA – in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business

EBIT – whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation)

NPAT – relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g., financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company as the investor has no control over the level of debt.

A normalised level of maintainable earnings needs to be determined for the selected earnings measure. This excludes the impact of any gains or losses that are not expected to reoccur and allows for the full year impact of any changes (such as acquisitions or disposals) made part way through a given financial year.

The selected multiple to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money captured in a single number. Multiples can be derived from three main sources.

- Using the comparable trading multiples, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business that are actively traded on a free and open market, such as the ASX
- The comparable transactions method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.
- It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations.

It is important to use the same earnings periods (historical, current or forecast) for calculating comparable multiples, as the period used for determining FME. For example, a multiple based on historical earnings of comparable companies should be applied to historical earnings of the subject of the valuation and not to forecast earnings.

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. The method is less appropriate for valuing companies or assets if:

- There are no (or very few) suitable alternative listed companies or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings, or the earnings of a business are insufficient to justify a value exceeding the underlying net assets
- Working capital requirements are not expected to remain stable

3. Asset or Cost Approaches

The asset approach to value assumes that the current value of all assets (tangible and intangible) less the current value of the liabilities should equate to the current value of the entity. Specifically, an asset approach is defined as a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities. A cost approach is defined as a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

The asset-based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset-based methods including:

- Orderly realization
- Forced liquidation
- Net assets on a going concern

The orderly realisation of assets method estimates fair market value by determining the amounts that would be distributed to shareholders, after payments of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The forced liquidation method is similar to the orderly realisation of assets except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

The asset/cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than the economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset/cost approach will be the most appropriate method.

An asset-based approach is a suitable method of valuation when:

- An enterprise is loss making and not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (e.g., small machine shops and retail establishments)

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

An asset-based approach is often considered as a floor value for a business assuming the business has the option to realise all its assets and liabilities.

4. Analysis of Recent Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

5. Industry Specific Rule of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as traffic for internet businesses or number of beds for a nursing home. These methods are typically fairly crude and therefore only appropriate as a cross-check to a valuation determined by an alternative method.

Selecting an Appropriate Valuation Approach and Method

The choice of an appropriate valuation approach and methodology is subjective and depends on several factors such as whether a methodology is prescribed, the company's historical and projected financial performance, stage of maturity, the nature of the company's operations and availability of information. The selection of an appropriate valuation method should be guided by the actual practices adopted by potential acquirers of the company involved and the information available.

APPENDIX C

CONTROL PREMIUM

Background

The difference between a control value and a minority value is described as a control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including to:

- Appoint or change operational management
- Appoint or change members of the board
- Determine management compensation
- Determine owner's remuneration, including remuneration to related party employees
- Determine the size and timing of dividends
- Control the dissemination of information about the company
- Set the strategic focus of the organisation, including acquisitions, divestments, and restructuring
- Set the financial structure of the company (debt / equity mix)
- Block any or all the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Based on historical takeover premia that have been paid in Australian acquisitions in the period 2005-2015, the majority of takeovers have included a premium in the range of 20-50%, with 30% being the most commonly occurring. This is in line with standard industry practice, which tends to use a 30% premium for control as a standard.

Intermediate Levels of Ownership

There are several intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- 90% - can compulsorily purchase remaining shares if certain conditions are satisfied
- 75% - power to pass special resolutions
- <50% - gives control depending on the structure of other interests (but not absolute control)
- <25% - ability to block a special resolution
- <20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

APPENDIX D

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons Corporate Finance Pty Ltd trading as Stantons Corporate Finance ("**Stantons Corporate Finance**") dated 11 May 2021, relating to the proposed Transaction.

At the date of this report, Stantons Corporate Finance does not have any interest in the outcome of the proposal. Stantons International Audit and Consulting Pty Ltd ("**SIAC**"), the parent entity of Stantons Corporate Finance, acts as the auditor of Prospect. Stantons Corporate Finance (then trading as Stantons International Securities) previously completed an Independent Expert Report for Prospect that was issued in December 2018. Stantons Corporate Finance and SIAC undertook an independence assessment and considered that there are no existing relationships between Stantons Corporate Finance and the parties participating in the Transaction detailed in this report which would affect our ability to provide an independent opinion. The fee (excluding disbursements) to be received for the preparation of this report is based on time spent at normal professional rates plus out of pocket expenses. Our fee for preparing this report is expected to be up to A$20,000 exclusive of GST. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons Corporate Finance nor Mr Samir Tirodkar have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the preparation of this report.

Stantons Corporate Finance does not hold any securities in Prospect. There are no pecuniary or other interests of Stantons Corporate Finance that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons Corporate Finance and Mr Samir Tirodkar have consented to the inclusion of this report in the form and context in which it is included as an annexure to the NoM.

QUALIFICATIONS

We advise Stantons Corporate Finance Pty Ltd is the holder of an Australian Financial Services License (No 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. Stantons Corporate Finance has extensive experience in providing advice pertaining to mergers, acquisitions and strategic financial planning for both listed and unlisted businesses.

Mr Samir Tirodkar, the person with overall responsibility for this report, has experience in the preparation of valuations for companies, particularly in the context of listed company corporate transactions, including the fairness and reasonableness of such transactions. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of Prospect to assist Non-Associated Shareholders of Prospect to assess the merits of the Transaction to which this report relates. This report has been prepared for the benefit of Prospect shareholders and those persons only who are entitled to receive a copy for the purposes under the Corporations Act 2001 and does not provide a general expression of Stantons Corporate Finance's opinion as to the longer-term value of Prospect, its subsidiaries and/or assets. Stantons Corporate Finance does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Prospect or their subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons Corporate Finance to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons Corporate Finance with due care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons Corporate Finance (and SIAC, its directors, employees or consultants) for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons Corporate Finance may rely on information provided by Prospect and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons Corporate Finance's experience and qualifications), Prospect has agreed:

(a) to make no claim by it or its officers against Stantons Corporate Finance (and SIAC) to recover any loss or damage which Prospect may suffer as a result of reasonable reliance by Stantons Corporate Finance on the information provided by Prospect; and

(b) to indemnify Stantons Corporate Finance against any claim arising (wholly or in part) from Prospect, or any of its officers, providing Stantons Corporate Finance with any false or misleading information or in the failure of Prospect or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons Corporate Finance.

A final draft of this report was presented to Prospect for a review of factual information contained in the report. Comments received relating to factual matters were considered, however the valuation methodologies and conclusions did not change as a result of any feedback from Prospect.

APPENDIX E

VALUATION AND RESOURCES MANAGEMENT PTY LTD INDEPENDENT TECHNICAL ASSESSMENT AND VALUATION REPORT DATED 10 MAY 2021

Valuation & Resource Management

INDEPENDENT TECHNICAL ASSESSMENT & VALUATION REPORT

Presented To:

Prospect Resources Limited

Prospect Resources

Date Issued:

10 May 2021

Document Reference	Prospect Resources ITAR May 2021 RevB
Distribution	Prospect Resources Ltd Valuation and Resource Management Pty Ltd
Principal Author	Paul Dunbar BSc Hons (Geology) MSc MINEX M AusIMM M AIG Date: 10 May 2021
Valuation Date	16 April 2021

Contents

Executive Summary i
Arcadia Project i
Conclusions ii
1. Introduction 1
1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides 1
1.2. Scope of Work 2
1.3. Statement of Independence 2
1.4. Competent Persons Declaration and Qualifications 3
1.5. Reliance on Experts 3
1.6. Sources of Information 4
1.7. Previous Valuation Reports 4
1.8. Site Visits 4
2. Mineral Assets 5
2.1. Tenure 5
2.2. Arcadia Lithium Project 7
2.3. Location and Access 8
2.4. Regional Geological Setting 9
2.5. Previous Exploration Arcadia Project 13
2.6. Recent Exploration Activities 14
2.7. Arcadia Mineral Resource Estimate 16
2.8. Ore Reserves 17
2.9. Project Status, Technical and Economic Studies 17
2.10. Exploration Potential 19
5. Valuation Methodology 20
5.1. Previous Valuations 20
5.2. Valuation Subject to Change 21
5.3. General assumptions 21
5.4. Market Analysis 22
5.4.1. Lithium Market 22
5.5. Valuation of Advanced Properties 24
5.5.1. Discounted Cashflow Valuation 24
5.5.2. Comparable Market Based Transactions – Resource Based 24
5.5.3. Yardstick Valuation 25
6.6 Exploration Asset Valuation 26
7.1 Prospect Resources Arcadia Project Valuation 27
7.1.1 Discounted Cash Flow (DCF) Valuation 27
7.1.2 Comparable Transactions – Resource Multiples 32
7.1.3 Yardstick Method 34

8 Risks and Opportunities 36
9 Preferred Valuations 38
10 References 39
11 Glossary 40
Appendix A - Comparable transactions 45

List of Figures

Figure 1 Location of the Arcadia Lithium Project 5
Figure 2 Location of Arcadia Project and potential transport route to the port at Beira. 9
Figure 3 Arcadia Main Pegmatite outcrop in the historical Arcadia Pit – looking North. 10
Figure 4 Plan view of Arcadia Lithium Deposit 11
Figure 5 A schematic NW – SE cross-section through Arcadia Deposit 12
Figure 6 Lithium Carbonate Prices 23
Figure 7 Comparable Transactions contained lithium vs resource multiples (in A$). 33
Figure 8 Graph of Valuations (US$ million) 39

List of Tables

Table 1 Prospect Resources Tenement Schedule 6
Table 2 Arcadia Mineral Resource Estimate 25 October 2017 (0.2% Li_2O cut-off) 8
Table 3 Arcadia Ore Reserves 20 November 2019 8
Table 4 Historic Department of Mines production records 13
Table 5 Paragenetic sequence for the Arcadia Pegmatite. 15
Table 6 Arcadia Mineral Resource Estimate 25 October 2017 (0.2% Li2O Cut-off) 16
Table 7 Arcadia October 2017 Mineral Resource Estimate (1% Li_2O Cut-off) 16
Table 8 Arcadia Ore Reserves 20 November 2019 17
Table 9 –DFS Financial Evaluation Summary 17
Table 10 VALMIN Code 2015 valuation approaches suitable for mineral Properties. 20
Table 11 Table of the Significant Inputs in the VRM Discounted Cashflow Model 29
Table 12 Comparable transaction valuation summary for the Arcadia Lithium Project. 34
Table 13 Yardstick Multiples used for the Arcadia Project 34
Table 14 Weighted Average Lithium Concentrate Prices - 35
Table 15 Yardstick Valuation ssuming 50-50 petalite ratio 35
Table 16 Yardstick Valuation assuming 80-20 petalite ratio 35
Table 17 Arcadia Valuations as of 16 April 2021 38

Executive Summary

Stantons International Securities Pty Ltd (Stantons) commissioned Valuation and Resource Management (VRM) to prepare an Independent Technical Assessment and Valuation Report ("the Report" or the "ITAR") of the mineral assets of Prospect Resources Limited (ASX: PSC) (Prospect).

The Report provides an opinion as to the likely market value of the project to support an Independent Expert's Report to be prepared by Stantons, and has been prepared as a public document, in the format of an independent specialist's report and in accordance with the 2015 VALMIN Code.

This report includes a technical review of the Arcadia Lithium Project majority owned by Prospect.

It includes a technical evaluation of the development project and a fair market valuation of the mineral assets. In accordance with the VALMIN code VRM has undertaken several valuation methods. Importantly, as neither the principal author nor VRM hold an Australian Financial Securities Licence, this valuation is not a valuation of Prospect Resources Limited but rather a valuation of the mineral assets owned by the company.

This valuation is current as of 16 April 2021. The proposed transaction whereby Prospect can increase its interest in Arcadia from 70% to 87% was announced on 3 October 2018. This report takes into account for the various updates to the project including the DFS in November 2018, the Ore Reserve update in November 2019 (ASX release 20 November 2019) and the updated DFS (ASX release 12 December 2019).

As commodity prices, exchange rates and cost inputs fluctuate over time this valuation is subject to change. The valuation derived by VRM is based on information provided by Prospect along with publicly available data including Australian Stock Exchange (ASX) releases and public data obtained from various government geological surveys. VRM has made all reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this report. The opinions and statements in this report are given in good faith and under the belief that they are accurate and not false nor misleading. The default currency is United States Dollars (US$ or $) when the currency is Australian Dollars the prefix A$ has been used. As with all technical valuations the valuation included in this report is the likely value of the mineral projects and not an absolute value. A range of likely values for the various mineral assets is provided with that range providing an indication of the accuracy of the valuation.

Arcadia Project

The Arcadia Lithium Project consists a single Mining Lease of 1,031 hectares. Within the project is the Arcadia Mineral Resource Estimate totals 72.7Mt at 1.11% Li2O at a 0.2% Li_2O cut-off (ASX release 25 October 2017). The resource contains a mixture of lithium bearing minerals with the main minerals being spodumene and petalite. In 2017 a Pre-Feasibility Study (PFS) based on a throughput of 1.2Mt/a was completed with an associated Ore Reserve of 26.9Mt at 1.31% Li_2O. After the transaction was announced the Definitive Feasibility Study (DFS) was completed and released on 19 November 2018 and updated in December 2019 (ASX release 12 December 2019). The DFS expanded the processing rate from the initial 1.2Mt/a evaluated in the 2017 PFS to 2.4Mt/a in the DFS. The Ore Reserves were updated in November 2019 (ASX release 20 November

2019) from the reserves used in the 2017 PFS and 2018 DFS (ASX release 20 November 2019). In this report VRM uses the findings and costs derived from the 2019 updated DFS including the 2019 Ore Reserves.

VRM has estimated the value of the entire project considering the technical information supporting its prospectivity including the various feasibility studies. As at the valuation date Prospect has declared Mineral Resources and Ore Reserve estimates at Arcadia with these prepared applying the guidelines of the Australasian Code for Reporting of Exploration Targets, Mineral Resources and Ore Reserves - The JORC Code 2012 Edition (JORC).

The project has been valued using an income approach with this being a discounted cash flow analysis associated with the declared Ore Reserves and completed feasibility study. Secondary valuations, as required by VALMIN were determined based on the yardstick method and also a comparable transaction methodology. The exploration potential within the project is considered to be included in the valuation of the Ore Reserves and Mineral Resources.

This report documents the technical aspects of the tenements along with explaining valuations for the properties applying the principles and guidelines of the VALMIN and JORC Codes.

Conclusions

Considering both the Ore Reserves and Mineral Resources currently defined, in VRM's opinion the Arcadia Project on a 100% basis has a market value of between $125.0 million and $169.2 million with a preferred value of $147.1 million. Based on the valuation date exchange rate of 0.77330 the valuation in Australian dollars (A$) is estimated to be between A$161.7 million and A$218.8 million with a preferred valuation of A$190.2 million.

Therefore, based on Prospect's 70% share of the project, the value attributable to Prospect is in VRM's opinion valued at between $87.5 million and $118.4 million with a preferred value of $103.0 million. Based on the exchange rate as of 16 April 2021 the valuation for 70% of arcadia is between A$113.2 million and A$153.1 million with a preferred value of A$133.2 million.

