



Investor Presentation January 2022

Prospect Resources Limited (ASX: PSC, FRA:5E8) (**Prospect** or **the Company**) is pleased to provide the attached Investor Presentation.

This release was authorised by Sam Hosack, Managing Director.

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About Prospect Resources Limited (ASX: PSC, FRA:5E8)

Prospect Resources Limited (ASX: PSC, FRA:5E8) is an ASX listed lithium company based in Perth with operations in Zimbabwe. Prospect's flagship asset is the Arcadia Lithium Project located on the outskirts of Harare. Arcadia possesses a world-class hard rock lithium resource and is one of the most advanced lithium projects globally.

About Lithium

Lithium is a soft silvery-white metal which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits (such as Arcadia) and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. Lithium has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries.

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Prospect Resources Limited

25 January 2022

Arcadia Transaction Summary



Prospect Resources

ASX:PSC | FRA:5E8

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Transaction Context

- A partnership process commenced in August 2021, alongside the dual-track Optimised Feasibility Studies work, providing the opportunity for interested external parties to submit proposals to fund the Arcadia Project, in a competitive environment
- The partnership process yielded a total of seven non-binding proposals from parties interested in the advancement of the Arcadia Project ranging from development joint-venture, prepayment debt funding and outright acquisition of Prospect's interest in the Arcadia Project.
- Following a comprehensive period of due diligence, review and deliberation, the Prospect Board of Directors, with advice from its financial and legal advisers, formed the view that the sale of its 87% shareholding in Prospect Lithium Zimbabwe ("PLZ") to Huayou International Mining (Hong Kong) Limited ("Huayou") on the terms and conditions of the Share Sale Agreement delivered the most attractive risk-adjusted, post-tax value outcome for Prospect shareholders, compared to other proposed development options for Arcadia under either Prospect or joint venture ownership.

Transaction Overview¹

- Binding agreements executed for sale of Prospect's 87% interest in PLZ, owner of the Arcadia Lithium Project, to Huayou International Mining (Hong Kong) Limited for approximately US\$377.8 million (\$528.4 million²) in upfront cash consideration
- Attractive outcome for Prospect shareholders, with gross consideration equating to approximately \$1.23 per share (undiluted)³ and \$1.13 per share (fully diluted)⁴, representing significant premiums to Prospect's pre-announcement trading prices
- Huayou is listed on the Shanghai Stock Exchange with a market capitalisation of approximately US\$22 billion
- Prospect considers Huayou to be a natural acquirer of the Arcadia Project and a relatively low-risk counterparty, given its existing copper and cobalt mining operations in Africa and strong financial capacity
- Subject to satisfaction or waiver of conditions precedent, Prospect anticipates transaction completion in late Q1 or Q2 2022
- Subject to transaction completion, and following payment of requisite Zimbabwean taxes and transaction fees, Prospect expects to distribute approximately \$430 – 450 million to shareholders
- Prospect intends to retain a cash balance of between \$30 and \$60 million to progress other battery metals projects in Zimbabwe, and pursue new battery and electrification metals growth opportunities globally

1. For full details see Prospect ASX releases dated 23 December 2021 and notice of meeting dated 25 January 2022

2. Based on an AUD:USD exchange rate of 0.715

3. Based on an AUD:USD exchange rate of 0.715 and calculated as the purchase price divided by undiluted Shares on issue of 428,523,535.

4. Based on an AUD:USD exchange rate of 0.715 and calculated as the purchase price divided by fully diluted Shares on issue of 468,273,535, which assumes all current Options on issue (39,750,000) are converted into Shares

Key benefits

A highly attractive outcome relative to risks of developing and operating Arcadia

- Most attractive offer received from competitive partnership process
 - Extensive review of offers identified Huayou transaction as the most attractive risk-adjusted, post-tax value outcome for Shareholders
- Arcadia value realisation at substantial premium to Prospect market prices
 - The transaction consideration of approximately US\$377.8 million is equivalent to ~\$1.23/share (undiluted)¹ and ~\$1.13/share (fully diluted)²
 - Premiums as per table
- Realisation of a significant cash return to shareholders
 - Upon completion of transaction, Prospect expects to distribute bulk of net sale proceeds to Shareholders³
 - Estimated cash distribution of \$430 - 450M (\$0.92 - \$0.96, fully diluted)²
- Ability to remain a Prospect shareholder with exposure to future growth
 - Retention of key management personnel and estimated cash balance of \$30-60M⁴ allows shareholders the opportunity to benefit from Prospect evaluating, progressing and developing existing and new battery and electrification metals projects in Zimbabwe and globally

