



QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2022

Prospect Resources Ltd (ASX: PSC, FRA:5E8) (**Prospect** or **the Company**) is pleased to report on activities undertaken during the December 2022 quarter.

Summary

- Satisfaction of conditions precedent in shareholder agreement with Osino Resources Corp (TSXV:OSI); Prospect commences earn-in process to acquire up to initial 51% stake in Omaruru Lithium Project, Namibia.
- Initial 2,000m RC drilling commenced at Omaruru during December, focussed on the Karlsbrunn and Brockmans pegmatites. Return of assay results expected during Q1 2023.
- Assay results from Step Aside Lithium Project drilling highlight encouraging grades and widths of high-grade lithium mineralisation; follow-up drilling to commence in February 2023.
- At 31 December, Prospect retained A\$30.3 million cash to support future growth activities anchored on its battery and electrification minerals strategy.

Prospect Managing Director and CEO, Sam Hosack, commented:

“It has been another robust quarter for the Company. Prospect is well positioned for the year ahead with strong cash reserves of approximately A\$30.3 million and a clear, continued advancement of our broader strategic objective, which is to be a leading battery and electrification metals focused exploration and development business.”

“The rapid commencement of the RC drilling program at the Omaruru Lithium Project reflects our conviction in this asset, and in Namibia as an excellent development jurisdiction. With high-grade spodumene mineralisation also intersected at the 100%-owned Step Aside Lithium Project in Zimbabwe, the Company now has two high-quality lithium exploration assets under rapid advancement.”

“With the technical teams progressing our assets, the corporate team continues to focus on value creation through the process of identifying, assessing, investing in, and advancing battery and electrification metals opportunities, elsewhere in sub-Saharan Africa.”

“Prospect will also be attending the upcoming Mining Indaba Conference in Cape Town early next month, which is a perfect forum for the Company to promote its credentials and seek out further opportunities.”

“The successful completion of our Arcadia transaction continues to attract first rate partners seeking development partners, putting the organisation in a leading position to capitalise on the mineral rich Sub-Saharan region.”

Project Development

Omaruru Lithium Project (Namibia); earning up to initial 51%, and potentially up to 85% PSC

The Omaruru Lithium Project, comprising a single Exploration Prospecting Licence EPL 5533 tenement, is centred on the village of Wilhelmstal, east of Karibib in Namibia and covers 175 square kilometres currently held by Richwing Exploration (Pty) Ltd, a wholly owned subsidiary of Osino Resources Corp (Osino).

The Omaruru tenement is situated near a number of mining developments, including Osino's Twin Hills Gold Project 20 km to the northwest and Lepidico's Karibib Lithium Project, located 10 km to the southwest.

Namibia is a premier resource investment jurisdiction, with a long-standing history of exploration, mining and exportation of minerals, excellent infrastructure and support from both government and community.