1. Introduction

Valuation and Resource Management Pty Ltd (VRM) was engaged by Stantons International Securities Pty Ltd (Stantons) to undertake an Independent Technical Assessment and Valuation Report (ITAR or the Report) on the mineral asset of Prospect Resources Limited. The mineral asset is the Arcadia Lithium Project (Arcadia) located in Zimbabwe. A Pre-feasibility study (PFS) was completed in 2017. The project advanced to a definitive feasibility study (DFS) which was completed and announced by Prospect in November 2018 (ASX Release 19 November 2018). In 2019 Prospect completed an update to the DFS based on additional test work on the potential products and concentrate market information.

VRM understands that this ITAR will be included in the Independent Experts Report (IER) being prepared by Stantons to determine the merit of the proposed transaction where Prospect will issue shares in consideration for Prospect increasing its equity in the Arcadia project from 70% to 87% (a 17% increase).

The announcement of the proposed transaction was prior to the completion of the DFS (in 2018) and the updated DFS in 2019 however in VRM's opinion it reasonable to value the assets based on the DFS.

As announced on 3 October 2018 Prospect had reached agreement with the holders of 17% of the Arcadia Lithium Project to acquire their interest and increase Prospect's equity in the project to 87%.

This Report is a public document in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (VALMIN).

This Report is a technical review and valuation opinion of the lithium assets of Prospect, being the Arcadia Project located in Zimbabwe, Africa. Applying the principles of the VALMIN Code, VRM has used several valuation methods to determine the value for the mineral assets. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Prospect but rather an asset valuation of the Arcadia Project.

VRM has estimated the value of the Arcadia Project (including the declared Mineral Resources and Ore Reserves). The technical information supporting the prospectivity of the licences and the valuation of the tenements is on a 100% interest basis to determine a market value of the project with this subsequently reduced in line with the beneficial interest in the project as at 16 April 2021.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITAR is prepared applying the guidelines and principles of the 2015 VALMIN Code and the 2012 JORC Code. Both industry codes are mandatory for all members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). These codes are also requirements under Australian Securities and Investments Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX).

1.2. Scope of Work

VRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects applying the guidelines of the JORC and VALMIN Codes. These require that the Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the project.

VRM has compiled the valuation based upon the principle of reviewing and interrogating both the documentation of Prospect and previous exploration within the project areas. Exploration activities by previous owners has not been reported nor informed this valuation. This Report is a summary of the work conducted, completed and reported by Prospect up to 16 April 2021 based on information supplied to VRM and other information sourced from the public domain to the extent required by the VALMIN and JORC Codes.

VRM provided a draft report to Prospect on 3 May 2021.

1.3. Statement of Independence

VRM was engaged to undertake an ITAR. This work was conducted applying the principles of the JORC and VALMIN Codes, which in turn reference ASIC Regulatory Guide 111 Content of Expert Reports (RG111) and ASIC Regulatory Guide 112 Independence of Experts (RG112).

Mr Paul Dunbar of VRM has had a minor association with Prospect within the past two years. In August 2019 VRM assisted the independent auditors of Prospect to review the carrying value of Arcadia in Prospect's financial accounts and review of a potential impairment. In Mr Dunbar and VRM's opinion this work does not affect their ability to give an independent, objective, and unbiased opinion. Mr Dunbar and VRM has had no other association with Prospect, their individual employees, or any interest in the securities of Prospect over the past two years which they consider would impact their ability to provide an independent, objective, and unbiased opinion. Dunbar Resource Management, a consulting company previously managed by Mr Paul Dunbar undertook a valuation of the Arcadia project for Prospect in March 2019 which was included in a notice of meeting issued by Prospect on 10 May 2019. Mr Dunbar does not consider that this work, which was undertaken as an independent consultant and over two years ago, in any way effects his ability to provide an independent, objective, and unbiased valuation opinion. Neither VRM, nor Mr Dunbar hold an Australian Financial Services Licence (AFSL) and the valuation contained within this Report is limited to a valuation of the mineral assets being reviewed. VRM will be paid a fee for this work based on standard commercial rates for professional services. The fee is not contingent on the results of this review and is $32,000 (excluding GST).

1.4. Competent Persons Declaration and Qualifications

This Report was prepared by Mr Paul Dunbar as the primary author.

The Report and information that relates geology, exploration and the mineral asset valuation is based on information compiled by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a Member of the AusIMM and Member of the AIG. Mr Dunbar is a Director of VRM and has sufficient experience, which is relevant to the style of mineralisation, geology, and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the JORC Code and a Specialist under the VALMIN Code. Mr Dunbar consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Between 16 April 2021 and the date of this Report, nothing has come to the attention of VRM unless otherwise noted in the Report that would cause any material change to the conclusions.

1.5. Reliance on Experts

The authors of this report are not qualified to provide commentary on the legal aspects of the mineral properties or the compliance with the Zimbabwe Mining Act or Laws. VRM has relied on copies of the original tenement certificates to confirm that the tenements are current. As VRM and the authors of this report are not experts in the Mining Acts or Zimbabwe mining law, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

For Prospect's projects VRM has relied upon the following reports and information;

- Prospect Arcadia Feasibility study reports and associated ASX releases 12 December 2019
- Various Prospect ASX releases including exploration results
- Information provided by Prospect and Mineral Resource estimate reports
- Prospect Quarterly Reports and Annual Reports.
- ADP Marine Pvt Ltd November 2018, Arcadia Lithium Project Definitive Feasibility Study.
- Prospect Resources Limited ASX release, 19 November 2018 – Arcadia Definitive Feasibility Study Confirms Leading African Lithium Project.
- Prospect Resources Limited ASX release, 19 November 2018 – Presentation of the Arcadia Definitive Feasibility Study release 2.4Mtpa Base Case.
- Biomet Engineering, July 2017. Arcadia Lithium Project Pre-Feasibility Study.
- Prospect Resources Limited ASX release, 24 October 2017 - Prospect Announces Significant Increase in Measured and Indicated Mineral Resource at Arcadia.
- A review of the Arcadia Mineral Resource estimates by Mr S Searle in November 2018 for the previous DRM report
- A review of the 2018 Arcadia Ore Reserves undertaken by Mr H Warries in November 2018 for the previous DRM report
- ASX releases from other companies that have previously explored the areas and transactions associated with other lithium projects.

- Publicly available information and regional datasets including geological mapping, interpretation, reports, geophysical datasets and Mineral Deposit information.
- The Ore Reserve Update ASX release of 20 November 2019

1.6. Sources of Information

All information and conclusions within this report are based on information made available to VRM to assist with this report by Prospect and other relevant publicly available data to 16 April 2021. A significant source of information is the DFS completed in November 2018, the updated DFS completed in 2019 and the Pre-Feasibility Study Report completed in 2017. Reference has been made to other sources of information, published and unpublished, including government reports where it has been considered necessary. VRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this Report and to ensure that it had access to all relevant technical information. VRM has relied on the information contained within the reports, articles and databases provided by Prospect as detailed in the reference list. A draft of this Report was provided to Prospect, to identify and address any factual errors or omissions prior to finalisation of the Report. The valuation sections of the Report were not provided to the companies until the technical aspects were validated and the Report was declared final.

1.7. Previous Valuation Reports

Dunbar Resource Management, a consulting company owned and managed by Mr Paul Dunbar who is a Principal of VRM undertook a valuation report in March 2019 for Prospect which was included in the previous notice of meeting (ASX release 10 May 2019) which approved the acquisition of 17% of Arcadia by Prospect. This report is an update of that valuation report and has included additional information and work undertaken since the previous valuation report. VRM understands that the previous Prospect shareholder meeting, held on 11 June 2019 approved the acquisition of the 17% of Arcadia owned by Farvic Consolidated Mines Pvt. VRM understands that the reason for this report and the associated IER is the delay between Prospect obtaining the shareholder approval and the company receiving the transfer approvals from the Government of Zimbabwe for the transfer to be completed. Due to this delay the Australian Stock Exchange (ASX) required Prospect to renew the shareholder approval for the proposed transaction whereby Prospect will, pending shareholder approval, acquire an additional 17% in the Arcadia project taking Prospect's beneficial holding of the project to 87%. Shareholder approval was previously obtained in a general meeting of Prospect on 11 June 2019.

1.8. Site Visits

In the current climate, VRM is unable to complete a site visit to the Project. As a part of the DRM valuation report, completed in 2019 a site visit was undertaken by an independent consultant who confirmed that the content of the 2019 DRM valuation report accurately reflected the information on the Arcadia site. As there has been no material change to the activities on site since the 2019 report in VRM's opinion it is unlikely that a site visit would reveal any information that would materially modify the assumptions or content of this report.

2. Mineral Assets

This ITAR is focussed on the Arcadia Lithium Project of Prospect Resources Limited (Figure 1). A preliminary assessment has been completed for the other projects owned or partly owned by Prospect. The full tenement schedule for all Prospect projects is in Table 1, section 2.1 below. The preliminary review of the other projects indicates that they are all very early stage exploration projects with minimal work and have insignificant value. They are therefore considered to have no material impact on the overall value of Prospect.

Source Prospect Presentation.

Figure 1 Location of the Arcadia Lithium Project

2.1. Tenure

Table 1 below is a detailed list of all the mining tenements held or partly held by Prospect Resources. The table was provided by Prospect and was checked against previous ASX releases and quarterly reports.

The Arcadia Lithium Project consists of one mining lease that was granted in early August 2018.

The Mining Lease ML38, covering 1,031 hectares was granted by the Mining Affairs Board of Zimbabwe on 16 August 2018. Under the Mines and Minerals Act of Zimbabwe the Mining Lease is a perpetual licence which is renewed annually.

VRM has reviewed a copy of the Zimbabwean Government Gazette of 22 June 2018 where the mining lease application was advertised with an objection period of 30 days from the publication of the 22 June Gazette.

As detailed above VRM is not considered an expert in the mineral tenure or mining acts of Zimbabwe and no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

Table 1 Prospect Resources Tenement Schedule

Tenement Number	Country	Project	Registered Holder	Equity
ML 38	Zimbabwe	Arcadia	PLZ	70%
23189[#1]	Zimbabwe	Arcadia	PLZ	70%
23190[#1]	Zimbabwe	Arcadia	PLZ	70%
23233[#1]	Zimbabwe	Arcadia	PLZ	70%
32132[#1]	Zimbabwe	Arcadia	PLZ	70%
32133[#1]	Zimbabwe	Arcadia	PLZ	70%
32126[#1]	Zimbabwe	Arcadia	PLZ	70%
32733[#1]	Zimbabwe	Arcadia	PLZ	70%
23277[#1]	Zimbabwe	Arcadia	PLZ	70%
23278[#1]	Zimbabwe	Arcadia	PLZ	70%
23279[#1]	Zimbabwe	Arcadia	PLZ	70%
23276[#1]	Zimbabwe	Arcadia	PLZ	70%
23281[#1]	Zimbabwe	Arcadia	PLZ	70%
23474[#1]	Zimbabwe	Arcadia	PLZ	70%
23630[#1]	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%
23473	Zimbabwe	Arcadia	PLZ	70%
12227	Zimbabwe	Penhalonga	Coldawn	70%
20560 BM	Zimbabwe	Penhalonga	Coldawn	70%
10675	Zimbabwe	Penhalonga	Coldawn	70%
21795 BM	Zimbabwe	Penhalonga	Coldawn	70%
13166 BM	Zimbabwe	Penhalonga	Coldawn	70%
18879	Zimbabwe	Penhalonga	Coldawn	70%
18880	Zimbabwe	Penhalonga	Coldawn	70%
18881	Zimbabwe	Penhalonga	Coldawn	70%
21748 BM	Zimbabwe	Penhalonga	Coldawn	70%
18666 BM	Zimbabwe	Penhalonga	Coldawn	70%
12212	Zimbabwe	Penhalonga	Coldawn	70%
12213	Zimbabwe	Penhalonga	Coldawn	70%
19474 BM	Zimbabwe	Penhalonga	Coldawn	70%
14135 BM	Zimbabwe	Penhalonga	Coldawn	70%
10338	Zimbabwe	Penhalonga	Coldawn	70%
G3425	Zimbabwe	Penhalonga	Coldawn	70%
18582 BM	Zimbabwe	Penhalonga	Coldawn	70%
G2335	Zimbabwe	Penhalonga	Coldawn	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%

Notes [#1] These tenements were partly amalgamated into ML 38

The tenement schedule above is sourced from Prospect Resources March 2021 Quarterly Report (ASX Release 30 April 2021).

Validity of the tenements has only been checked by VRM for the Arcadia mining lease (ML 38).

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 (formerly Examix Investments (Pvt) Limited) ("PLZ")

As VRM and the authors of this report are not experts in the Zimbabwe Mining Acts or Mining Law no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure. VRM has made all reasonable enquiries regarding the status of these tenements and confirms that to be best of VRM's knowledge these tenements remain in good standing with all statutory filings, reports and documentation including renewals have been undertaken to ensure the tenements remain valid. VRM relies on the original tenement certificates that it has sighted but were provided by Prospect that confirm the tenements are, at the time of this report, in good standing.

2.2. Arcadia Lithium Project

The Arcadia Lithium Project is currently 100% owned by Prospect Lithium Zimbabwe (pvt) Limited (PLZ) (formerly Examix Investments (Pvt) Limited) with Prospect Resources Limited holding 70% of the shares in PLZ.

On 3 October 2018 Prospect announced that it had agreed with Farvic Consolidated Mines Pvt Ltd (Farvic) to purchase the 17% shareholding in PLZ held by Farvic. Under the agreement Farvic will transfer the shares it holds in PLZ to Prospect Minerals Pte Ltd, a 100% owned subsidiary of Prospect Resources Limited. Prospect Minerals Pte Ltd is a Singapore incorporated holding company.

PLZ, a subsidiary of Prospect Resources Limited holds the Mining Lease ML38 which covers an area of 1,031 hectares.

On 25 October 2017 Prospect announced a Global Mineral Resource estimate of 72.7Mt at 1.11% Li_2O and 119 ppm Ta_2O_5 (0.2% Li_2O Cut-off) for the Arcadia Lithium Project (Table 2).

An Ore Reserve was initially estimated as a part of the 2017 PFS. That Ore Reserve announced on 19 November 2018 was the basis of the DFS which was announced in 2018 with an updated Ore Reserve announced on 20 November 2019 (Table 3) and an updated DFS in December 2019 (ASX release 12 December 2019). The main difference between the 2018 DFS and the 2017 PFS with the being the increased processing capacity with the DFS evaluating a 2.4Mtpa processing rate compared to the PFS processing capacity of 1.2Mtpa and the updated capital and operating costs associated with the larger processing facility. The DFS was updated after the Ore Reserves were increased in November 2019.

Table 2 Arcadia Mineral Resource Estimate 25 October 2017 (0.2% Li_2O cut-off)

Arcadia JORC Mineral Resource Statement – (0.2% Li_2O Cut-off)					
Category	**Million Tonnes**	**Li_2O %**	**Ta_2O_5 ppm**	**Li_2O Tonnes**	**Ta_2O_5 (Mlbs)**
Measured	15.9	1.17%	121	184,900	4.2
Indicated	45.4	1.10%	121	501,500	12.1
Inferred	11.4	1.06%	111	121,400	2.8
TOTAL	**72.7**	**1.11%**	**119**	**807,800**	**19.1**

Source Prospect ASX release 20 November 2019

Table 3 Arcadia Ore Reserves 20 November 2019

Arcadia Ore Reserve Estimate					
Category	**Tonnes (Mt)**	**Li_2O (%)**	**Ta_2O_5 (ppm)**	**Li_2O (kt)**	**Ta_2O_5 (Mlbs)**
Proved	11.3	1.28	114	144	2.8
Probable	26.1	1.20	124	314	7.2
TOTAL	**37.4**	**1.22**	**121**	**457**	**10.0**

Source Prospect ASX release 20 November 2019

2.3. Location and Access

The Mining Lease hosts the Arcadia Lithium Project which is located approximately 38km east of Harare, Zimbabwe, Figure 1 while Figure 2 shows the location and the transport route to a potential port at Beira. The distance from site to the port by road is 580km.