Premiums of Purchase Price per share to Prospect share prices	Relevant Prospect share price (\$/share)	Premiums - Purchase Price per share (undiluted) of \$1.23	Premiums - Purchase Price per share (fully diluted) of \$1.13
Last close	0.77	61%	47%
10 day VWAP	0.69	78%	64%
3 month VWAP	0.58	111%	95%
6 month VWAP	0.48	154%	135%
Capital raising price announced 29 October 2021	0.40	208%	183%

1. Based on AUD:USD exchange rate of 0.715 and calculated as the purchase price divided by undiluted Shares on issue of 428,523,535.
2. Based on AUD:USD exchange rate of 0.715 and calculated as the purchase price divided by fully diluted Shares on issue of 468,273,535, which assumes all current Options on issue (39,750,000) are converted into Shares
3. Post Zimbabwean Capital Gains Tax and Transaction Costs.
4. Including current cash balance of \$20 million and estimated cash received from the exercise of options, less estimated Zimbabwean capital gains tax, transaction costs payable in relation to the proposed transaction (including the agreement to pay US\$8 million to Sinomine) and Company expenditure between now and completion.

Risk mitigation

Avoidance of risks associated with the development and operation of Arcadia

If the transaction completes, it provides an opportunity to avoid the risks associated with financing, constructing and operating a lithium mine in Zimbabwe. These risks include:

- Financing risks of debt funding, potential equity capital raising and partnering/joint venturing to fund development
- Construction risks such as:
 - Time and cost-related additions or overruns
 - Technical and engineering risks
 - Availability of materials, equipment, and logistic limitations, including supply chain issues arising from the COVID 19 pandemic
 - Environmental risks, including new environmental requirements and / or regulations
 - Securing and retaining key talent in the current high demand market environment
- Unforeseen adverse geological, mining conditions or other technical challenges
- Regulatory and compliance changes
- Market risks associated with producing and selling lithium products, particularly petalite concentrates which are currently traded globally in much smaller volumes than spodumene concentrate
- Macroeconomic impacts from commodity prices and global currency exchange rates
- The time required to achieve positive cash flows from the Arcadia Project and associated holding costs



Key conditions precedent to completion

Subject to satisfaction/waiver of remaining CPs, transaction completion anticipated in late Q1 or Q2 2022

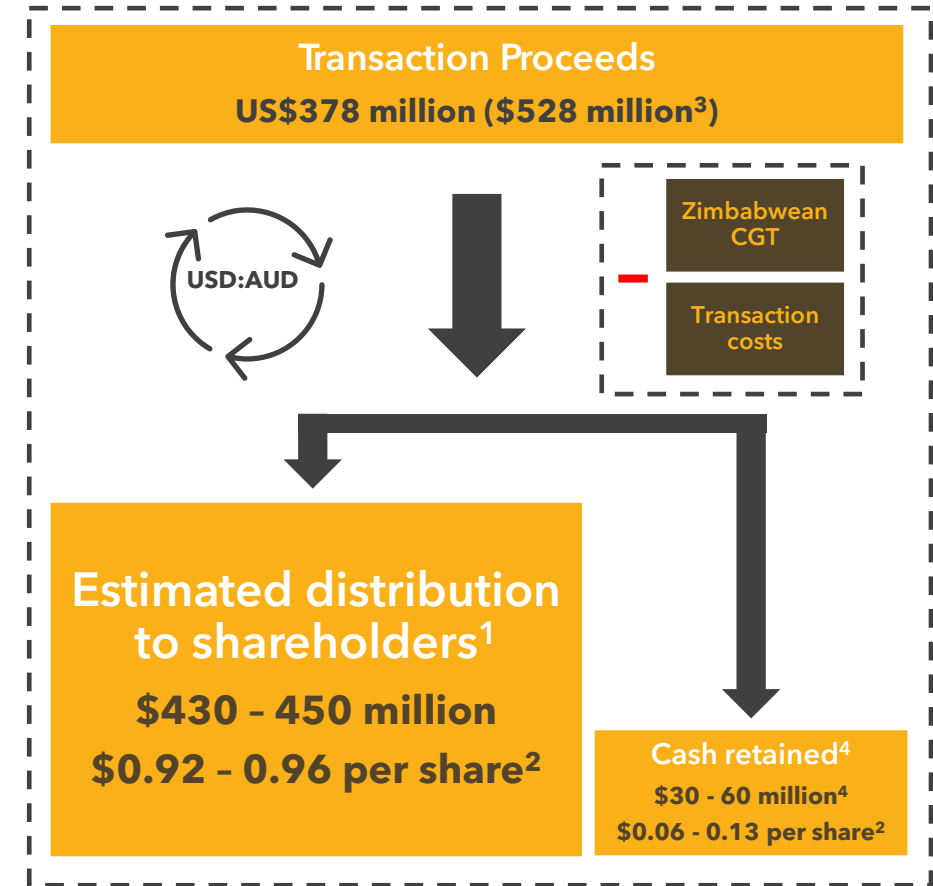
- ☐ Shareholder approval at Prospect General Meeting - extraordinary general meeting to be held on 25 February 2022
- Huayou obtaining the following Chinese regulatory approvals in relation to the transaction:
 - ✓ Outbound investment certificate from the Chinese Ministry of Commerce (refer ASX release 18 January 2022);
 - ☐ A notice from the Chinese National Development and Reform Commission; and
 - ☐ Receipt of relevant foreign exchange registrations from a qualified bank
- Prospect and Huayou receiving requisite Zimbabwean regulatory approvals including:
 - ☐ Exchange control approvals by the Reserve Bank of Zimbabwe;
 - ☐ Merger control approvals; and
 - ☐ Prospect obtaining capital gains tax clearance and necessary amendments to its Special Economic Zone License
- ✓ Prospect's existing offtake and marketing agreements with Sinomine being terminated (refer ASX release 18 January 2022)
- ☐ No material adverse change to PLZ's key mining tenements, EIA certificate or Special Economic Zone Licence terms
- ☐ No material breach of pre-completion, ordinary course conduct of business obligations