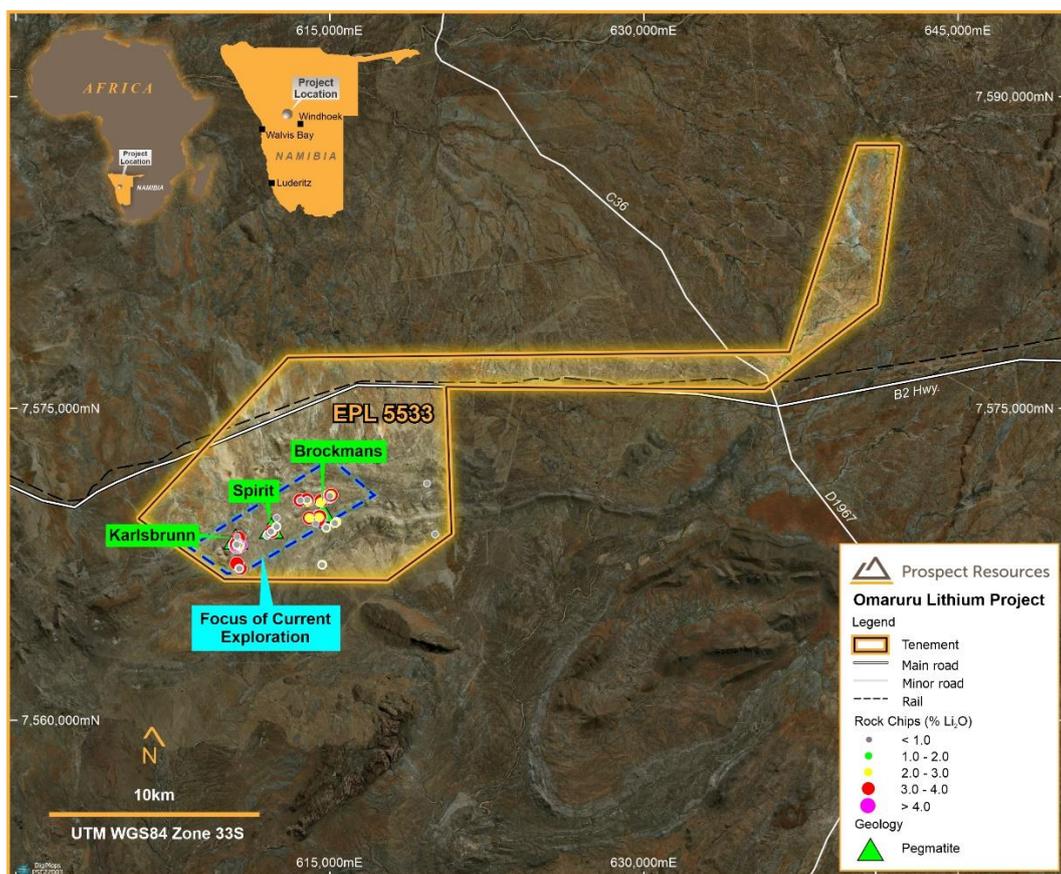


Figure 1: Location of the Omaruru Lithium Project in central Namibia

During the quarter, Prospect announced that all conditions precedent to its shareholder agreement with Osino Resources had been satisfied (refer Prospect ASX release dated 10th November 2022).

The Company subsequently commenced RC drilling activities at Omaruru with four (4) drill holes completed for 455 metres up to the Christmas and New Year break on the 16th December.

Subsequent to the end of the quarter, drilling recommenced on the 9th January and a total of nine (9) additional holes for 669m had been completed up to the 23rd January at the prospective Karlsbrunn deposit.

The initial program of approximately 2,000m RC drilling and 1,000m of diamond drilling for the Karlsbrunn and Brockmans lithium pegmatite targets is ongoing, and assaying is underway for the drilling completed to date.

Exploration was also conducted outside, but along strike from, known lithium pegmatite occurrences at Omaruru, with a series of geochemical soil sampling survey grids undertaken. Assays were pending at the end of the quarter. The work is seeking to identify sub-surface occurrences of other “buried” lithium deposits, with the aim of generating new drilling targets.

Prospect exploration teams are now focused on fast tracking the remainder of the planned drilling programmes, with the goal of establishing a maiden Mineral Resource estimate for the lithium mineralisation at Omaruru.



Figure 2: Drilling underway at the Karlsbrunn lithium pegmatite deposit at Omaruru

Step Aside Lithium Project (Zimbabwe); 100% PSC

During the quarter, Prospect announced drilling results from the first exploratory drilling campaign at its Step Aside Lithium Project in Zimbabwe (refer Prospect ASX release dated 20 October 2022). The Step Aside Lithium Project is located 8km north of the Arcadia Project and comprises a single claim of approximately 100 hectares in area, within the Harare Greenstone Belt, west of the Mashonganyika Fault (see Figure 3). The claim is 100%-owned by Prospect.

The lithium potential of this area has been confirmed by positive historical regional stream and soil sample geochemistry results. Six mineralised pegmatites (Pegmatites A to F) have been mapped on the eastern side of the tenement, within a meta-dolerite host rock. These pegmatites are parallel to each other, lying in a north-south orientation and have dip angles averaging 40-45° to the west, as mapped at the surface.

Prospect commenced an initial reverse circulation and diamond drilling programme at Step Aside in early July 2022. The programme comprised 30 holes for 1,636 metres of drilling, with drill activities completing on 12 October. The drilling programme targeted the lateral, depth and strike extents of the outcropping, surface pegmatites mapped and identified at Step Aside. The key objective of this program was to delineate the geometry and grade of the pegmatites and the nature of the lithium mineralisation.

Figure 4 shows the drill collar location plan for the completed drilling programme.