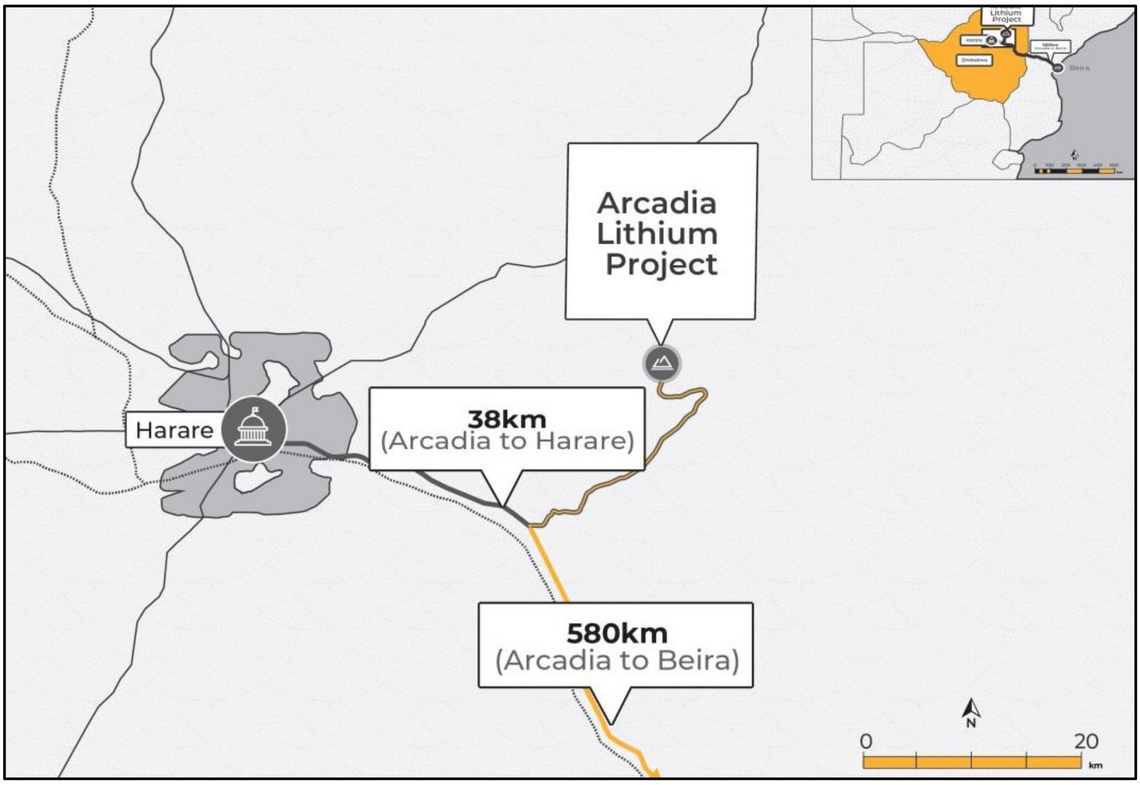


Figure 2 Location of Arcadia Project and potential transport route to the port at Beira.

The project is easily accessed by the sealed road from Harare to Arcturus gold mine, and then by dirt roads to the project.

The Arcadia Lithium Project occupies an area of more than 1,031 hectares and consists of some historical lithium and beryl workings within an existing agricultural area. The project is between 1,300 and 1,420m above sea level.

2.4. Regional Geological Setting

The Arcadia Camp ore bodies are contained in highly evolved pegmatites of the LCT (Lithium-Caesium-Tantalum) family, that were intruded into the country rock greenstones. The pegmatites appear to have a genetic relationship with the nearby granite to granodiorite plutons.

Arcadia Lithium Deposit is hosted within a series of 14 (>1m thick) stacked, sub-parallel petalite-spodumene bearing pegmatites.

Drilling has revealed that the pegmatites occur over a 3km strike length (southwest - northeast strike) and extend 1km down dip, with an average thickness of 15m dipping 15° to the northwest. Surface mapping and trenching has shown the total strike length to be almost 4.5km (Biomet PFS Report, 28 June 2017).

The pegmatites are named from youngest to oldest as the Upper Pegmatite (U3), U2, U1, Main Pegmatite (MP), Lower Pegmatite (L1), L2, L3, L4/ LMP (Lower Main Pegmatite), L5, L6, L7 and L8.

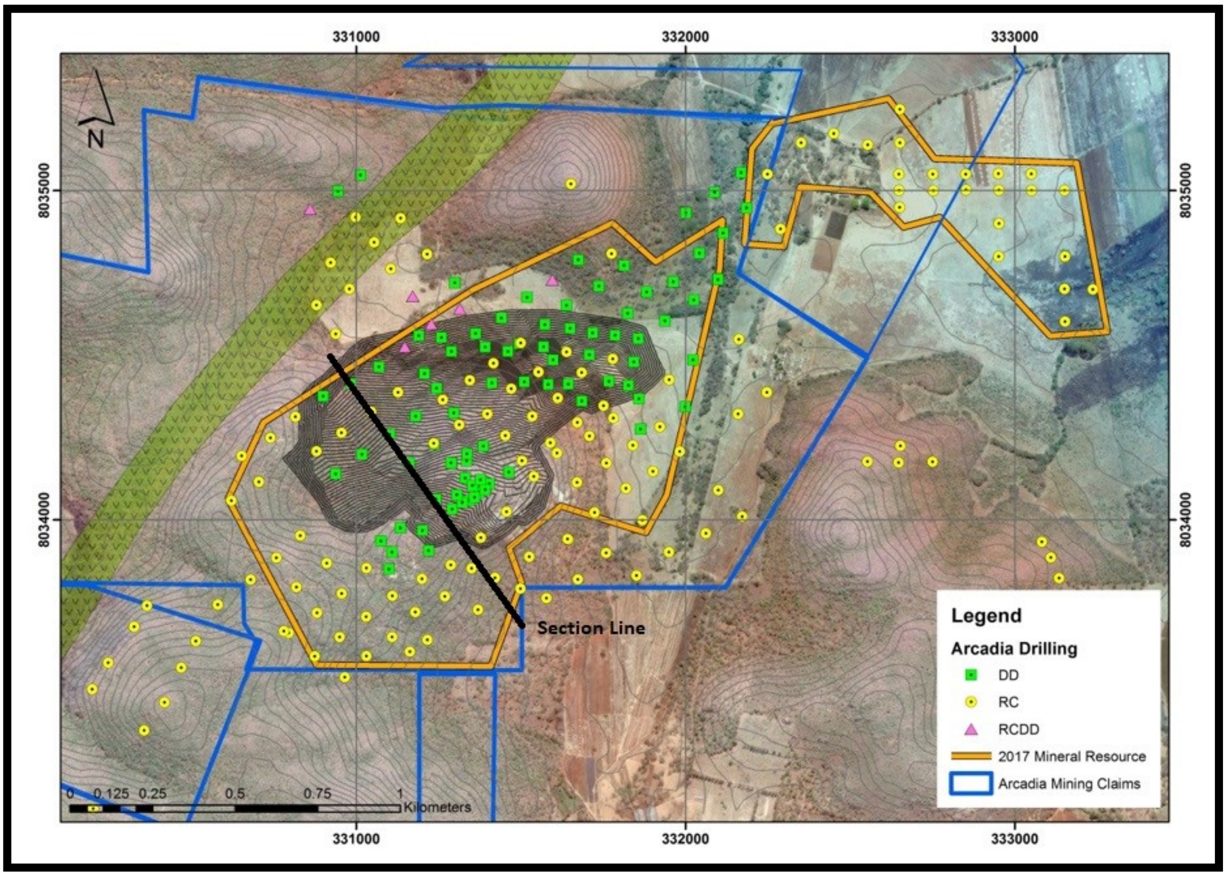
The most significant bodies both in terms of thickness, lithium grade and lateral consistency are the Main Pegmatite and Lower Main Pegmatite, whose maximum thicknesses are 7 to 10m and 25 to 50m respectively. The other pegmatites are much thinner, bifurcate and coalesce along strike and down-dip, but are also mineralised.

The Main Pegmatite is exposed in a 175m long historical Arcadia pit on a steep hill slope, Figure 3. It has a southwest - northeast strike, is dipping at 3° - 5° northwest and is 3 to 10m wide. The deposit is open along strike to the southwest. The deposit is cut by the north-northeast – south-southwest trending Mashonganyika Fault zone, as well as a regional southwest-northeast trending dolerite dyke that appears to truncate the pegmatite to the northwest.

Continuations of the Lower Main Pegmatite have been identified to the southwest and northeast by soil sampling, followed by trenching and limited RC drilling (2018 Annual Report).

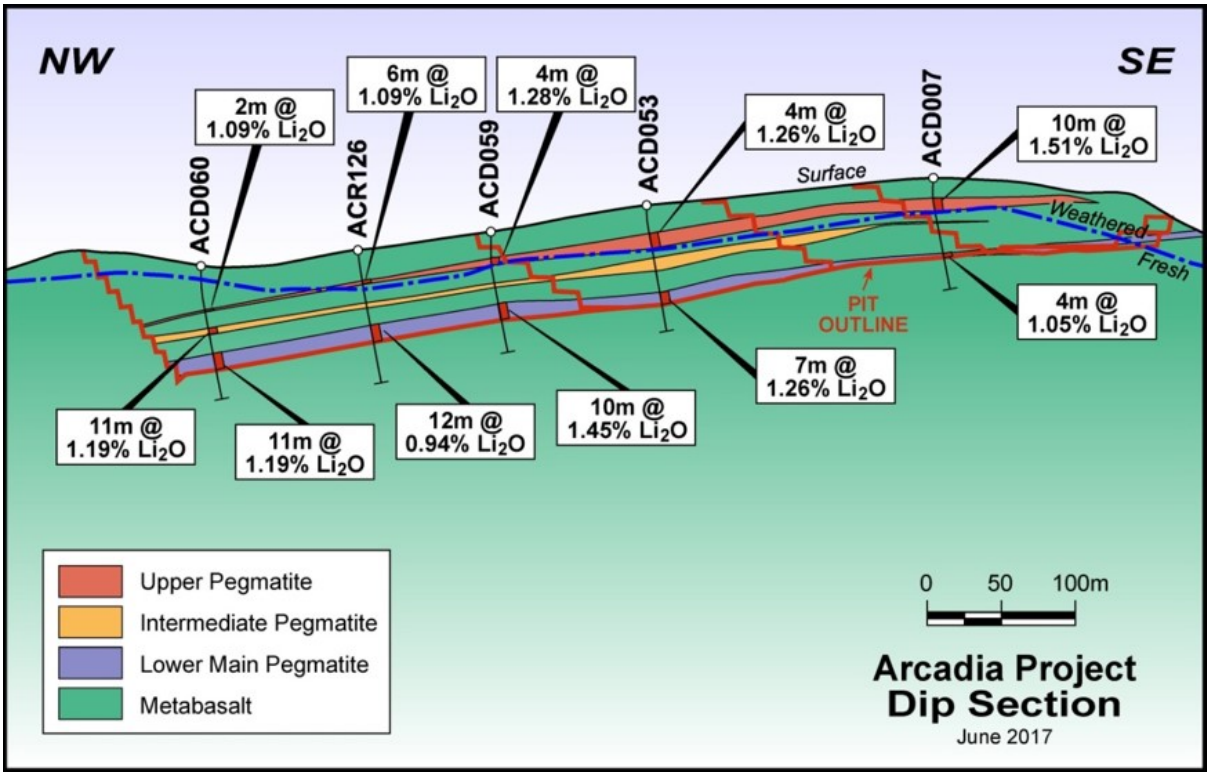
Figure 3 Arcadia Main Pegmatite outcrop in the historical Arcadia Pit – looking North.

The location of the proposed DFS Arcadia Mine pit outline in relation to drilling, Mineral Resource boundaries, Mining Claim boundaries, the Mashonaland dolerite dyke and topography are displayed on Figure 4. A schematic southeast - northwest cross-section across the proposed pit outline displays the pegmatite orientation and drill hole Li_2O intercepts, Figure 5.



Source (ASX Release 25 October 2017).

Figure 4 Plan view of Arcadia Lithium Deposit showing completed drilling, proposed PFS pit shell, the 2017 Mineral Resource boundary and the northeast trending dolerite dyke (green)



(ASX Release 3 July 2017).

Figure 5 A schematic NW – SE cross-section through Arcadia Deposit (see Figure 4) showing mineralised pegmatite drill intercepts and DFS staged pits

The country rock meta-basalts are predominantly massive, generally un-altered and appear to dip at varying angles to the northwest.

Three major sets of fault zones have been identified from the positions of erosional features and inferred from the drilling intercepts. The north-northeast – south-southwest zones are responsible for forming the low-lying cultivated areas. The north-northeast trending Mashonganyika fault zone which forms the river valley to the east of the current planned pit, has resulted in blocks of Main Pegmatite being down-faulted 100m and preserved from erosion to the west, as well as at least 500m of sinistral displacement. It appears that this fault zone has accentuated surficial geochemical leaching of certain elements, including lithium (Biomet PFS Report, 28 June 2017).

These zones are criss-crossed by discrete (often water bearing) southeast - northwest and southwest - northeast faults. The latter set appears to have some significant displacement resulting in a series of horsts and grabens being developed.

Chemically the Arcadia pegmatites are enriched in Li, Ta and Rb, but relatively low in Nb and Cs (In solid solution with Ta and Rb respectively).

Sn and Be levels are also low, surprisingly so given the Main Pegmatite's pedigree as originally being a beryl producer. Moderate levels averaging 125ppm Ta occur.

Fe_2O_3 levels average 1% but are erratic and not seemingly directly related to the main lithium minerals. It is suspected that they are related to Fe bearing minerals such as hornblende, garnet and zinnwaldite, or possible local contamination from xenoliths of host meta basalt into the pegmatite during intrusion (Biomet PFS Report, 28 June 2017).

2.5. Previous Exploration Arcadia Project

The Arcadia Lithium district includes the several targets with previous production (Table 4) none of the targets have been in formal production since the early 1970s (Prospect Resources Ltd website).
Production history is limited and largely restricted to the declared output figures available from the Department of Mines, Table 4.

Table 4 Historic Department of Mines production records

Mine	Years	Production	Remarks
Arcadia	1954 1966 1966 1967-1968 1966-1972 1972	10.4t 23.6t 120t 7,039t 7,723t 37t	Prismatic beryl – Na-Li pegmatite Eucryptite Petalite Mixed lithium ore Petalite Feldspar
Arc	1953	3.74t	Beryl from a weathered Na-Li pegmatite
Bing	1953-1956	12.31t	Beryl from Na-Li pegmatite ~0.1kg/t tantalite recovery
Green Mamba	1962 1971-1972	0.07t 14t	Beryl Beryl
Winston	1953-54 & 1965-67	11,233t	Lepidolite from a predominantly broad lithium rich pegmatite.

