

ARCADIA DEFINITIVE FEASIBILITY STUDY CONFIRMS LEADING AFRICAN LITHIUM PROJECT

Positive DFS on 2.4 Mtpa base case delivers investment metrics for project financing and development.

Highlights

- Prospect Resources Ltd completes its Definitive Feasibility Study (DFS) for the **2.4 Mtpa Base Case development of the 87%¹ owned Arcadia Lithium Project** (Arcadia, the Project) located outside the city of Harare in Zimbabwe.
- Key outcomes include:
 - Pre-tax NPV² (10% discount rate) of **USD511 million** with strong margins, delivering a rapid payback for the project of **2.5 years** from first production and an exceptionally strong IRR of **44%**;
 - Forecast life-of-mine project revenue of **USD2.93 billion** excluding tantalum credits and project average annual EBITDA of **USD106 million** over an estimated **12-year** mine life;
 - Average annual concentrate production of approximately **212 kt** of 6% spodumene, **216 kt** of 4% petalite, and **188 klb** of tantalum;
 - Competitive cash operating costs of **USD285 per tonne³** of concentrate demonstrating Arcadia's resource size, plant scale, strategic location to key infrastructure and grade;
 - Capital cost estimate of **USD165 million**, including carried costs to positive cash flow;
 - Conventional **open pit** mining with a strip ratio of **3.0:1**; and
 - LOM lithia recoveries of **68%** using conventional DMS, spirals and flotation.
- Project on track to be completed in Q3 CY2020, with commissioning from November 2020.

ASX listed African lithium developer Prospect Resources Ltd (ASX: PSC, Prospect, the Company), is pleased to advise that it has completed a Definitive Feasibility Study into the 2.4 million tonne per annum (Mtpa) development of its flagship 87%¹ owned Arcadia Lithium Project in Zimbabwe. The results confirm the Project's strong financial and geological merits, positioning the Company to be a leading producer of lithium & battery minerals.

¹ Purchase of 17% minority interest (included in 87%) is subject to shareholder and Reserve Bank approval as announced to the ASX on 3 October 2018.

² Net Present Value (NPV) is presented on a nominal basis.

³ Total cash operating costs FOB (after tantalum credit, royalties and government marketing costs).

This successful DFS provides a compelling basis for the Company to drive towards completing additional project off-take arrangements (in addition to its existing off-take agreement with Sinomine), and securing project financing in anticipation of construction. Construction and mine development, to be managed by Prospect Lithium Zimbabwe (PLZ), is scheduled to be completed in Q3 CY2020, with commissioning from November 2020.

Summary of the DFS

Based on the proposed 2.4 Mtpa mining and processing operation, the DFS indicates that Arcadia will be a strong financial, high margin project with current forecast Life Of Mine (LOM) revenue of USD2.93 billion and average annual EBITDA of USD106 million over an estimated 12-year mine life.

A summary of the key DFS outcomes is provided below:

Study Outcomes	DFS – 2.4 Mtpa Base Case
Estimated Mine Life	12 years – Open Pit
LOM Project Revenue (Real)	USD2.93 billion
LOM Project EBITDA (Pre-tax, Real)	USD1.38 billion
Capital Costs (Carried to Positive Cash Flow)	USD165 million
Sustaining Capital	USD29 million
Pre-Tax NPV ¹⁰	USD511 million
Internal Rate of Return (IRR, Pre-tax)	44%
LOM Cash Operating Costs ⁴ (Real, Net of Ta ₂ O ₅ credits)	USD285/t of concentrate
Project Payback (From First Production)	2.5 years
Average Annual EBITDA (Real)	USD106 million

Prospect Resources Managing Director Sam Hosack said “The completion of the successful Definitive Feasibility Study on a base case of a 2.4 Mtpa development of the Arcadia Lithium Project is a great achievement. The DFS results position the Company to become a key player in the global lithium market.”