Use of transaction proceeds

Value realisation through return to shareholders

- Subject to completion, Prospect intends to distribute the bulk of the net sale proceeds to shareholders¹
- Current estimates of planned distribution to be in the range of \$430 - 450 million, or between approximately \$0.92 - \$0.96/share (fully diluted)²
- Distribution could be structured as either unfranked dividend, equal capital reduction, or equal access share buy-back
- Prospect Resources expects a minimum of 75% of the proposed distribution will be an unfranked dividend for tax purposes, including if structured as a buy-back
- The final amount and structure of the distribution will be determined by the Board following:
 - Determination of Zimbabwean capital gains tax and transaction costs;
 - Conversion of net sale proceeds from US dollars to Australian dollars; and
 - Receipt of final advice on proposed distribution, and ATO tax ruling
- Prospect plans to retain a cash balance of \$30 - 60 million⁴ (\$0.06 - \$0.13/share²) to progress its other battery metals projects in Zimbabwe and/or pursue other growth projects in the battery and electrification metals space globally



1. Post-Zimbabwean capital gains tax and transaction costs.
2. Calculated based on fully diluted shares on issue of 468,273,535.
3. Based on AUD:USD exchange rate of 0.715.
4. Including current cash balance of \$20 million and estimated cash received from the exercise of options, less estimated Zimbabwean capital gains tax, transaction costs payable in relation to the proposed transaction (including the agreement to pay US\$8 million to Sinomine) and Company expenditure between now and completion.



Prospect 2.0

Retention of key management personnel and growth funding

Prospect's Board has established a strategy framework, which will be further refined

Business	<ul style="list-style-type: none">▪ Battery and electrification metals focussed explorer and developer
Existing assets	<ul style="list-style-type: none">▪ Step Aside Project, Zimbabwe▪ Other battery metal tenements, Zimbabwe
Activities	<ul style="list-style-type: none">▪ Progression of existing battery metals projects▪ Evaluation, acquisition and advancement of new battery and electrification metals projects globally
Cash balance	<ul style="list-style-type: none">▪ \$30 - 60 million¹
Management areas of expertise	<ul style="list-style-type: none">▪ Exploration, geology and resource development▪ Project planning, development and operations▪ Technical and financial analysis▪ Customer marketing and offtake
Key commodity focus areas	<ul style="list-style-type: none">▪ Lithium▪ REEs▪ Nickel▪ Copper▪ Other battery and electrification metals