Between 1966 and 1971, the Arcadia Mine was sporadically worked as a small-scale open pit operation, where approximately 10,000t of lithium minerals were produced in addition to limited amounts of beryl. Production was predominantly from a single open pit, some 175m long by 25m deep, Figure 3 (ASX: PSC Release 3 July 2017).

The concrete foundations of a small crushing plant and dual milling circuit are all that remain of the old Arcadia plant. A few rails are testament to the short loading and hauling system employing hand pushed cocopan, that was probably in place from the pit to the plant site and rock dump.

A limited drilling program was undertaken with support by the geological survey in 1966; targeting what is now called the Main Pegmatite. A series of prospecting trenches and prospecting shafts were also developed in the vicinity, presumably in the early 1970s. These were largely following the southwest extension over the Green Mamba claims. In the early 1980s, Rand Mines plc (Rand Mines) undertook a drilling program of unknown size, but reportedly defined circa 18 Mt, with high peak grades of Li_2O.

2.6. Recent Exploration Activities

In addition to the recently completed updated DFS (December 2019) the original DFS (November 2018) and PFS (September 2017) exploration work has included Diamond and Reverse Circulation (RC) drilling, geological mapping and channel sampling, topographic, geophysical as well as hydrographical surveys.

The initial diamond drilling by Prospect Resources commenced on 26 June 2016. This was focussed on the historically mined Arcadia Main Pegmatite and the down-dip and strike extensions thereof. A total of 16 angled holes were drilled (Biomet PFS Report, 28 June 2017).

The second phase of drilling commenced on 1 August 2016 and was designed to expand the size of the resource delineated in the initial program. A total of 2,070m of Reverse Circulation drilling were completed in 33 holes.

A third phase of drilling commenced on 14 September 2016 using both Diamond and RC drill rigs with the aim of expanding the resource along strike and down-dip. This drilling confirmed the Lower Main Pegmatite had a 1,000m strike extent and 500m down-dip extent. In this phase a total of 4,753m of Diamond drilling and 3,557m of RC drilling were achieved. Diamond drilling generally commenced with HQ core diameter and reduced to NQ at 20 – 30m depth.

A fourth phase of drilling was undertaken early 2017. A total of 13 RC and 6 Diamond drill holes from this program were used in the March 2017 Mineral Resource estimate.

In total 122 Diamond and RC drill holes were used in the June 2017 Mineral Resource Estimate.

Sample pre-preparation was carried out by Zimlabs in Harare, before the samples were exported for analysis to lithium accredited ALS Vancouver. Samples were assayed for 47 elements by ICP following a 4 acid digest (Biomet PFS Report, 28 June 2017). A total of 1,069 samples were analysed by XRD.

Petrographic Analysis

Petrographic analysis of numerous samples collected from various pegmatite horizons encountered in drill holes identified quartz, albite and microcline as the major constituent minerals of the pegmatites. The pegmatites are relatively undeformed with little evidence from the thin sections of structural controls influencing mineralisation (Johnson, R. and Cronwright, M. 2016).

The potentially economic lithium mineralisation in the Arcadia pegmatites is dominated by petalite and spodumene. It is present in two modes: as part of the primary magmatic phase; and as an alteration product. The primary magmatic lithium mineralisation is predominantly present as petalite and minor spodumene-quartz intergrowth, which occur with quartz, albite and microcline. In addition to petalite and spodumene, other lithium minerals identified in the samples include eucryptite, lepidolite, hectorite and holmquistite, however, these minerals only occur in accessory amounts.

The paragenesis of the Arcadia pegmatites interpreted from these petrographic studies is represented in Table 5(Johnson, R. and Cronwright, M. 2016).

Table 5 Paragenetic sequence for the Arcadia Pegmatite.

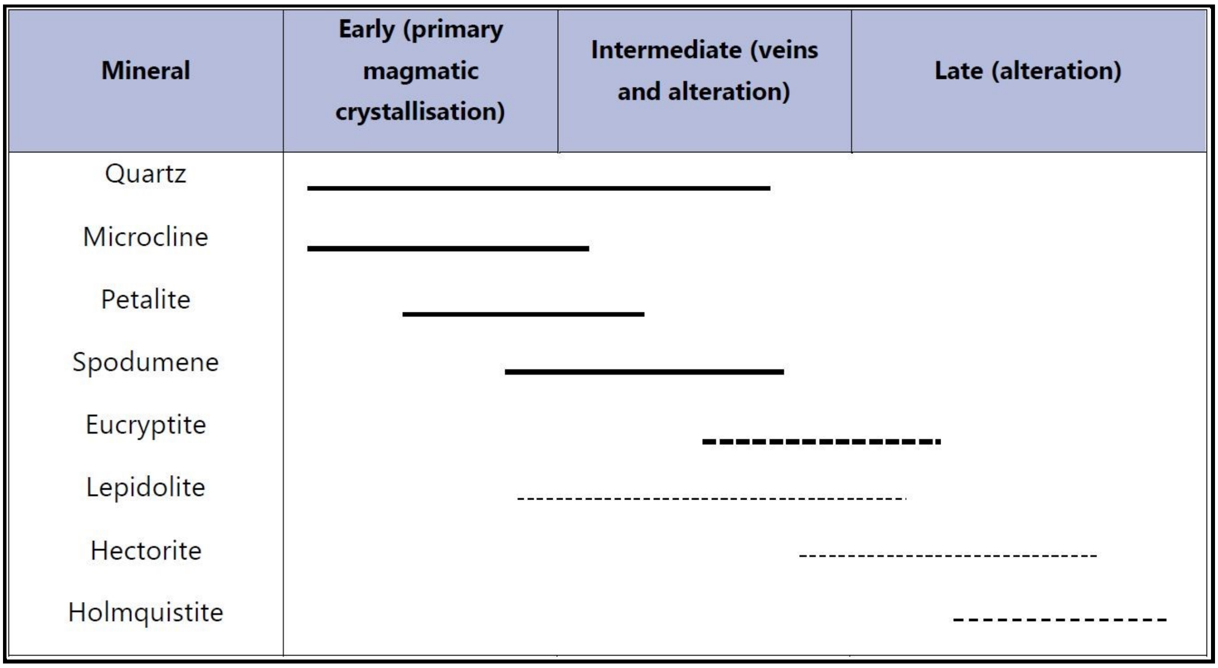


Table 5 illustrates the quartz, microcline, petalite and spodumene occurred during the formative stages of the pegmatites as part of the initial magmatic event, represented by the solid black line. Petalite appears to have crystallised prior or co-genetically with primary spodumene. Secondary mineralisation resulted from the alteration of primary petalite and spodumene to SQI (Spodumene - quartz intergrowth) and eucryptite respectively. Eucryptite formed after petalite and spodumene crystallised as an alteration product, represented by the dashed line. Lepidolite and hectorite occur during the latter stages of pegmatite petrogenesis and are relatively minor in abundance.

<u>Geophysics</u>

High resolution (2.5x10m) ground magnetic survey was conducted in the Arcadia Project area in March 2017. A total of 118.8 line kilometres was covered (Gumbo, N. March 2017).

It was concluded that the magnetic data enabled the identification of major and minor structural lineaments which may control the pegmatite bodies. Lineaments representing faults may also affect rock stability. The large contrast in magnetic susceptibility between pegmatite bodies and the surrounding country rock can be used in 3D modelling of the orebodies on a regional scale, provided reasonably detailed magnetic data is collected. More pegmatites could be located subparallel or along strike of the drilled bodies.

2.7. Arcadia Mineral Resource Estimate

The Mineral Resource was updated in October 2017 and is summarised at a 0.2% Li_2O cut-off in Table 6 and at a 1% Li_2O cut-off in Table 7 below. The estimate was completed by Digital Mining Services ("DMS") for Prospect and reported in compliance with the JORC Code (2012) reporting standards.

As a part of the 2019 valuation report DRM undertook a review of the mineral resource estimates and determined that there were no aspects that were considered material to the overall estimate. These resources have also been reviewed as a part of the 2017 PFS, the 2018 DFS, the updated 2019 Ore Reserve (PSC ASX release 20 November 2019) and the 2019 updated DFS (PSC ASX release 12 December 2019).

Table 6 Arcadia Mineral Resource Estimate 25 October 2017 (0.2% Li2O Cut-off)

Arcadia JORC Mineral Resource Statement – (0.2% Li_2O Cut-off)					
Category	Million Tonnes	Li_2O %	Ta_2O_5 ppm	Li_2O Tonnes	Ta_2O_5 (Mlbs)
Measured	15.9	1.17%	121	184,900	4.2
Indicated	45.4	1.10%	121	501,500	12.1
Inferred	11.4	1.06%	111	121,400	2.8
TOTAL	72.7	1.11%	119	807,800	19.1

Note this table has been extracted from PSC ASX release 20 November 2019

Table 7 Arcadia October 2017 Mineral Resource Estimate (1% Li_2O Cut-off)

Class	Tonnage Mt	Li_2O %	Ta_2O_5 ppm	Li_2O Tonnage t	Ta_2O_5 Pounds Mlbs
Measured	10.2	1.45	132	148,100	3.0
Indicated	27.2	1.39	119	378,400	7.1
Inferred	5.8	1.45	97	84,000	1.2
Total	43.2	1.41	119	610,500	11.3

Note Information in this table has been extracted from Prospect ASX releases 25 October 2017 and reformatted.

There has been previous small to medium scale mining undertaken at the Project between the 1950's and 1970's, although no mined surfaces were supplied, nor was the estimate depleted for the minor historical mining. Considering the size of the deposit, the absence of historical mining depletion from the resource (in the order of 25 to 30kt) is not considered material however it is recommended that a high-resolution aerial survey is flown to correctly estimate near surface tonnage in the locations of historical mining. VRM has been informed that there has been a recent digital terrain model generated based on detailed ground surveys however this has not been included in the Mineral Resource estimate used for the DFS. The difference in elevations is considered immaterial.

2.8. Ore Reserves

DRM undertook an assessment and review of the 2018 Ore Reserve estimates that were included in the November 2018 DFS and while there were minor aspects that were identified as inconsistencies in the methodology, they were all considered immaterial to the overall 2018 Ore Reserves.

Prospect undertook an updated Ore Reserve estimate which was first reported in November 2019 (PSC ASX release 20 November 2019) as a part of the updated DFS (PSC ASX release 12 December 2019). The current Ore Reserve, detailed in Table 8 was undertaken by CSA Global Pty Ltd with the competent person being Mr Paul O'Callaghan. VRM has undertaken a high level review of the Ore Reserve and considers that is has no material errors and is considered to be current and reasonable. The Ore Reserve was classified consisting of both Proved and Probable Ore Reserves.

Table 8 Arcadia Ore Reserves 20 November 2019

Arcadia Ore Reserve Estimate					
Category	**Tonnes (Mt)**	**Li_2O (%)**	**Ta_2O_5 (ppm)**	**Li_2O (kt)**	**Ta_2O_5 (Mlbs)**
Proved	11.3	1.28	114	144	2.8
Probable	26.1	1.20	124	314	7.2
TOTAL	**37.4**	**1.22**	**121**	**457**	**10.0**

Source PSC ASX release 20 November 2019

2.9. Project Status, Technical and Economic Studies

The Review was based on the discounted cash flow model (DCF) that was developed as part of the DFS. It is noted that the DCF has a slightly different mine production schedule than the one presented in a separate scheduling Excel spreadsheet.

A summary of the principal input parameters of the DCF used in the updated DFS and the financial outcomes are provided in Table 9. This analysis was undertaken using a long term lithium carbonate price of US$12,500/t. VRM notes that as of 31 March 2021 the global average lithium carbonate price was US$9,938/t.

Table 9 –DFS Financial Evaluation Summary

Operating Parameters	Units	Value
Life of Mine Modelled (All Open Pit)	Years	15.5
Plant Throughput	Mtpa	2.4
Average Lithia Head Grade	%	1.22
Average Lithia Recovery	%	55.2
Average Life of Mine Spodumene Production	ktpa	173
Average Life of Mine Petalite Production	ktpa	122
-Average Life of Mine Chemical Grade Low Iron Petalite Production	ktpa	24
-Average Life of Mine Technical Grade Ultra-Low Iron Petalite	ktpa	98
Capital and Operating Costs	**Units**	**Value**
Average Life of Mine Cash Operating Cost[4] (FOB)	US$/t	344
Capital Costs (Pre-production)	US$M	162
Sustaining Capital	US$M	35
Life of Mine Low Iron Spodumene Concentrate Price	US$/t	701
Life of Mine Low Iron Petalite Chemical Concentrate Price	US$/t	483
Life of Mine Ultra-Low Iron Petalite Concentrate Price	US$/t	894
Financial Summary	**Units**	**Value**
Average first 5 years Annual Free Cash Flow from operations (post-tax)	US$M	145
Average first 10 years Annual Free Cash Flow from operations (post-tax)	US$M	116
Average Annual Free Cash Flow from Operations (post-tax)	US$M	101
Average Annual EBITDA	US$M	114
Pre-Tax NPV_{10}	US$M	710
Pre-Tax IRR	%	71
Post Tax NPV_{10}[5]	US$M	645
Post Tax IRR	%	70
Operating Margin	%	43
Payback Period (From Commencement of Production)	Years	1.5

The DCF is based on monthly periods for the life of mine. Commencement of construction is shown as January 2020. An 18 month construction period has been modelled, which includes mine pre-strip the costs of which are included in the CAPEX.

The mining and other costs are considered reasonable.

Sustaining capital is based on 1% of revenue, which is a strange correlation. The life of mine sustaining capital expenditure is $29 million, however, there are no details or explanation of what the sustaining capital covers.

The construction of the Tailings Storage Facility (TSF) is commenced during pre-production and is completed at the end of Year 1. No additional costs have been allocated for the life of mine (LOM), which suggests that the initial TSF construction has the capacity to contain tailings for the LOM. This is unusual to expend all capital required to build the TSF up-front and it is considered likely that a portion of the Sustaining Capital would be directed to expansions of the TSF.

The DCF has an allowance of ≈$10 million for rehabilitation and mine closure. In the financial model and 2018 DFS report reviewed by VRM there is no separate allowance for the environmental monitoring while the rehabilitation is limited to ≈$10 million at the end of the mine life.

VRM are not considered to be experts with regards to Process Plant design, however, the Plant and Infrastructure capital cost estimate of $149 million. The Plant and Infrastructure cost and the total CAPEX cost (which includes mining pre-strip, initial consumables and spares) of US$162 million from the DFS, is broadly in line with the comparable studies completed in Australia. Comparable studies include the DFS capital costs presented in the Pilbara Minerals Stage 1 (2Mtpa) DFS CAPEX of A$213 million (PLS ASX release 20 September 2016) and the Stage 2 expansion to 5Mtpa (CAPEX A$231) (PLS ASX release 3 August 2018).

Associated with the feasibility study and included in the updated assessment of the concentrates that could be produced from Arcadia.

In 2019 Prospect had an independent market research company undertake an analysis of the potential markets and value of the low iron lithium concentrates, in particular for the glass and ceramic sector. The report associated with that analysis involved market analysis and likely prices of technical (low iron) and chemical grade spodumene and petalite concentrates. Importantly, the analysis determined that technical (low iron) grade petalite concentrates commonly attract a 61% premium to the chemical grade spodumene concentrates. If the metallurgical studies that have been completed on the Arcadia deposit are able to the translated into a full scale concentrate production, then Arcadia could be one of the most significant suppliers to the high value glass and ceramic markets. The company is advancing a pilot plant to test the ability of the project to consistently produce lithium concentrates with low to ultra-low iron concentrations.