“The successful finalisation of this DFS is a testament to the strength of the Prospect owner’s team. A vast amount of work has been contributed to this DFS and validates my belief that Arcadia is Africa’s leading lithium development project with respect to its scale, grade, economics and team.”

“This DFS represents a significant milestone for Prospect as we transition into development. We are excited by the opportunity to capitalise on the strong fundamentals of the lithium market, initially

⁴ Total cash operating costs FOB (after tantalum credit, royalties and government marketing costs).

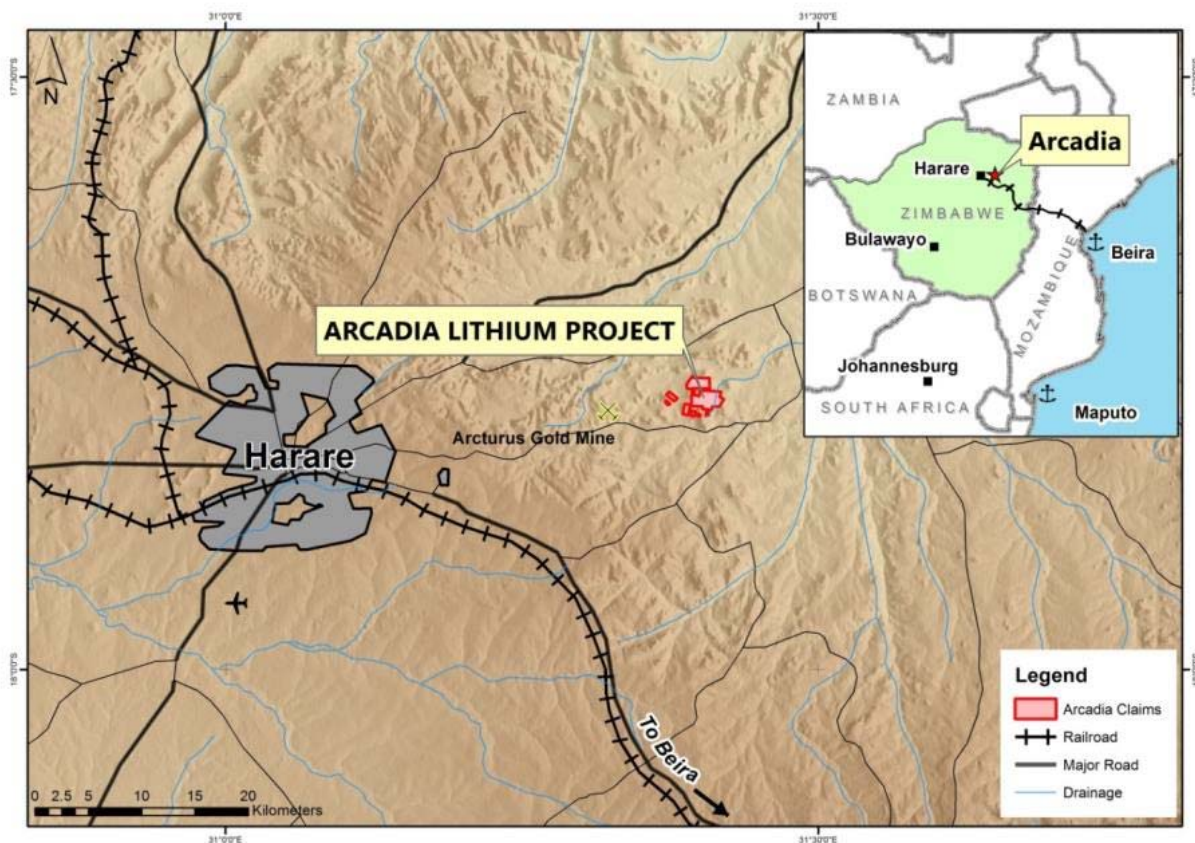
through the production of lithium concentrates. Based on the mine economics and financial strength of the project, we are moving swiftly to finance, develop and commence production at Arcadia,” he said. “We have initiated pre-feasibility works to test the viability of a lithium chemicals plant on site, in order to upgrade our product and capture additional value from the lithium supply chain.”