Figure 3: Locality Map of Step Aside, 8km north of Arcadia

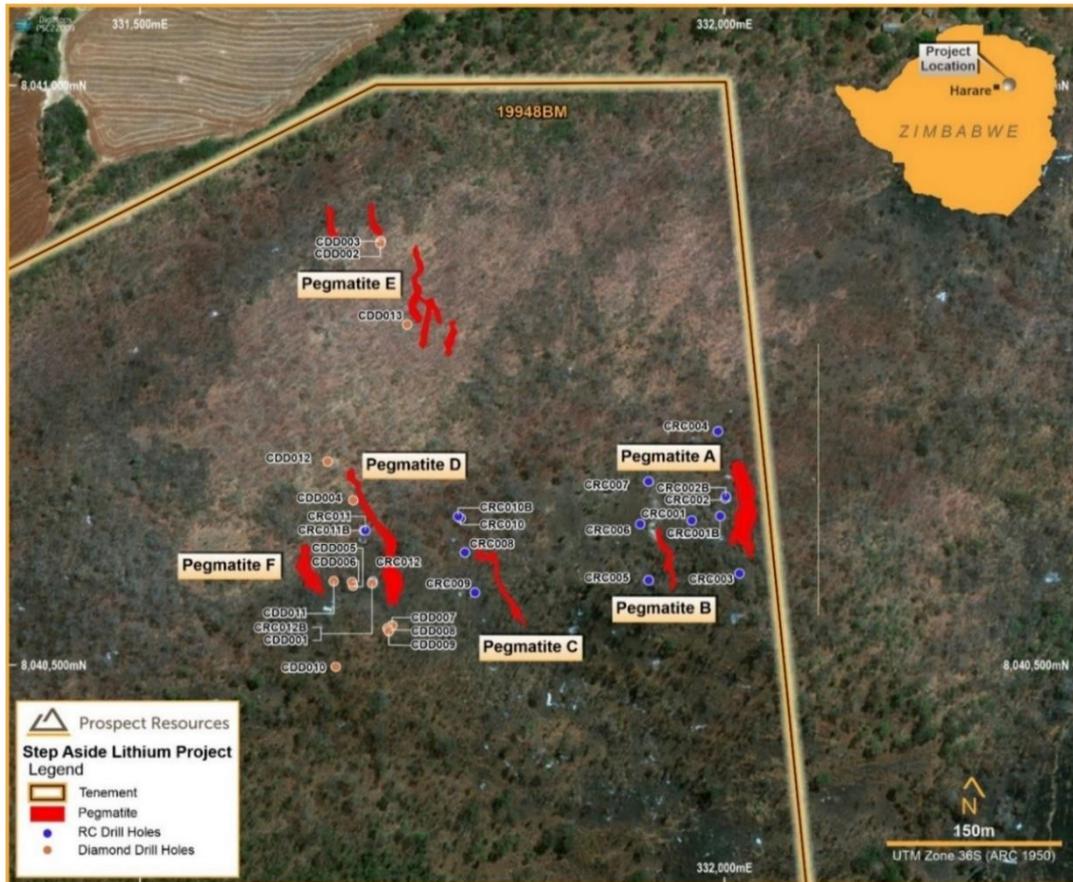


Figure 4: Drill hole collar plan for Step Aside Lithium Project with pegmatite outcrop

Very encouraging grades and widths of high-grade lithium mineralisation (primarily as spodumene) were returned from this programme, with three of the targeted pegmatites indicating potential economic lithia grades including:

- **7.4m @ 1.28% Li₂O from 43.6m (CDD013) - Pegmatite E**
- **6.1m @ 1.49% Li₂O from 82.2m (CDD011) - Pegmatite D**
- **4.4m @ 1.43% Li₂O from 52.6m (CDD006) - Pegmatite D**
- **4.3m @ 1.15% Li₂O from 19.2m (CDD013) - Pegmatite E**
- **9.0m @ 1.02% Li₂O from 38.0m (CRC011B) - Pegmatite D**
- **8.0m @ 1.09% Li₂O from 53.9m (CDD001) - Pegmatite D**
- **6.0m @ 1.05% Li₂O from 17.0m (CDD007) - Pegmatite D**
- **7.0m @ 0.82% Li₂O from 24.0m (CRC001B) - Pegmatite A**

Based on the continuity of lithium mineralisation noted on the wider pegmatites A, D and E, additional drilling has been designed to target strike and down dip extents of those mineralised systems, with a 1,700 metre RC programme set to commence in February 2023.

This work is geared towards estimation of a maiden Mineral Resource for the lithium mineralisation at Step Aside.

Corporate

Subsequent Events

Subsequent to the end of the quarter, Prospect announced the appointment of Mr Gaurav Gupta to the Prospect Board as a Non-executive Director (refer Prospect ASX release dated 23 January 2023).