2.10. Exploration Potential

While there is considerable exploration potential within the tenements that constitute the project there has been minimal recent exploration that would allow a reasonable estimation of the value of that potential.

There are historical occurrences of lithium and pegmatite mineral production in the area which provide targets for exploration.

5. Valuation Methodology

The VALMIN Code outlines various valuation approaches that are applicable for properties at various stages of the development pipeline. These include valuations based on market-based transactions, income or costs as shown in Table 10 and provides a guide as to the most applicable valuation techniques for different assets.

Table 10 VALMIN Code 2015 valuation approaches suitable for mineral Properties.

Valuation Approaches suitable for mineral properties				
Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

The Arcadia project has a completed feasibility study however there has not been a final investment decision. Development Projects are defined in VALMIN as tenure holdings for which a decision has been made to proceed with construction or production or both. Therefore, VRM considers the project to be a pre-development project.

There are current Ore Reserve estimates for the project and a recently completed update to the DFS. On the basis of the Ore Reserves and completed DFS VRM considers that an income approach is a viable valuation method for the project. While VRM considers the DCF and associated NPV of the project as a viable valuation method, it is noted that the NPV of the project is likely higher than the market value, being the value that the project would likely transact in an open market. This is due to potential dilution of the existing shareholders in any capital raises required to fund the project development, especially assuming common debt to equity ratios used in project financing.

The Mineral Resource and Ore Reserve estimates are both reported under the JORC Code (2012).

5.1. Previous Valuations

VRM completed a valuation of the Arcadia Project for Prospect Resources in March 2019 which was included in a Prospect Notice of Meeting distributed to Prospect shareholders on 10 May 2019. The meeting of shareholders held as a part of that notice occurred on 11 June 2019 and approved the proposed transaction. This shareholder approval is believed to require renewal due to delays in issuing the consideration shares as a result of delays in obtaining Zimbabwe government approvals for the completion of the transaction.

5.2. Valuation Subject to Change

The valuation of any mineral Property is subject to several critical inputs most of these change over time and this valuation is using information available as of 16 April 2021 being the valuation date of this Report and considering information up to the valuation date. This valuation is subject to change due to updates in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the properties, the current and future metal prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. The impact of the COVID-19 pandemic on the development timeline and potential operational impacts on the project may have a significant impact on the ability for the project to be developed and therefore the valuation of the project. While VRM has undertaken a review of several key technical aspects that could impact the valuation there are numerous factors that are beyond the control of VRM.

As at the date of this Report in VRM's opinion there have been no significant changes in the underlying inputs or circumstances that would make a material impact on the outcomes or findings of this Report.

5.3. General assumptions

The Mineral Assets of Prospect are valued using appropriate methodologies as described Table 10 and in the following sections. The valuation is based on several specific assumptions detailed above, including the following general assumptions.

- That all information provided to VRM is accurate and can be relied upon,
- The valuations only relate to the Prospect Mineral Assets located within tenements controlled by the Company and not the Company itself nor its shares or market capitalisation of the Prospect,
- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe,
- That the owners of the mineral assets can obtain the required funding to continue exploration and development activities,
- The following commodity prices and exchange rates have been used in this valuation and are (as at 16 April 2021).
    - Global Average Lithium Carbonate price (as of 31 March 2021) US$9938 (S&P Global)
    - The US$ - AUS$ exchange rate of 0.77330 (www.xe.com).
- All currency in this report are United States Dollars (US$ or $), unless otherwise noted, if a particular value is in Australian Dollars or AUS, it is prefixed with A$.
- The valuations have been converted to Australian Dollars (AUS$ or A$) using the exchange rate as of 16 April 2021.

5.4. Market Analysis

As the primary project being valued in this report is the Arcadia Lithium Project it is important to note the current status of the Lithium market prior to completing the valuation.

5.4.1. Lithium Market

The Lithium price has undergone a significant reduction / re rating over the past two to three years (Figure 6). This change has been caused by a fundamental shift in the Supply – Demand fundamentals of Lithium primarily due to the expansion and expected expansion of the Electrical Vehicle (EV) industry along with the development and an increase in the battery storage of an integrated Photovoltaic – Battery storage systems. Most of the large vehicle manufacturers have indicated that they intend to phase out internal combustion engines in their vehicles in the next 15 – 20 years. Several countries have also introduced a policy of phasing out internal combustion engines in vehicles over a similar timeframe. This additional and expected increased demand from the EV and battery storage was oversupplied by several new hard rock lithium operations, particularly from Australia. With increased EV penetration and growth in the market it is reasonable to assume that there will be increased demand for lithium (and other battery related metals).

In 2018 the United Stated Geological Survey (USGS) reported that the global end uses of lithium to be batteries (46%); ceramics and glass (27%); lubricating greases (7%); air treatment (2%) continuous casting mould flux powders (4% each); polymer production (5%); and other uses (9%) (USGS 2018). The USGS estimated that in 2016 35% of lithium production was used in batteries. While in 2017 global production was estimated at 41,500 tons compared to 32,500 tons in 2015. This increase is primarily due to the rapid increase in the demand for lithium ion batteries.

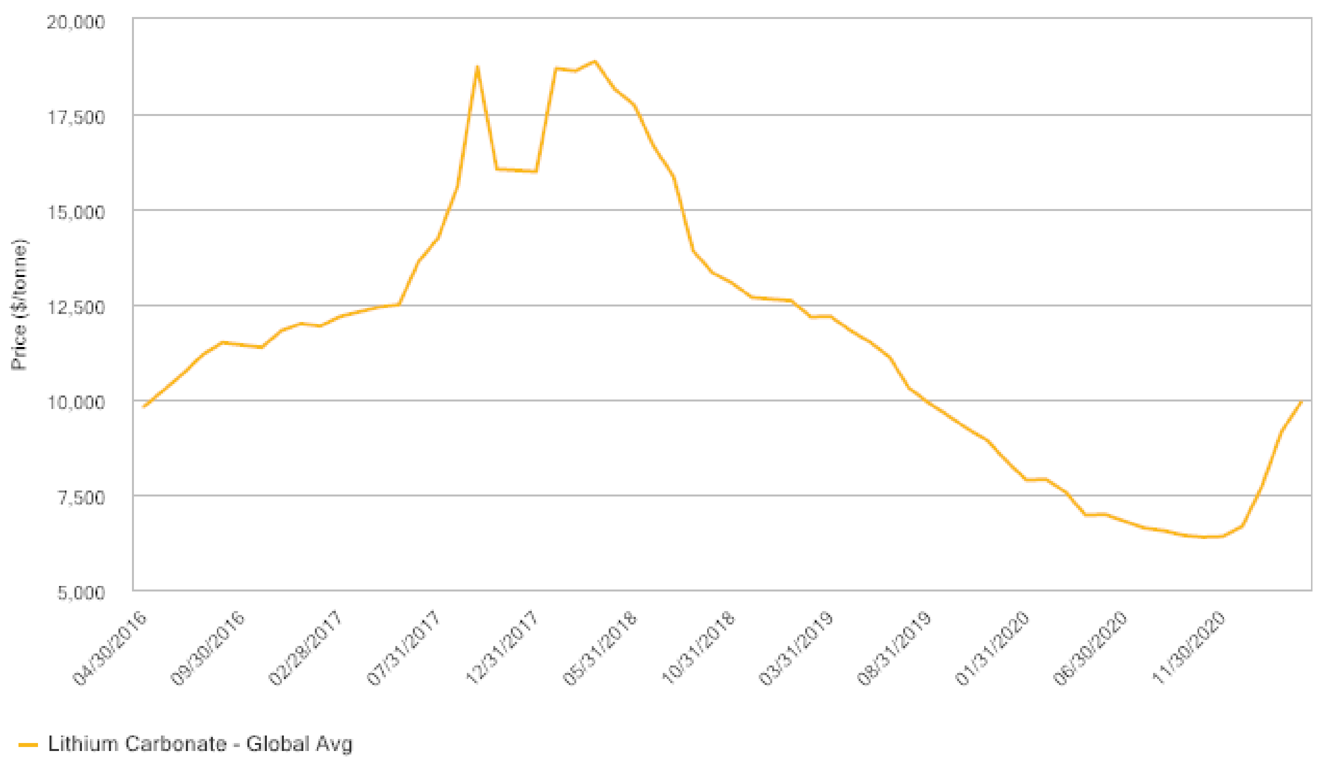
This fundamental change in the supply demand balance has resulted in an increase in all of the commodities that are integral to EV and integrated battery storage solutions. Other commodities that increased in 2017 and 2018 including cobalt, graphite, vanadium and to a smaller extent (due to the other non EV related consumption) nickel have also had a price adjustment / re-rating due to the currently relatively small size of the EV market. This market is expected to increase which should result in a higher long term demand for lithium and other battery metals.

The overall chemistry of a lithium ion battery system is dependent on several aspects including the mix of battery safety, charge and re-charge rates, cycle life, battery size and weight. Overall, the chemistry of each of the various battery combinations are different depending on the end use of the battery.

Lithium is generally sold on long term contracts and in a concentrate of usually specific lithium minerals. The most abundant product from any hard rock lithium operation is a spodumene concentrate. The concentrate ideally is low in iron as one of the alternate uses for a lithium concentrates is in the glass and ceramics industry. The majority of the expected increased demand in lithium is associated with lithium ion batteries associated with electrical vehicles.

Other lithium mineral concentrates that are commonly sold include petalite concentrates. An alternate source of lithium is from lepidolite which a lithium is bearing mica. This is commonly used in China however the use of lepidolite in most lithium concentrates is undesirable due to the high fluorine levels in lithium mica which can result in Hydrofluoric acid being produced in the processing. At least two Australian companies have patented mineral processing flowsheets associated with the production of lithium from lepidolite in a very different processing flowsheet compared to the spodumene or petalite concentrates.

As the lithium bearing concentrates are sold in long term contracts with the end users there is no transparent independent lithium price. In negotiating their concentrate prices several companies link their concentrate prices to either Lithium Carbonate or Lithium Hydroxide prices.



Source S&P Global Market Intelligence

Figure 6 Lithium Carbonate Prices

Since late 2018 there has been a significant reduction in the global lithium carbonate (and lithium hydroxide). There has been a rapid increase in the prices since November 2020 due to increased confidence in the economic recovery from the COVID-19 pandemic and the push for governments to move to a lower carbon economy.

Based on the lithium carbonate price at 31 March 2021 of $9,938/t it is estimated that the 6% Li_2O chemical grade Spodumene concentrate price would be around $575/t and 4% Li_2O chemical grade Petalite concentrate price of $383/t. Market analysis undertaken by Prospect and provided to VRM indicates that a technical (low to very low iron) grade petalite concentrates for use in the glass and ceramic market typically sells at a premium of 61% to the chemical grade spodumene concentrate price. On that basis the Technical (low iron) grade petalite concentrates would sell on long term contracts for around $925/t. The Arcadia DFS assumes that there will be three separate lithium concentrates produced. These are a chemical grade spodumene concentrate and two separate petalite concentrates. Of the two petalite concentrates, based on test work, 80% is modelled as technical grade concentrates with 20% would be sold as chemical grade petalite concentrates. VRM has undertaken an analysis in the modified DCF to determine the sensitivity to the ratio of Technical to Chemical grade petalite concentrates. VRM considers it a risk to assume that 80% of the petalite would be sold at a 61% premium to the chemical grade spodumene concentrate prices and therefore assumes a higher risk related cost of capital for scenarios where the a 80-20 petalite concentrate is assumed with a lower risk related cost of capital when a 50%-50% petalite concentrate ratio is assumed.

5.5. Valuation of Advanced Properties

There are several valuation methods that are suitable for advanced Properties including the following:

- Income based valuation methods based financial modelling including discounted cash flow (DCF) valuations (generally limited to Properties with published Ore Reserves),
- Market based valuation methods including
  - Comparable Market Based transactions including Resource and Reserve Multiples
  - Joint Venture Transactions
  - Yardstick valuations

5.5.1. Discounted Cashflow Valuation

A discounted cashflow analysis is a common valuation technique that uses various revenue and cost assumptions and the expected timeframe of those revenues and costs and adjusts the value of these future cashflows to account for the expected cost of the capital required to attain those future cashflows. VRM considers that this valuation method is only applicable for mineral properties where the modifying factors used in a feasibility study are well understood and constrained to allow the reporting of an Ore Reserve. The cost of the capital is a discount of the future cashflows and is broadly linked to the likely returns that a potential investor would require for the capital that they are providing for the potential activity. In this case VRM considers any potential investor would consider various risks associated with operating in Zimbabwe including risks of a political, technical, commodity market, foreign exchange and interest rates, in country inflation rates and the investment nature. The specific risks of operating in Zimbabwe are detailed in the risks and opportunity section below. VRM considers any potential investor would require very high returns on their investment due to these risks. VRM has considered some of these risks in determining the likely cost of capital required to advance the project and used a range of discount rates to account for the various risks in providing a range in potential valuations of the project.

5.5.2. Comparable Market Based Transactions – Resource Based

A comparable transaction valuation is a simple and easily understood valuation method which is broadly based on the real estate approach to valuation. It can be applied to a transaction based on the contained metal for projects with Mineral Resource or Ore Reserves estimates reported. Advantages of this type of valuation method include that it is easily understood and applied, especially where the resources or tenement area is comparable, and the resource or exploration work is reported according to an industry standard (like the JORC Code or NI43-101).

However, is not as robust for projects where the resources are either historic in nature, reported according to a more relaxed standard, or are using a cut-off grade that reflects a commodity price that is not justified by the current market fundamentals. If the projects being valued are in the same or a comparable jurisdiction, then it removes the requirement for a geopolitical adjustment. Finally, if the transaction being used is not recent then it may not reflect the current market conditions.

Difficulties arise when there are a limited number of transactions, where the projects have subtle but identifiable differences that impact the economic viability of one of the projects. For example, the requirement for a very fine grind required to liberate gold from a sulphide rich ore or where the ore is refractory in nature and requires a non-standard processing method.

The information for the comparable transactions has been derived from various sources including the ASX and other securities exchange releases associated with these transactions, a database compiled by VRM for exploration stage projects (with resources estimated) and development ready projects.

This valuation method is typically the primary valuation method for exploration or advanced (pre-development) projects where Mineral Resources have been estimated. More advanced projects would generally be valued using an income approach due to the modifying factors for a mining operation being better defined.

The preference for comparable transaction valuations (where possible) is to limit the transactions and therefore the resource multiples to completed transactions from the past two to three years in either the same geopolitical region or same geological terrain. The comparable transactions have been compiled where Mineral Resources and in some cases Ore Reserves have been estimated. Appendix A details the Resource Multiples for a series of transactions that are considered at least broadly comparable with the Arcadia Project.

5.5.3. Yardstick Valuation

A yardstick valuation was undertaken as a check of the comparable transactions. This yardstick valuation is based on a rule of thumb as supported by a large database of transactions where resources and reserves at various degrees of confidence are multiplied by a percentage of the commodity sold. In this case the potential contained lithium concentrates and therefore the average concentrate price for the product expected to be sold from the project. The lithium carbonate price and assumed conversion to a spodumene and petalite concentrate price has been undertaken based on negotiated agreements between Prospect and potential offtake parties. These concentrate prices are used in the DCF valuation and the yardstick valuation.