Definitive Feasibility Study Outcomes

Introduction

Prospect Resources Ltd (Prospect) has completed a Definitive Feasibility Study level mining study on its Arcadia Lithium Project, situated 38 km East of Harare in Zimbabwe. This follows the Pre-Feasibility Study (PFS) level mining study published on 3 July 2017. The DFS has been completed on the basis of an increase in plant throughput from 1.2 Mtpa to 2.4 Mtpa. Prospect has been assisted in preparing the DFS by various experts, notably ADP Marine & Modular Pty Ltd (ADP), part of the Lycopodium group of companies.

This DFS is based on optimisation of the PFS pit design coupled with data from extended metallurgical testing and updated lithium market intelligence.



PROJECT LOCATION

Geology and Mining

The geology of the greater Arcadia area is dominated by greenstone lithologies of the Arcturus Formation of the Harare Greenstone Belt (HGB). These greenstones are encircled and intruded by a variable suite of granitic rocks, the oldest of which may have been intruded at a similar time with the youngest felsic volcanic rocks of the belt.

Between 1962 and 1978, the Arcadia mine was sporadically worked as a small-scale open cast operation, where approximately 10 000 tonnes of lithium minerals were produced, in addition to some limited amounts of beryl. Economic sanctions forced the closure of the mine in 1978.

PLZ initiated its first diamond drilling programme at Arcadia at the end of June 2016. Over 6 drilling phases a total of 23 724 m of drilling was completed, comprising 81 diamond drill (DD) holes, 194 reverse circulation (RC) holes, and 11 holes that were pre-collared down to 50 m using an RC rig and from 50 m to the end of hole using a DD rig.

Arcadia JORC Mineral Resource Statement – ASX Announcement of 25 October 2017

(1% Li₂O Cut-off)

Category	Million Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ (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

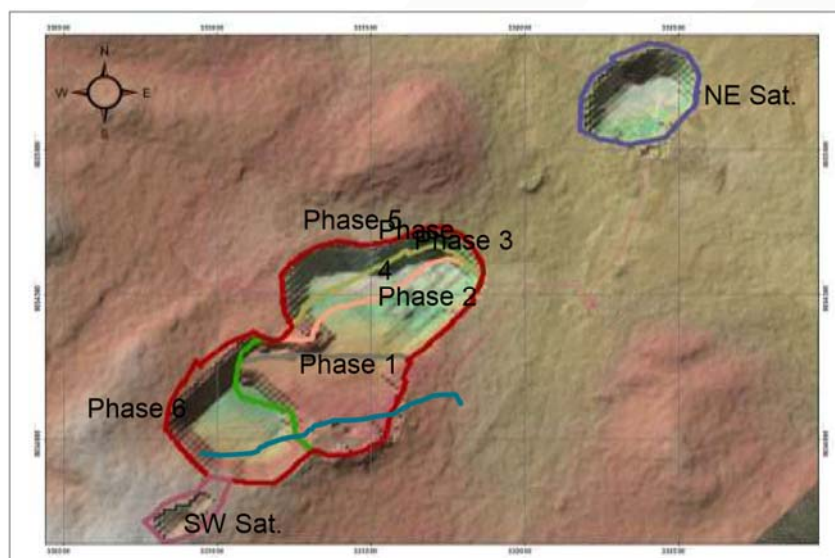
A geological model with detailed analytical attributes was used to run Lerchs-Grossman optimisations generating a series of nested pit-shells using a set of anticipated economic parameters and a variety of other technical parameters and constraints. The nested pit-shells were created by adjusting base prices using revenue factors ranging between 0.3 to 2 at incremental intervals of 0.02. Hence, the smallest shell represents pit outlines at an equivalent price of 0.3 times the base prices for petalite, spodumene and tantalum concentrates. Pit size increased as revenue factors increased. Each of the produced pit-shells was analysed using the base case prices.