Mr Gupta replaced Mr Dev Shetty, who retired from the Prospect Board.

Project Generation

The Prospect business development and exploration teams have continued to develop and evaluate a pipeline of prospective battery and electrification mineral targets. Project generation activities are advancing, and the Company is well capitalised and positioned to identify, assess, invest and advance projects that have the potential to meet scale and grade criteria hurdles.

Incentive Programs

After seeking external advice, the Board approved an employee incentive frame work for both short term and long term incentives, heavily centred around equity awards and tied to operational outcomes and shareholder growth. The incentive program was rolled out to most employees and executives both in Australia and Zimbabwe.

Shareholders approved share options and performance rights for the Managing Director as part of this incentive program.

After a bench marking exercise, shareholders also approved share options for non-executive directors that vest over three years to bring director remuneration to more competitive levels with no change to cash compensation.

Cash Balance

Prospect finished the quarter with a cash balance of approximately A\$30.3 million and zero debt (excluding typical trade creditors).

Issued Capital

The Company confirms it has the following securities on issue as at the date of this report:

Security	Total on issue
ORDINARY FULLY PAID SHARES	462,259,462
UNL OPT EXP 07/10/2026 @ \$0.15 *	18,350,000
PERFORMANCE RIGHTS EXP 07/10/2025 m *	4,400,000

* None have vested as at the date of this report

Appendix 5B – Related Party Payments

During the Quarter, the Company made payments of A\$177,000 to related parties and their associates.

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

For further information, please contact:



Sam Hosack
Managing Director
shosack@prospectresources.com.au

Ian Goldberg
Chief Financial Officer
igoldberg@prospectresources.com.au

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

Prospect Resources Limited (ASX: PSC, FRA:5E8) is an ASX listed company focussed on the exploration and development of mining projects, specifically battery and electrification minerals, in Zimbabwe and the broader sub-Saharan African region.

Competent Persons Statements

The information in this announcement that relates to Exploration Targets and Exploration Results, is based on information compiled by Mr Roger Tyler, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Mr Tyler is the Company's Consultant Geologist. Mr Tyler has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tyler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward-Looking Information

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. All references to dollars (\$) and cents in this announcement are in United States currency, unless otherwise stated.

Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

APPENDIX A: PROSPECT TENEMENT SCHEDULE

As at 31st December 2022, Prospect Resources Limited has interests in tenements via the following companies:

1) Eagle Lithium Resources (Private) Ltd – Step Aside Project

Tenement Type & Number	Tenement Name	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
ME19948BM	Step Aside	Zimbabwe	Step Aside	Eagle Lithium	100%	0%	0%

Appendix 5B

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

Name of entity

PROSPECT RESOURCES LIMITED

ABN

30 124 354 329

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(75)	(104)
(b) development	0	0
(c) production	0	0
(d) staff costs	(88)	(1,148)
(e) administration and corporate costs	(481)	(761)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	226	382
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	0	0
1.9 Net cash from / (used in) operating activities	(418)	(1,631)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	0	0
(b) tenements		0
(c) property, plant and equipment	(47)	(94)
(d) exploration & evaluation (if capitalised)	(650)	(1,205)
development expenditure	0	0
(e) investments	(867)	(867)
(f) other non-current assets	0	0

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
	Net proceeds from assets held for sale		
	Cash flows for loans to minority interest		
	Interest received		
2.6	Net cash from / (used in) investing activities	(1,564)	(2,166)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	3,405
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	(6,888)	(443,770)
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	(6,888)	(440,365)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	39,304	474,288
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(419)	(1,631)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,565)	(2,166)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,888)	(440,365)
4.5	Effect of movement in exchange rates on cash held	(168)	140
4.6	Cash and cash equivalents at end of period	30,264	30,264

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	475	947
5.2	Call deposits	26,071	32,760
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		
	US dollars at bank	3,674	5,531
	Zimbabwe dollars at bank	1	3
	Petty cash	43	63
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	30,264	39,304

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

6.1	Aggregate amount of payments to related parties and their associates included in item 1	(177)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

**Current quarter
\$A'000**

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

Standard quarterly payments were made for directors' fees and associated superannuation in the current quarter.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(418)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(650)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,068)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	30,264
8.5 Unused finance facilities available at quarter end (Item 7.5)	0
8.6 Total available funding (Item 8.4 + Item 8.5)	30,264
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	(28)
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/a
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/a
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	Answer: N/a

Compliance statement

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

Date: 30 January 2023

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

Notes

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