Production at Arcadia has been determined to consist of three separate lithium concentrates which all attract a different price depending on the concentrate specifications. The tonnes of contained lithium concentrates, used as the basis of the product sold has been determined based on the resource and reserve tonnage, the overall lithium grade, an assumed 55.2% lithium recovery (as used in the DFS).

An independent market analysis indicates technical grade ultra low to low iron petalite concentrate currently attract a 61% premium to chemical grade spodumene concentrates. The average concentrate price has been determined based on the price of the technical grade (low iron) petalite, the chemical grade (high iron) petalite and the chemical grade spodumene and the relative production proportions of each of these products. The lithium carbonate price which underpins the calculated and assumed lithium (both Spodumene and Petalite) concentrate prices was determined based on the global average lithium carbonate price of US$9,938/t as at the end of March 2021. Due to the likely product from the mining operation being one spodumene and two separate petalite concentrates a weighted average concentrate price has been used based on approximately 50% of the production being spodumene concentrates with the other 50% being a petalite concentrates of various specifications. The DFS and DCF assume that 80% of the petalite will be at technical grade specifications with 20% being at chemical grade petalite concentrate specifications. The overall average lithium concentrates prices range from around US$614/t using a 50% Spodumene and 50% petalite concentrates with the petalite concentrates being a mix of 50% technical and -50% chemical grade petalite concentrates. If the petalite concentrates are at a 80%-20% petalite ratio, as assumed in the DFS the average lithium concentrate price would be US$694/t.

The yardstick multiples used are between 3% and 5% of the product value for Ore Reserves, 2% and 3% for Measured Mineral Resources (excluding Proved Ore Reserves), 1% and 2% for Indicated Mineral Resources (excluding Probable Ore Reserves) and 0.5% and 1% for Inferred Mineral Resources.

6.6 Exploration Asset Valuation

While there are exploration opportunities on the tenements owned by Prospect their contribution to the overall mineral asset valuation is considered immaterial compared to the valuation of the Arcadia deposit. As the exploration potential has negligible value it is not considered in this valuation.

7.1 Prospect Resources Arcadia Project Valuation

The Arcadia Lithium Project is a pre-development project. There are at least three completed feasibility studies with a Pre-Feasibility Study (PFS) completed in 2017, a Definitive Feasibility Study completed in November 2018 and an updated DFS completed in December 2019. VRM considers the most appropriate valuation method is a DCF model with all the reasonable modifying factors included in the financial model. A DCF model is the primary valuation method with secondary valuation methods including a resource multiple for comparable transactions and a modified yardstick valuation as providing additional support to the valuation.

Importantly this valuation is based on 100% of the Arcadia Project. VRM understands that Prospect currently holds 70% of the project and has entered into a transaction to acquire an additional 17% which is the basis for the IER which this report supports.

All these valuation methods are based on reasonable assumptions and factors including mining, processing, land access and market factors. A significant discount has been applied to the DCF by assuming a market based cost of capital taking into account the specific risks of the project including risks associated with the location of the project and any potential instability and investment concerns that may arise from funding the project toward development. Additional information on the factors and modifying factors to an investment decision are included in each of the valuation methods outlined below.

7.1.1 Discounted Cash Flow (DCF) Valuation

The most common valuation method for any advanced project where there are published reserves is a cashflow or discounted cashflow financial modelling. A DCF model discounts future cashflows and costs associated with developing a project. The discount rate is typically selected by peer comparison, a debt to equity ratio that a company considered prudent and the likely return that an investor would require to invest the capital required to develop a project. A significant aspect of the discount rate selected in this valuation is associated with the return that an investor would require for investing in Zimbabwe which is considered a higher risk investment jurisdiction than other potential investment alternatives.

Importantly the government of Zimbabwe has commenced a program to make significant changes to the overall Zimbabwe economy including attempting to attract foreign investment. However, in VRM's opinion an elevated discount rate is still considered reasonable until the Zimbabwe economy is more stable.

In addition to the aspects outlined in the Reserve section above VRM has made several changes to the DCF to determine the preferred valuation of the project as at the valuation date, these include;

A project based pre-tax, nominal, pre finance cashflow discount rate (Weighted Average Cost of Capital or WACC) of between 20% and 30% were assessed with the preferred valuation being based on a discount rate of 22%. Prospect had previously used a 10% discount rate in determining the NPV of the project, in VRM's opinion this discount rate does not accurately reflect the likely market project based cost of capital for the project.

While VRM notes that the DFS and recent test work has indicated that 80% of the petalite production may be at the required specifications for technical grade (low iron) petalite there are significant risks in the project attaining this product, especially during the early years of production. It is the early years of production that have the most significant impact on the overall NPV of the project. A detailed analysis of various hard rock (spodumene) lithium projects that have commenced production in the past five years has shown that the projects have significant commissioning problems, especially in the lithium recoveries and attaining concentrate specifications, there is no allowance in the DFS nor the financial model for an extended ramp up of production or lower grade and therefore lower value lithium concentrates in the early years of the production. In VRM's opinion attaining the production profile assumed in the DFS and the financial model is a significant risk.

On that basis VRM considers that a more conservative ratio of technical grade to chemical grade petalite should be used in this valuation. Therefore, VRM has assumed that 50% of the petalite concentrate is at the specifications for Technical Grade (low iron) petalite concentrates and therefore attaining a premium to the chemical grade spodumene concentrate prices with the remaining 50% of the petalite concentrate being chemical grade (high iron) concentrates and receiving a significantly lower price. There has been no allowance for an extended commissioning phase of the project or lower grade and therefore lower value concentrate sales in the initial years of production.

The capital costs included in the DFS and the financial model total $162 million.

The DFS and the financial model both assume 15.5 year mine life.

The financial model has been developed with no delay in the commencement of the development and is therefore assumed to produce a project NPV as at the commencement of construction or a final investment decision. In VRM's opinion this DCF model is a best case NPV. As VRM is unable to determine the time delay in obtaining final investment decision, any operating or construction approvals VRM has used its judgement and assumed an 8 month delay to allow for the final approvals, obtaining funding with the final investment decision assumed to occur in late December 2021 with the construction to commence in January 2022. VRM considers that while this would lower the NPV of the project it is a more realistic valuation for the project as at the valuation date (16 April 2021).

The financial model has a monthly schedule of cashflows and production schedules.

A summary of the total salient inputs into the VRM modified DCF model are included in Table 11 below. VRM considers that the costs associated with the project (both operating and capital costs) are reasonable and developed as a part of the current feasibility study. Importantly the NPV presented is a pre-tax valuation due to the extent of the tax losses and the corporate structure that Prospect intends to utilise are unknown at this stage and VRM is not an expert in corporate tax or company structures that Prospect may consider. The DCF model does have the ability to produce a post-tax valuation however there are several aspects of the post-tax valuation that are at this stage uncertain.

Table 11 Table of the Significant Inputs in the VRM Discounted Cashflow Model

Input	Unit	Value	Comment
Mine Life*		15.5 years	
Lithium Carbonate Price	US$/t	$9,938	S&P Market Intelligence 31 March 2021
Chemical Grade Spodumene (6% concentrate) Price	US$/t	$575	Linked to lithium carbonate price Constant over the LOM
Technical Grade (low Iron) Petalite (4% concentrate) Price	US$/t	$925	61% premium to Chemical grade spodumene price Constant over the LOM
Chemical Grade (high Iron) Petalite (4% concentrate) Price	US$/t	$383	Linked to lithium carbonate price Constant over the LOM
Tantalite Price*	US$/lb	$75	Constant
LOM Lithium Recovery*	%	55.2%	
LOM tantalum Recovery*	%	27%	
Spodumene Production*	ktpa	159	
Total Petalite Production*	ktpa	112	
Technical Grade Petalite Production	%	80-50%	Between 80% and 50% for sensitivity analysis
Gross Revenue	US$ billion	$3.015 – $3.323	
Operating Costs			
Mining*	$/t con	$102	
Processing*	$/t con	$135	
Transport*	$/t con	$70	
Admin*	$/t con	$33	
Less Tantalum Credits*	$/t con	($36)	
OPEX after credits*	$/t con	$305	FOB Beira port
CAPEX*	$	$162 million	
Valuations			
$NPV_{(22)}$ 80% Technical grade Petalite	US$183.3 million		
$NPV_{(25)}$ 80% Technical grade Petalite	US$145.6 million		
$NPV_{(20)}$ 50% Technical grade Petalite	US$148.5 million		

Input	Unit	Value	Comment
$NPV_{(22)}$ 50% Technical grade Petalite		US$124.6 million	
Pre Tax IRR		46% - 55%	

Note some of the totals may not add due to rounding. The inputs with a * are as per the DCF used in the Prospect 2019 DFS.

The high discount rates were selected to reflect the likely funding cost associated with raising debt and equity project financing. We have based our cost of capital assumptions on the likely cost of raising equity via private equity groups and international investment banks or sovereign wealth funds for the debt. It is considered unlikely that traditional mainstream banks would provide the debt for the project due to the inability to attain additional financial security for example hedging contracts for the offtake. We have assumed project financing would be on a 60:40 debt to equity ratio. Therefore our assumed cost of capital is significantly higher than the 10% discount rate used by Prospect in the December 2019 DFS.

The post-tax weighted average cost of capital (WACC) is determined based on the cost of equity (in this case VRM has assumed it to be project based equity) multiplied by the percentage of equity funding (ie 40%); plus the cost of debt multiplied by the percentage of project secured debt funding (60%) multiplied by one less the corporate tax rate.

We have assumed a corporate tax rate of 30%. As this valuation is a pre-tax valuation the corporate tax rate has been excluded in the determining the WACC.

In 2017 Altura Mining Limited, a lithium developer in Australia, sourced US$110 million in debt to fund its development through loan agreements with series international investment management groups. The agreement attracted an initial interest rate of 14% increasing after 18 months to 15% (Altura (AJM) ASX release 28 July 2017). This funding also required a significant share issue and five year warrants at a 30% discount to the Altura share price at the time of the funding package was utilised. The share issue associated with the debt was totalled 4.46% of all of the issued capital in Altura with the warrants also, at the time the debt was provided, an additional 4.46% of the issued capital of Altura. This was therefore very dilutive to the existing Altura shareholders. It is considered that the total cost of this debt would be at least 18% while the total cost of capital would likely exceed 22%. It is important to note that Altura commenced commercial production however in late 2020 was placed into administration with the project, containing an Ore Reserve of around 47Mt, was ultimately sold to Pilbara Minerals for approximately A$240 million in early 2021. We have also reviewed indicative debt funding term sheets previously received by Prospect. Based on this we have assumed an expected cost of debt of 18%

We have assumed the equity portion of the project financing required to advance the project would most likely be sourced from private equity groups. Given the likely returns that these investors would require based on the project location, geopolitical risks and the technical risks associated with the project it is likely that any private equity investors would aim for at least a 30% return on equity capital.

Valuation & Resource Management

Therefore, assuming the cost of debt at 18%, the cost of equity at 30%, a 30% tax rate and a 60%-40% debt to equity ratio a pre-tax WACC would likely be 27.9%. If the cost of debt is assumed to be 12%, the cost of equity is 25%, the effective tax on the project is 20% due to tax holiday periods negotiated between the company and the Zimbabwe government as part of a development agreement and a 60%-40% debt to equity ratio then the pre-tax WACC would be 19.7%. Conversely if the cost of debt is 18% and the cost of equity 35%, the tax rate 30% and a 60%-40% debt to equity ratio then the pre-tax WACC would be 30.8%.

Overall based on the information included above including in the Reserve Review section above VRM has determined a range of NPV valuations for the Arcadia Project based on 50% of the petalite production being at a technical grade (and attaining a 61% premium to the chemical grade spodumene price) and the 50% chemical grade petalite being sold according to various offtake negotiations to be between $NPV_{(22)}$ US$124.6 million and $NPV_{(20)}$ US$148.5 million. If the project is able to produce a 80%-20% petalite concentrate split, then the $NPV_{(22)}$ US$183.3 million and $NPV_{(25)}$ US$145.6 million. VRM considers it reasonable to use the different WACC and petalite concentrate ratios to determining the range in valuations. As the $NPV_{(25)}$ for the 80%-20% petalite is similar to the $NPV_{(20)}$ for the 50%-50% petalite it is considered reasonable to use the average of these valuations as the mid-point or preferred valuation of the project.

VRM notes that in the Prospect DFS (ASX announcement 12 December 2019) the company reported an $NPV_{(10)}$ of US$710 million. Using the modified VRM DCF model and a 10% discount rate, then the project would have a modified $NPV_{(10)}$ of US$483.7 million. The main reason for the difference is VRM assuming a constant spodumene and petalite concentrate price over the life of the mine.

Importantly a valuation based on a WACC of 10% is considered to have not accounted for the likely jurisdictional or technical risks associated with the project. It is also considered unlikely that a project would transact for the full NPV of the project and therefore it is considered reasonable to increase the WACC to account for the specific risks associated with the project, the likely market based cost of funding to advance the project and the potential sources of funding available to Prospect.

Finally, this valuation is based on 100% of the project and has not been reduced for the relative equity holdings of Prospect or other holders of the project.

Based on the modified VRM DCF model the value of the Arcadia project is considered to be between $124.6 million (based on a 50%-50% petalite concentrate split and a WACC of 22%) and $183.3 million (based on a 80-20% petalite concentrate split and a WACC of 22%) with the mid-point valuations being $145.6 million (based on a 80-20% petalite concentrate split and a WACC of 25%) and $148.5 million (based on a 50%-50% petalite concentrate split and a WACC of 20%). The average of these mid-point valuations, being US$147.1 million has been used as the preferred mid-point of the DCF valuations.

For the preferred VRM valuation it is considered reasonable to average the mid-point valuations to determine a valuation of $147.1 million. The likely range in valuations has been determined based on a +/-15% which results in a valuation range of $125.0 million to $169.2 million.

When the exchange rate as at the valuation date is used this valuation converts to a market value of 100% of the project as being between A$161.7 million and A$218.8 million and a preferred valuation of A$190.2 million.