The optimal pit was identified when an increase in pit size did not add significant value or resulted in declining value. Ore and waste selection in the optimisation process was based on cash flow, hence no prescribed cut-off grade was applied in the optimisation process. The optimizer flexibly retained blocks as ore if they generated positive cash flow and discarded blocks as waste if they generated negative cash flow, resulting in a waste to ore (strip) ratio of 3.0.

Some of the initial key parameters that formed the basis for pit optimisation are listed below:

Pit Optimisation Initial Assumptions		
Products Prices / Scenario	Unit	Price/ Amount
Spodumene Price at 6.0 % Li ₂ O FOB Beira	USD/t	675
Petalite Price at 4 % Li ₂ O FOB Beira	USD/t	413
Tantalite by-product (credit) FOB Arcadia	USD/lb	58
Government Royalties on Revenue	%	2
Lithium Minerals Export Tax on Revenue	%	5
Mining Cost (Material Moved)	USD/t	2.36
Processing Cost of Ore	USD/t	30.16
Bench Height	m	10
Freight - lithium concentrate	USD/t	60.73

The optimisation demonstrated higher values when mining the orebody in phases taking a slice at a time. Six pit phases were designed plus two satellite pits. The phases closely follow some of the internal Lerchs-Grossman pit shells and in some areas engineering judgement was used to design the boundaries between pit phases for practical and safety reasons. The six phases are designed to provide a minimum working width of 35 m at limited strike length. Most working widths are above 50 m, which is considered safe and practical.



MINE DEVELOPMENT PHASES

The Ore Reserve has been reported in accordance with the JORC Code, 2012 Edition for the purpose of informing investors or potential investors and their advisors. Evaluation of the block model was done using Surpac Geovia software. Modifying factors were applied to the Mineral Resources when converting to the Ore Reserves. These modifying factors include mining recoveries, processing recoveries and economic factors. The key mining modifying factors applied to Ore Reserve estimation are:

- Ore loss 5 %
- Dilution 5 %

The diluting waste material is assumed to be barren.

Arcadia Ore Reserve Estimate - ASX Announcement of 6 December 2017						
Category	Tonnes (Mt)	Li ₂ O (%)	Ta ₂ O ₅ (ppm)	Li ₂ O (t)	Ta ₂ O ₅ (Mlbs)	Fe ₂ O ₃ (%)
Proved	8.0	1.36	128	109 000	2.2	0.93
Probable	18.9	1.28	127	242 000	5.3	1.25
TOTAL	26.9	1.31	128	351 000	7.6	1.15

The orebody will be mined by conventional open pit methods under contract, simplified by the beneficial strip ratios and geometry of the pit within the topography.

Processing

The DFS testwork has been completed using Heavy Liquid Separation (HLS) and Dense Medium Separation (DMS) to further the proposed process plant flow sheet and mineral recovery. The metallurgical testwork has been completed on samples derived from RC chips, diamond drill core and bulk material from the existing pit. The metallurgical samples represent the Main Pegmatite (MP) and Lower Main Pegmatite (LMP) zones, which represent 12.5% and 58% of the Arcadia Mineral Resource and all of the first 3 years of the proposed mining schedule.

The mineralogy of the Arcadia deposit lithium minerals shows petalite to be dominant, at up to 24% by weight, averaging 17% and spodumene to 10% by weight, averaging about 7%. Ta₂O₅ averages 128 ppm throughout the Ore Reserve.

Mineral processing will be based on use of conventional beneficiation techniques including gravity-based processes of DMS and spirals to recover petalite and tantalite, and froth flotation to recover spodumene. A considerable body of testwork has been carried out on MP and LMP ore zones, and the data derived from these programmes has been applied to process design. DRA Global of Johannesburg South Africa and ADP contributed to final process design.

The ore is hard, brittle and abrasive and 4-stage crushing has been selected to achieve the sub-3 mm crush size required to achieve adequate liberation of petalite for primary recovery by DMS. Secondary recovery of petalite finer than 0.6 mm is provided for by the use of multi-stage spirals. The target grade for petalite products is 4% Li₂O; i.e. 82% petalite.