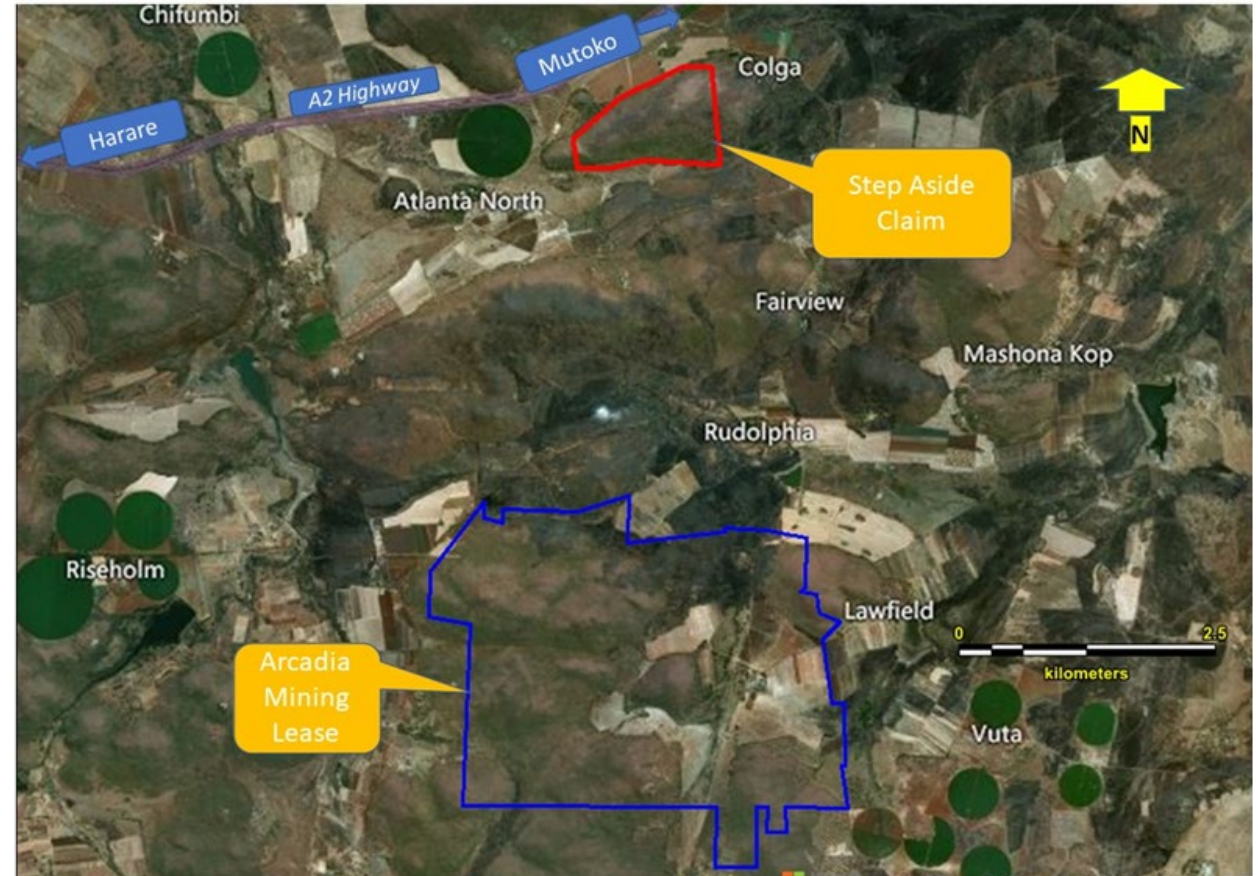


1. Including current cash balance of \$20 million and estimated cash received from the exercise of options, less estimated Zimbabwean capital gains tax, transaction costs payable in relation to the proposed transaction (including the agreement to pay US\$8 million to Sinomine) and Company expenditure between now and completion.

Step Aside Lithium Project

Initial exploration focus

- Step Aside comprises ~140 hectares of claims located in the Harare Greenstone Belt, west of the Mashonganyika Fault, and approximately 8 kilometres north of Arcadia
- The potential of the area was confirmed by positive regional stream and soil sample geochemistry results.
- Four mineralized pegmatites have been mapped from east to west at surface
- Observations made at Arcadia indicate that several parallel narrow pegmatites can coalesce into thicker pegmatites down dip
- Exploration programme is underway with the commencement of rock chip sampling. If successful, to be followed up by trenching alongside RC drilling, to help with determining the sub-surface strike extensions, providing greater detail as to the thickness and strike length of the underlying pegmatite



Indicative timeline

Provisional timetable of events relevant to the transaction

Event	Date
Transaction announced	23 December 2021
Notice of Meeting and Explanatory Memorandum dispatched to Shareholders	25 January 2022
Last time and date for determining eligibility to vote at Extraordinary General Meeting	23 February 2022
Extraordinary General Meeting	25 February 2022
Targeted transaction completion	April 2022
Receipt of tax ruling from Australian Taxation Office	May 2022
General Meeting to approve any element of proposed distribution requiring shareholder approval (if applicable)	June 2022
Transaction proceeds distributed to Shareholders	Mid-2022

All dates in the above timetable are indicative only and are subject to change

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