7.1.2 Comparable Transactions – Resource Multiples

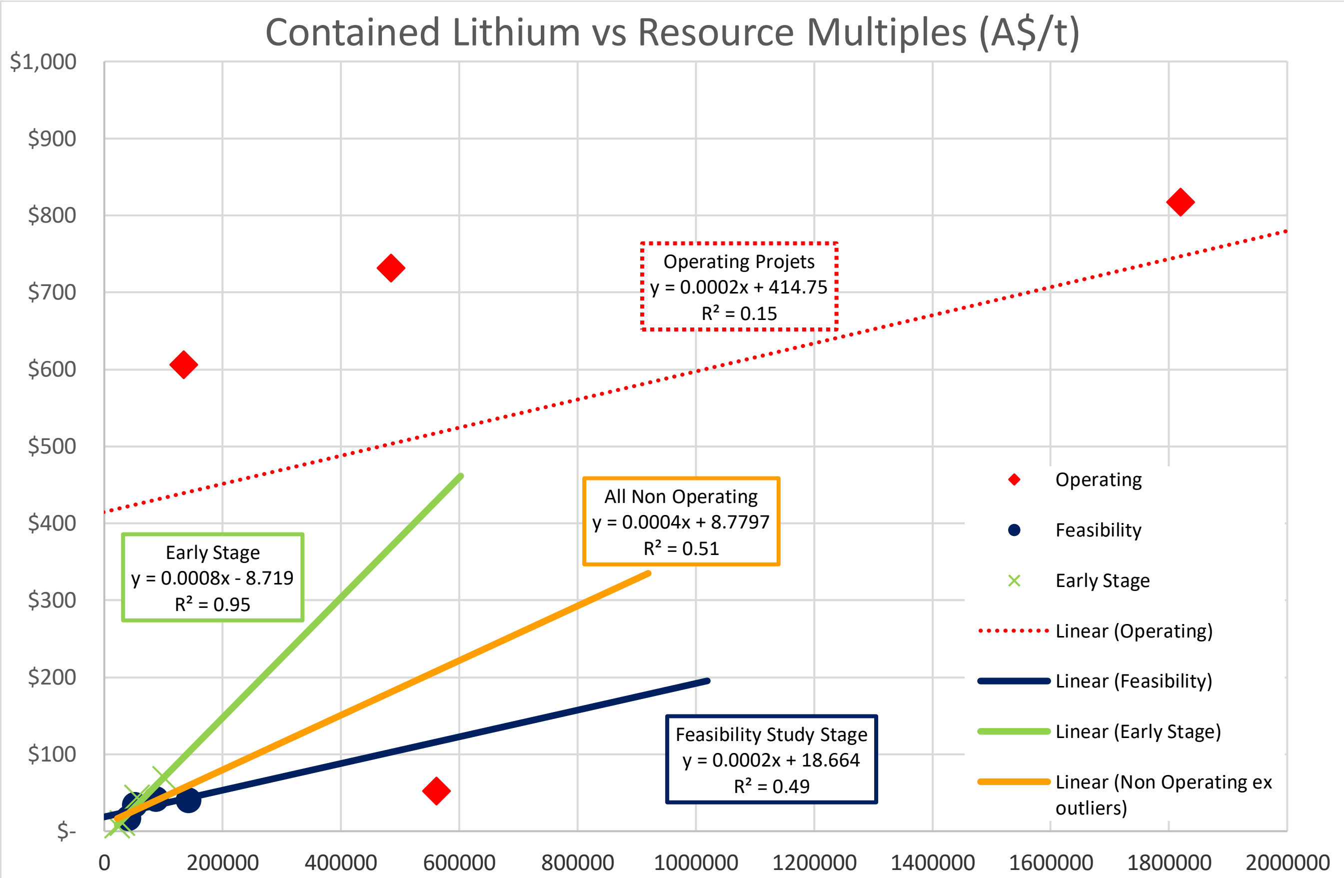
As detailed in Appendix A, VRM has reviewed a series of transactions that are considered broadly comparable to the Arcadia Lithium Project. The transactions are all in A$/t and are therefore converted to US$/t to inform the project valuation. While there are very few advanced lithium projects that have been transacted over the past three to five years several other more advanced and less advanced projects have been included in determining the resource multiples.

In undertaking the analysis of the various comparable transactions, it is reasonable to review the projects that are at an early stage where resources have been delineated but there are no feasibility studies of a pre-feasibility or feasibility stage yet completed and also include the more advanced projects where there are completed feasibility studies. In undertaking this analysis VRM has reviewed a global database of transactions that have been completed in the past five years. Any projects which were operating at the date of the transaction have been excluded from the analysis as have transactions where there are downstream processing facilities or the option to include downstream processing facilities. For the Arcadia Lithium Project VRM considers that the 0.2% Li2O resource should be used in the valuation.

Based on the analysis of the various potentially comparable transactions it appears that transactions broadly occur at a resource multiple that follows a semi linear valuation trend. Figure 7 shows the various transactions detailed in Appendix A with the trendlines for each of the transactions separated by development stage.

The analysis suggests that feasibility stage projects that have transacted over the past five years lie broadly along one trend while all non-operating project transactions lie along a separate trend. Importantly there have been minimal comparable transactions of a similar contained lithium completed in the past five years, therefore VRM has extrapolated the trendline from the comparable transactions which generally contain less than 0.2Mt of contained lithium. The Arcadia project has a 0.806Mt of contained lithium. The slope of the trendline suggests that early stage projects tend to transact on resource multiples that are higher than feasibility stage projects, this is likely due to the resource or exploration potential not yet being determined or delineated in the resource multiple. It is likely that prior to a project advancing to a feasibility stage a greater proportion of the exploration potential and resource expansion potential would have been determined prior to the commencement of a feasibility study. Therefore, the slope of the trendline that defines the transactions for advanced (feasibility stage) projects is less than the early stage projects.

Therefore, to determine the likely resource multiple for comparable transactions VRM considers that the upper value should be based on the trend of the combined early and feasibility stage resource multiples while the lower valuation should be based on the trendline for feasibility stage project transactions.



Note the Early Stage projects are projects prior to any feasibility studies or scoping studies, while the feasibility study stage is where there are published scoping, pre feasibility or feasibility studies completed.

Figure 7 Graph of Comparable Transactions contained lithium vs resource multiples (in A$) with trendlines shown.

The trendlines are defined by the following formula;

- Resource Multiple for all non-operating projects (y) = 0.0004 x contained lithium (x) + 8.7797
- Resource Multiple for feasibility stage projects (y) = 0.0002 x contained lithium (x) + 18.664

To determine the likely resource multiple and therefore the valuation for the Arcadia project VRM has determined the y value (which is the resource multiple) by inserting the contained lithium within the Arcadia resource (x) into the two formula above. Arcadia has 806,270t of contained lithium. This analysis suggests that the likely resource multiple for a transaction associated with Arcadia would be between A$179.92/t and A$331.29/t. given the exchange rate at the valuation date of 0.77330 the resource multiples in United States Dollars are between $139.13/t and $256.16/t with a mid-point of $197.66/t.

Table 12 Comparable transaction valuation summary for the Arcadia Lithium Project.

Prospect Resources			
Arcadia Lithium Project	Lower	Preferred	Upper
Resource (Mt contained Li_2O).	0.806	0.806	0.806
Resource Multiple (US$/t)	$139.1	$197.6	$256.2
Resource Valuation (US$)	$112.2	$159.4	$206.6

Note appropriate rounding has been applied to the Resource estimate and the valuation.

Based on this comparable transaction analysis VRM considers that the likely market value of the Arcadia Project to be between US$112.2 million and US$206.6 million with the preferred valuation being the mid-point or US$159.4 million.

Given the exchange rate as at the valuation date of 0.77330 the project is considered to be valued using the comparable transaction method at between A$145.1 million and A$267.1 million with a preferred value of A$206.1 million.

7.1.3 Yardstick Method

Table 13 details the yardstick multiples were used to determine the value of the Resources within project while Table 15 tabulates the valuation for the project based on the currently Resource estimates and assuming that 50% of the petalite concentrates are technical grade and 50% are chemical grades. Table 16 details the valuation of the project assuming that 80% of the petalite produced is technical grade and 20% is chemical grade. Table 14 details the weighted average value of the total lithium concentrates for Arcadia for both assumed concentrate ratios of the petalite concentrates being 80%-20% technical to chemical grade concentrates and 50%-50% for the petalite concentrates.

Table 13 Yardstick Multiples used for the Arcadia Project

Resource or Reserve Classification	Lower Yardstick Multiple (% of Con price)	Upper Yardstick Multiple (% of Con price)
Ore Reserves	3%	5%
Measured (less Proved Ore Reserves)	2%	3%
Indicated (less Probably Ore Reserves)	1%	2%
Inferred Resources	0.5%	1%

Table 14 Weighted Average Lithium Concentrate Prices -

Concentrate	Concentrate Price (US$/t)	Approx. Proportion of Production	Value per tonne of Lithium Produced
Chemical Grade Spodumene	$575/t	50%	US$293
Chemical Grade Petalite	$383	20% (10% of total lithium production)	US$37.3
		50% (25% of total lithium production)	US$94
Technical Grade Petalite	$925	80% (40% of total lithium production)	US$364
		50% (25% of total lithium production)	US$227
Total Value of Lithium Concentrates		50% Spodumene, 50% Petalite 80-20 ratio	US$694
		50% Spodumene, 50% Petalite 50-50 ratio	US$614

Table 15 Yardstick Valuation of the Resources within the Arcadia Lithium Project assuming 50-50 petalite ratio

Resource or Reserve Classification	Concentrate (Mt)	Weighted Average Concentrate Price $/t	Valuation (US$ million)		
			Low	Preferred	High
Reserves	4.21	$614	$77.6	$103.4	$129.3
Measured	0.03	$614	$0.4	$0.5	$0.6
Indicated	0.57	$614	$3.5	$5.3	$7.0
Inferred	0.77	$614	$2.4	$3.6	$4.8
Total Valuation (US$ million)			$84	$113	$142

Note:
The yardstick valuation of uses a weighted (Spodumene – Petalite) price of US$614/t is based on approximately 51% of the production being spodumene concentrates and 49% being two separate petalite concentrates with 50% technical (low Iron) grade and 50% to be chemical (high iron) grade Petalite concentrates.
Appropriate rounding has been applied to the resource and the valuation.
The concentrate tonnes assume a 55.2% recovery of lithium into concentrate as per the DCF model and DFS.

Table 16 Yardstick Valuation of the Resources within the Arcadia Lithium Project assuming 80-20 petalite ratio

Resource or Reserve Classification	Concentrate (Mt)	Weighted Average Concentrate Price $/t	Valuation (US$ million)		
			Low	Preferred	High
Reserves	4.21	$694	$87.7	$116.9	$146.2
Measured	0.03	$694	$0.4	$0.5	$0.6
Indicated	0.57	$694	$4.0	$6.0	$7.9
Inferred	0.77	$694	$2.7	$4.0	$5.4
Total Valuation (US$ million)			$95	$127	$160

Note:
The yardstick valuation of uses a weighted (Spodumene – Petalite) price of US$694/t.is based on approximately 51% of the production being spodumene concentrates and 49% being two separate petalite concentrates with 80% technical (low Iron) grade and 20% to be chemical (high iron) grade Petalite concentrates.
Appropriate rounding has been applied to the resource and the valuation.
The concentrate tonnes assume a 55.2% recovery of lithium into concentrate as per the DCF model and DFS.

If the project is able to achieve the 80% Technical (low Iron) Grade petalite concentrate to 20% Chemical (high Iron) petalite concentrate then the average concentrate price would be $694/t, based on the DFS production profile of around 51% spodumene and 49% petalite. This would result in a valuation range of $95 million to $160 million and a preferred valuation of $127 million. Both the 50%-50% and 80%-20% technical to chemical grade petalite concentrate valuations are broadly in line with the comparable transaction valuation and the DCF valuation of the project.

Therefore, using a yardstick valuation method and the exchange rate at the valuation date the Arcadia project would, assuming a 50% - 50% technical to chemical grade petalite concentrate be valued, based on the at between A$108.6 and A$183.6 million (A$145.7 million preferred) while if an 80%-20% technical to chemical grade petalite concentrate is achievable the project would be valued at between A$122.9 million and A$206.9 million with a preferred valuation of A$164.7 million.

8 Risks and Opportunities

As with all mineral assets there are several associated risks and opportunities and therefore also with the valuation of those assets. Some non-geological or mining related technical risks and opportunities that are common to most projects include the risks associated with security of tenure, native title claims, environmental approvals, social, geopolitical, and regulatory approval risks.

There are both geopolitical and technical risks to the project.

The Arcadia project has several aspects that are considered to be a risk to the valuation and the project development. The most significant aspect and risk to Prospect achieving the valuation on the project is the company’s ability to raise sufficient capital to develop the project. The CAPEX of the project is US$162 million and while the technical fundamentals of the project appear to be robust there is, in VRM’s opinion a risk that Prospect cannot raise the required debt or equity. This has been included in the valuation by using a high discount rate in the modified VRM financial model. It is likely that while Prospect could raise the capital the cost of that capital would be linked to the perceived risk on the project.

In considering the discount factor applicable the risks associated with non-geological or mining related technical aspects have been considered, including risk associated with security of tenure, native title claims, social, geopolitical, included the following risks specifically highlighted for Zimbabwe being:

- Risks associated with operating in Zimbabwe - Such risks can include economic, social or political instability or changes of law affecting foreign ownership and government participation. Changes to Zimbabwe’s mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

- Political and economic risk - Government policy in Zimbabwe has been unpredictable and the institutions of government and market economy have been unstable and subject to rapid and unpredictable change.
- Zimbabwe's legal environment - Zimbabwe's legal system is less developed than more established countries and this could result in political difficulties in obtaining effective legal redress in the courts, a higher degree of discretion held by various government officials or agencies.

The recent improvement in the lithium carbonate price may assist Prospect in securing funding however given the volatility in the lithium carbonate price over the past five years may require potential investors to demand a high return on the invested capital.

Of the technical risks associated with the project the most significant that VRM has identified is the ratio of technical grade (low to very low iron) petalite concentrates to chemical grade petalite concentrates. Chemical grade petalite is expected to be sold at approximately US$383/t while technical grade (low to very low iron) petalite concentrates are modelled to be sold at around US$925/t. Given the problems other lithium producers have encountered in the commissioning of their spodumene concentrators VRM considers the high ratio of technical grade petalite to chemical grade petalite to be a high project execution risk. Linked to this risk is the current supply and demand requirements for technical grade petalite in the glass and ceramic industries. Should Prospect develop Arcadia then there would be approximately 100,000t of petalite concentrates supplying the market, this is likely to result in a lower average realised price for these concentrates.

Other technical aspects are associated with the distribution of the main lithium minerals within the resource estimate. If the mineralogy of the deposit is not detailed or well defined, then the processing of the ore may result in concentrates that are outside the required specifications. Aspects that may vary within the deposit include not only the various lithium minerals but also the grainsize of those minerals and any intergrowths and the grainsize of those inter-related minerals.

Other development risks are associated with transporting the product from the mine to export ports. It is proposed to use the existing road network to export the concentrates from Beira in Mozambique. It is not known if there are additional fees or charges that Mozambique could apply to any product being exported or transported from Zimbabwe additionally the capacity of the port to export the product is unknown.

One final aspect that is currently a risk to a rapid development is the current COVID – 19 pandemic which has significant impacts on the travel to and from Australia and other countries. Given the project location the timeframe and extent of the current health crisis on a potential development is unknown.

Several opportunities also exist for the project, these include the potential growth in the lithium market and demand and the exploration potential within or adjacent to the existing resource. While the current valuation has not considered the exploration potential as the majority of the value is in the current deposit there are adjacent pegmatite bodies that may have significant potential to increase the overall resource within the project. Additionally, there are limited known suppliers of technical grade low iron petalite concentrates with the only other significant producer also being located in Zimbabwe.

9 Preferred Valuations

VRM has reviewed the three main valuation methods undertaken above and considers the DCF valuation to be the primary valuation method with the Comparable transaction and Yardstick valuations as supporting or secondary valuations. In determining the VRM preferred valuation the midpoint of the two DCF valuations were averaged. This resulted in a preferred valuation of US$147.1 million. The likely range in the project valuation has been determined based on this preferred valuation and the range determined based +/- 15%. This results in the VRM valuation as being between US$125.0 million and US$169.2 million with a preferred valuation of US$147.1 million. This valuation is based on 100% of the Arcadia project. On an equity basis VRM considers that the 70% of Arcadia that is currently owned by Prospect to be valued at between US$87.5 million and US$118.4 million with a preferred value of US$103.0 million.

The DCF, comparable and yardstick valuations along with the VRM preferred valuation are included in Table 17 and Figure 8.