The spodumene grain size is substantially finer than the petalite at sub-millimetre size, and together with the presence of spodumene-quartz intergrowth in the MP in particular results in limited recovery of spodumene by DMS and spirals. Consequently, all ore post gravity recovery will report to the flotation circuit where spodumene is effectively recovered at a grind size P100 of 212 µm. The target grade for spodumene concentrate is 6% Li₂O; i.e. 75% spodumene.

Tantalite will be recovered as rough concentrate by the application of wet high intensity magnetics separation (WHIMS) to reject streams from the DMS and spiral circuits. The rough tantalite will be upgraded to a saleable product containing approximately 25% Ta₂O₅ by the use of conventional wet shaking tables.

The petalite products will be stacked to allow drainage and partial air-drying prior to being packed into bulk bags and weighed.

Spodumene concentrate will be filtered, dried, packed into bulk bags, sealed and weighed.

Tantalite product will be dried and packed into 200 litre steel drums and sealed. As this product will contain radionuclides in excess of 0.1%, it will be stored, handled and shipped as a Class 7 dangerous good.

Process tailings will be disposed of to an engineered tailings storage facility.

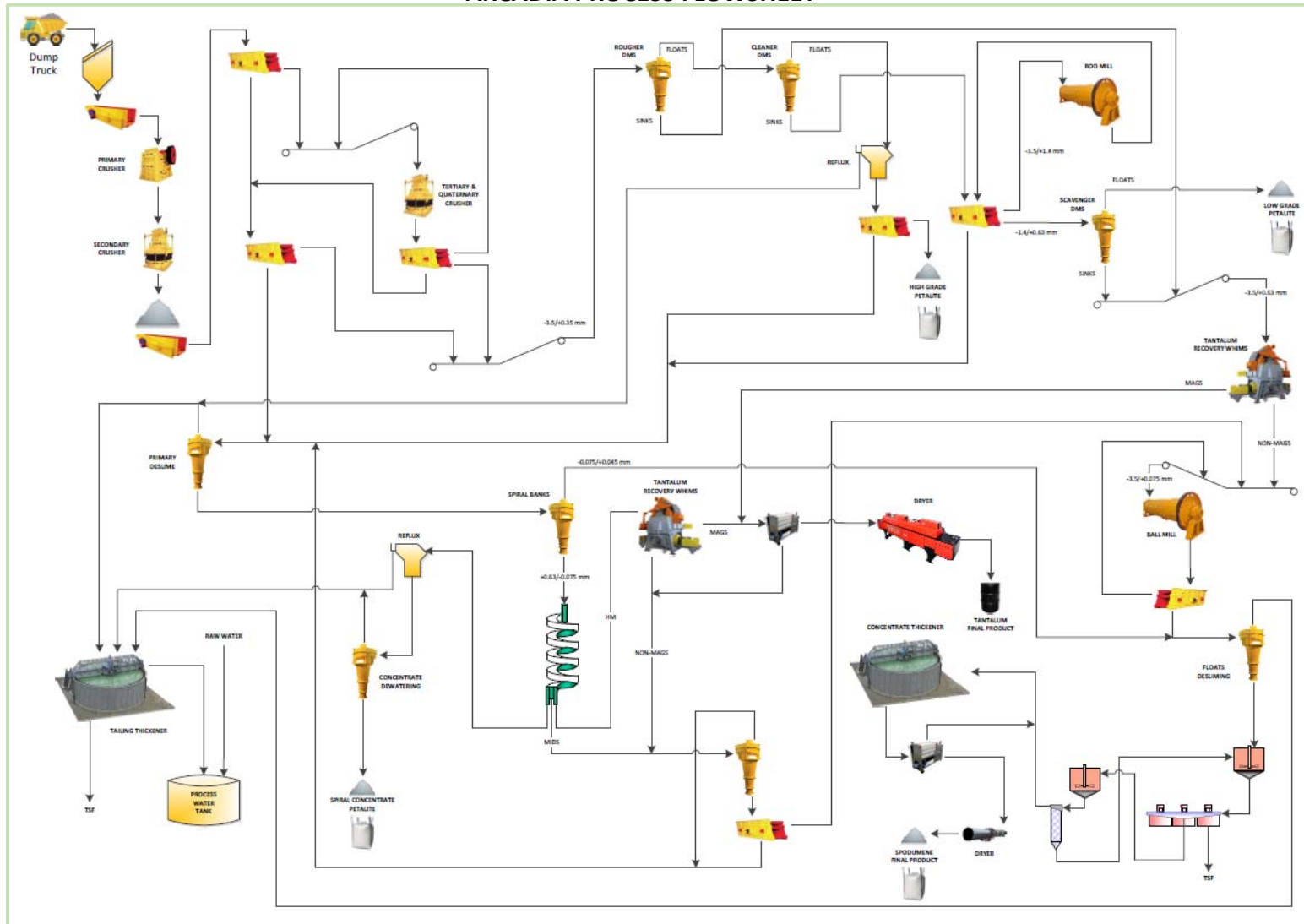
Process water reclaimed within the process flowsheet will be augmented by process water returned from the tailings storage facility (TSF) for reuse in the processing plant. Two process water circuits will ensure flotation chemicals do not contaminate the gravity processes, DMS in particular.

Further test work and piloting will continue while the project is under construction in order to anticipate the response of various ore types ahead of full-scale mining.

ASX ANNOUNCEMENT

19 November 2018

ARCADIA PROCESS FLOWSHEET



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Tailings

Process residues will comprise slimes generated during primary comminution and milling ahead of flotation, and flotation tailings. Slimes will be thickened prior to co-disposal with flotation tailings to the tailings storage facility. The TSF will be constructed using the cyclone deposition technique, with separated slimes and water accumulating in an engineered structure equipped with an underdrain system and a decant tower.

Process water will be recovered for recycle to the process plant.

Geotechnical

Rock Quality Design (RQD) structural logging has been undertaken by the exploration team, the results of which have been reviewed by Practara Ltd. Inspection of the core confirmed much of what is observed in the open pit; highly weathered, blocky shallow ground, transitioning into moderately jointed competent rock, eventually followed by slightly jointed very competent lithology. Both the pegmatites and meta-basalt were observed to be very competent, with distinct brittle contacts between lithologies that will enable easy separation during mining.

Overall, it is considered there are no fatal flaws nor critical risk factors to the design. Structures and blocky ground can be managed during operations by applying sound rock engineering methods and techniques to monitor and support.

Water

Hydrological and hydrogeological assessments show that there is high potential for both surface and groundwater to be available to provide the annual water demand of approximately 3 gigalitres. Surface water accessible to the mine is from the main catchment which has a spatial coverage of over 9 180 609 m² and surface runoff of above 5 054 503 m³. The models used in this assessment assumed minimum values thus minimising the supply risk factor.

Human Resources

PLZ expects to recruit the majority of personnel either from within Zimbabwe or from the Zimbabwean diaspora who wish to return home. Prospect intends to promote in-house training programmes to meet the Company's objective of alignment of all employees with world-class standards in the production of lithium concentrates.

Stakeholder Engagement

Engagement with key stakeholders and public communication were very important components of the DFS and were on-going from the commencement of the study to the completion of the work. Prospect will continue to facilitate and provide communication to the stakeholders of the company via numerous distribution channels and means of engagement.

Financial Evaluation

The pre-tax NPV (10% discount rate) of the project base case is USD511 m, at a long-term Lithium Carbonate (LC) price of USD12 000 per tonne FOB Beira (based on a CIF China price as per the Sinomine Offtake Agreement). The life of mine average price for spodumene and petalite concentrate applied in the study is US\$689/t FOB and US\$457/t FOB respectively.