Table 17 Arcadia Valuations as of 16 April 2021

Valuation Method	Valuation Type	Valuation Approach	Lower Valuation (US$ million)	Preferred / Mid-point Valuation (US$ million)	Upper Valuation (US$ million)
DCF valuation	Primary	Income	$124.6	$145.6 - $148.5	$183.3
Comparable transactions	Secondary	Market	$112.2	$159.4	$206.6
Yardstick	Secondary	Market	$95.0	$127.4	$160.0
VRM Preferred Valuation			$125.0	$147.1	$169.2

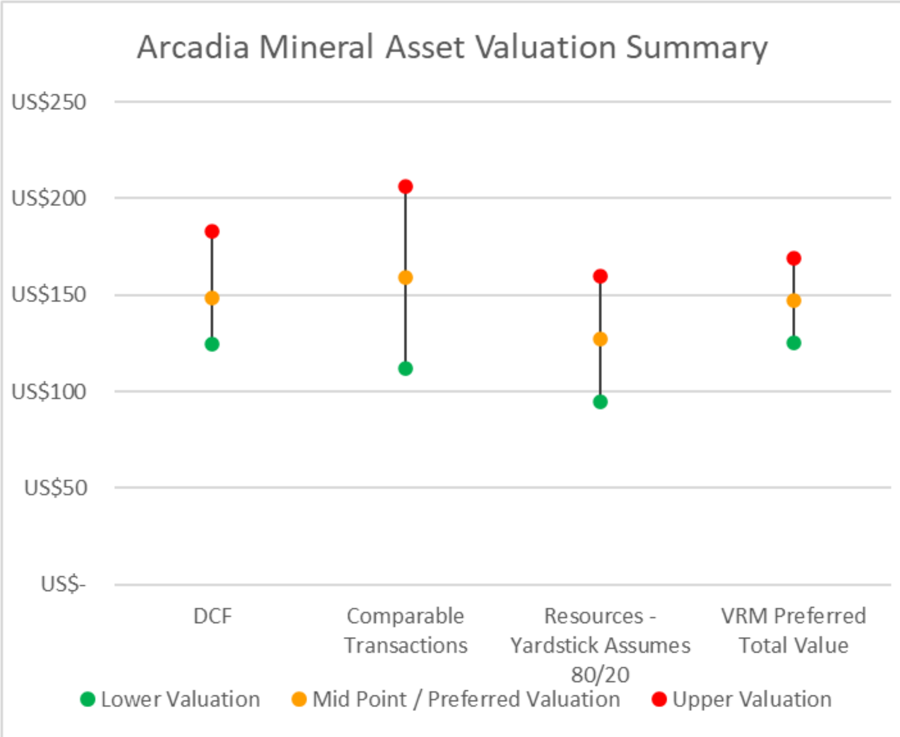


Figure 8 Graph of Valuations (US$ million)

10 References

The references below document the main documents referred to in this report however the various ASX releases for the various companies including Prospect have not been included in the reference list.

JORC, 2012. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Available from: http://www.jorc.org

Kilburn, L.C., 1990, *Valuation of mineral properties which do not contain exploitable reserve*, CIM Bulletin, 83, pp. 90–93.

VALMIN, 2015. Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code). Available from http://valmin.org/

11 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code.

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.
Australasian means Australia, New Zealand, Papua New Guinea, and their off-shore territories.
Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.
Corporations Act means the Australian Corporations Act 2001 (Cth).
Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.
Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.
Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.
Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.
Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.
Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.
Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.
Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction, and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields, and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power, and other technical requirements spanning commissioning, operation, and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation, and closure.
Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.
Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis, or composition.
Mineral Project means any exploration, development, or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.
Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.
Mining means all activities related to extraction of Minerals by any method (e.g., quarries, open cast, open cut, solution mining, dredging etc).
Mining Industry means the business of exploring for, extracting, processing, and marketing Minerals.
Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.
Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.
Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.
Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, and the Society of Petroleum Evaluation Engineers. Refer to http://www.spe.org for further information.
Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.
Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.
Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:
(a) admits members primarily on the basis of their academic qualifications and professional experience.

(b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
(c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade, or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic, and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialists are persons whose profession, reputation, or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

Appendix A - Comparable transactions

Note the transactions in *italix* and operating projects are not considered comparable. The Lithium carbonate price at the transaction date is the Global Average Lithium Carbonate price sourced from S&P Global Market Intelligence.

Buyer Name	Property	Development Stage(s)	Date	Consideration	Deal Value (A$)	Resources Acquired (tonnes)	Price Paid per tonne (AU$/tonne)	Lithium Carbonate Price at date (US$/t)	Normalised Multiples (A$/t)
Vision Lithium Inc./Godslith claim	Godslith	Resource Delineation	19/03/2021	Vision Lithium Inc. issued 4,000,000 shares to acquire the Godslith claim Furthermore, Vision Lithium Inc. granted a 3.0% net smelter return royalty 1.0% of which can be bought back for C$1.0 million and a further 1.0% of which can be bought back for an additional C$2.0 million. The shares issued will be in escrow and will be released in four equal tranches of 1,000,000 shares over an 18-month period.	2.40	55,338	$43.34	$9938	$43.34
Pilbara Minerals Limited/Lynas Find project	Lynas Find	Resource Delineation	5/10/2016	Pilbara Minerals Ltd. paid A$5.0 million in cash to acquire a 100% interest in the Lynas Find project from Dakota Minerals Ltd. In addition, Pilbara Minerals Ltd. also issued 7,577,671 shares of its common stock to settle contingent payments of A$3.0 million.	8.00	102,625	$77.95	$11375	$68.11
Ardiden Limited/Root Lake project	Root Lake	Resource Delineation	11/07/2016	Ardiden Ltd. has paid C$150,000 in cash and issued 7,596,238 of its common shares to acquire a 100% interest in the Root Lake project from Landore Resources Ltd. Ardiden has also paid an option fee of C$50,000 at the time of signing of the agreement. In addition, Ardiden Ltd. also issued a 3.0% NSR on the project with the option to purchase or buy back a 1.50% NSR for C$1.0 million.	0.35	30,000	$11.80	$11187.5	$10.49
Alix Resources Corporation/Jackpot property	Jackpot	Resource Delineation	13/04/2016	Alix Resources Corp. issued 2.70 million shares of its common stock to acquire a 100% interest in the Jackpot property from certain undisclosed sellers. In addition, Alix Resources granted a 1.50% NSR to the vendors, 1.0% of which can be repurchased for C$1.0 million. The agreement was amended on April 11, 2017 to exclude C$350,000 exploration expenditures commitment, which was required under the original agreement.	0.15	21,800	$6.80	$9818.75	$6.88

Buyer Name	Property	Development Stage(s)	Date	Consideration	Deal Value (A$)	Resources Acquired (tonnes)	Price Paid per tonne (AU$/tonne)	Lithium Carbonate Price at date (US$/t)	Normalised Multiples (A$/t)
Sociedad Quimica y Minera de Chile S.A./Mt. Holland lithium project	Mt Holland - Lithium	Feasibility Study	11/09/2017	Sociedad Quimica y Minera de Chile S.A. paid approx. A$6.53 million in cash and incurred approx. A$26.13 million in exploration expenditures to acquire a 50% interest in the Mt. Holland lithium project from Kidman Resources Ltd. The joint venture has been established with each of Kidman Resources Ltd. and Sociedad Quimica y Minera de Chile S.A. holding a 50% interest. Sociedad Quimica y Minera de Chile S.A. is additionally required to pay approx. A$32.67 million in cash and incur approx. A$78.40 million in exploration when JV makes a decision to mine.	37.22	919,500	$40.47	$18750	
Sayona Mining Limited/Authier project	Authier	Feasibility Study	10/07/2016	Sayona Mining Ltd. paid C$4 million in cash to acquire a 100% interest in Authier project from Glen Eagle Resources Inc.	4.05	87,302	$46.44	$11187.5	$41.25
Nova Minerals Limited/Thompson Bros. property	Thompson Bros	Feasibility Study	25/04/2016	Nova Minerals Ltd. paid C$500,000 in cash, issued 300,000 shares of its common stock and incurred C$1.5 million in exploration expenditure over 60 months period to acquire an 80% interest in the Thompson Bros. property from Progressive Planet Solutions Inc.	3.46	41,600	$16.33	$9818.75	$16.53
Progressive Planet Solutions Inc./Thompson Bros. property	Thompson Bros	Feasibility Study	21/04/2016	Progressive Planet Solutions Inc. paid C$0.5 million in cash and issued 1.05 million shares of its common stock to acquire the Thompson Bros. property from Strider Resources Ltd. In addition to this, Strider Resources Ltd. also received 1.50 million shares of Snow Lake Resources Ltd. as compensation for the agreement. Progressive Planet Solutions Inc. also incurred exploration expenditures of C$1.5 million and issued an overriding 2.0% net smelter returns royalty on the property to Strider Resources Ltd., with the right to buy back 50% of the royalty for C$1.0 million.	1.72	52,000	$33.12	$9818.75	$33.52
Bacanora Lithium Plc/Zinnwald project	Zinnwald	Feasibility Started	17/02/2017	Bacanora Lithium Plc paid €5 million in cash and incurred €5.0 million in exploration expenditure to acquire a 50% interest in the Zinnwald project from SolarWorld Aktiengesellschaft.	6.93	143,000	$48.43	$12188	$39.49
Pilbara Minerals Limited / Altura's Pilgangora project	*Pilgangora*	*Operating*	*1/12/2020*	*PLS purchased holding company for US$175, being USA$155 plus a deferred payment of US$20M within 12 months with that US$20M adjusted for PLS share movements in the year/*	*237.9432*	*484420*	*491.19*	*$6671*	*$731.74*

Buyer Name	Property	Development Stage(s)	Date	Consideration	Deal Value (A$)	Resources Acquired (tonnes)	Price Paid per tonne (AU$/tonne)	Lithium Carbonate Price at date (US$/t)	Normalised Multiples (A$/t)
Investor group/Mt Marion project	*Mount Marion*	*Operating*	*21/12/2018*	*An investor group comprised of Ganfeng Lithium Co., Ltd. and Mineral Resources Ltd. paid A$103.8 million in cash to acquire the remaining 13.8% interest in Mt Marion project from Neometals Ltd.*	*103.80*	*134,688*	*$770.67*	*$12646*	*$605.64*
Albemarle Corporation/Wodgina mine	*Wodgina*	*Operating*	*14/12/2018*	*Albemarle Corp. paid $820 million in cash and $480 million for the transfer of a 40% interest in the Kemerton Modules to acquire a 60% interest in Wodgina mine from Mineral Resources Ltd.*	*1,892.54*	*1,819,680*	*$1,040.04*	*$12646*	*$817.33*
Jilin Jien Nickel Industry Co. Ltd./Quebec lithium mine	*North American Lithium*	*Operating*	*10/06/2016*	*Jilin Jien Nickel Industry Co. Ltd. acquired a 100% interest in the Quebec lithium mine from RB Energy Inc. for an amount of about C$100.0 million, Jilin Jien Nickel Industry Co. Ltd. paid C$30.0 million on completion and in negotiation with the creditors for the remaining inheritance Quebec Lithium Inc. debt of about C$70.0 million.*	*31.41*	*561,360*	*$55.95*	*$10687.5*	*$52.03*
ABE Resources Inc./Sirmac Lithium Property	*Sirmac*	*Resource Delineation*	*13/12/2017*	*ABE Resources Inc. paid C$250,000 in cash and issued 15 million shares of its common stock to acquire a 100% interest in the Sirmac Lithium property from Nemaska Lithium Inc. In addition to this, ABE Resources Inc. will also assume a pre-existing 1% net smelter return royalty on certain of the claims comprising the Sirmac property.*	*6.39*	*6,494*	*$983.77*	*$16000*	*$611.05*
AVZ Minerals Limited/Manono extension project	*Manono*	*Resource Delineation*	*19/09/2016*	*AVZ Minerals Ltd. will pay $200,000 in cash and issue 50,000,000 shares of its common stock to acquire the Manono extension project from Medidoc FZE.*	*0.72*	*1,145,000*	*$0.63*	*$11437*	*$0.54*
Nova Minerals Limited/Thompson Bros. property	*Thompson Bros*	*Feasibility Study*	*11/07/2019*	*Nova Minerals Ltd. paid C$325,000 in cash and issued 12.0 million common shares of its subsidiary Snow Lake Resources Ltd. to acquire the remaining 20% interest in Thompson Brothers property from Progressive Planet Solutions Inc. Progressive Planet Solutions Inc. will compensate Strider Resources 1,500,000 of the Snow Lake Shares and $325,000 as a cash payment under option agreement dated 04/21/2016.*	*0.68*	*17,388*	*$198.78*	*$10313*	*$191.55*
GUO AO Lithium Ltd./Moblan project	*Moblan*	*Feasibility Study*	*16/10/2017*	*GUO AO Lithium Ltd. paid C$74.87 million to acquire a 60% interest in the Moblan project from Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd.*	*76.04*	*120,555*	*$630.71*	*$16063*	*$390.21*
Savannah Resources Plc/Mina do Barroso project	*Mina do Barroso*	*Feasibility Study*	*20/06/2019*	*Savannah Resources Plc issued 163.0 million shares of its common stock to acquire the remaining 25% interest in Mina do Barroso project from an investor group.*	*16.81*	*71,475*	*$235.23*	*$11133*	*$209.99*

The following statistics relate to the comparable transactions detailed above

	Resource Multiple (AUS$/t)
Average	$32.45
Median	$36.50
25th Percentlie	$12.00
75th Percentlie	$42.82
Maximum	$68.11
Minimum	$6.88

Prospect Resources

Prospect Resources Limited | ACN 124 354 329

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Your proxy voting instruction must be received by **10:30AM AWST on Wednesday, 23 June 2021,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:
Use your computer or smartphone to appoint a proxy at
https://investor.automic.com.au/#/loginsah
or scan the QR code below using your smartphone
Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:
meetings@automicgroup.com.au

BY FACSIMILE:
+61 2 8583 3040

All enquiries to Automic:
WEBCHAT: https://automicgroup.com.au/

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1 - How to vote

APPOINT A PROXY:
I/We being a Shareholder entitled to attend and vote at the General Meeting of Prospect Resources Limited, to be held at **10:30AM AWST on Friday, 25th June 2021 at Level 2, 1 Walker Street, West Perth WA 6000** hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS
Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 7,8,9,10 & 11 (except where I/we have indicated a different voting intention below) even though Resolutions 7,8,9,10 & 11 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

STEP 2 – Your voting direction

Resolutions	For	Against	Abstain
1. Re-election of Mr Devidas Shetty as Director			
2. Re-election of Mr Mark Wheatley as Director			
3. Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1			
4. Ratification of Prior Issue of Placement Shares issued under Listing Rule 7.1 A			
5. Ratification of Prior Issue of Lead Manager Options			
6. Approval of Issue of Placement Shares to Mark Wheatley (or his nominee), a Director of the Company			
7. Approval of Issue of Options to Mr Sam Hosack (or his nominee), a Director of the Company			
8. Approval of Issue of Options to Mr Mark Wheatley (or his nominee), a Director of the Company			
9. Approval of Issue of Options to Mr Devidas Shetty (or his nominee), a Director of the Company			
10. Approval of Issue of Options to Mr Gerry Fahey (or his nominee), a Director of the Company			
11. Approval of Issue of Options to Mr Henian Chen (or his nominee), a Director of the Company			
12. Acquisition of shares in Prospect Lithium Zimbabwe			
13. Issue of Consideration Shares to Farvic			

Please note: *If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

AUTOMIC

[HolderNumber] PSC

[HolderNumber]