The key parameters and financial outcomes for the 2.4 Mtpa DFS are set out below:

Operating Parameters	Units	Value
Life Of Mine Modelled (All Open Pit)	Years	12
Plant Throughput	Mtpa	2.4
Average Lithia Head Grade	%	1.35%
Average Lithia Recovery	%	67.9%
Average Life Of Mine Spodumene Production	ktpa	212
Average Life Of Mine Petalite Production	ktpa	216

Capital and Operating Costs	Units	Value
Average Life Of Mine Cash Operating Cost (FOB) ¹	USD/t conc.	285
Capital Costs (Carried to Positive Cash Flow)	USDm	165
Sustaining Capital	USDm	29
Life Of Mine Spodumene Concentrate Price	USD/t	689
Life Of Mine Petalite Concentrate Price	USD/t	457

¹ Cash operating cost include mining, processing, general administration and selling costs, transport and loading, royalty and government marketing costs and are net of Ta2O5 by-product credits

Financial Summary	Units	Value
Average Annual Free Cash Flow from Operations (Pre-tax)	USDm	104
Average Annual Free Cash Flow from Operations (Post-tax)	USDm	90
Life of Mine Revenue (excl. Ta Credits)	USDm	2 934
Average Annual EBITDA	USDm	106
Pre-Tax NPV ¹⁰	USDm	511
Pre-Tax IRR	%	44
Post Tax NPV ¹⁰	USDm	458
Post Tax IRR	%	42
Operating Margin	%	38
Payback Period (From Commencement of Production)	Years	2.5

Capital Cost

Prospect Resources appointed ADP to undertake a DFS capital cost estimate for the Arcadia lithium plant. The capital cost estimate was compiled in USD at Q4 2018 for the end state production facility with a plant throughput of 2.4 Mtpa, and includes owner's costs estimates to fund the Project until it is cash flow positive.

Process Plant CAPEX Estimate Summary	
Area	CAPEX (USD Thousands)
Mine Development Cost	4 972
Process Plant	112 791
Earthworks	652
Civil Works	9 834
Mechanical Equipment incl. Modular plant.	41 191
Structural Steel	7 670
Plate Work	4 777
Piping	3 904
Electrical, C&I	14 380
Spares & Consumables	2 202
Transport	3 016
Process Plant Installation	23 018
Tantalum Recovery	2 148
Owners Cost	47 441
7 Months Mining	2 570
Owners Cost Operations	9 620
Infrastructure	24 153
Engineering and Services	11 098
TOTAL (Direct and Indirect Costs incl. Contingency)	165 204

Operating Cost

The DFS operating cost model was developed in USD at Q4 2018 by PLZ in conjunction with ADP. Cost inputs have been used by PLZ in developing the annual ore treatment costs within the project cost model.

Base Case Cash Operating Cost Estimate	
Operating cost area	Cost USD/t concentrate (LOM)
Mining	60
Processing (inclusive crushing)	120
General administration and selling costs	20
Transport and loading	70
Cash operating costs (before tantalite credit and royalties and government marketing costs)	270
Less tantalum credit	(33)
Total cash operating costs FOB (after tantalum credit, before royalties and government marketing costs)	237
Add royalties and government marketing costs	48
Total cash operating costs FOB	285

Pricing and Marketing

The Arcadia project is in a relatively unique position in that it has the possibility of being able to place its lithium concentrates both in the chemical and the glass/ceramics markets. This therefore enables its products to be suitable as source material for almost all end use sectors that use lithium

The financial analysis assumes a lithium carbonate price that ranges between USD10 000 and USD12 000 per tonne, with a long-term lithium carbonate price of USD12 000 per tonne (landed China) from the third quarter of the calendar year 2023. A pricing formula has been applied to the lithium carbonate price in order to determine the spodumene and petalite prices which include the pricing structure in the existing offtake agreement and expected terms for the balance of concentrate. This results in the life of mine average price for spodumene and petalite concentrate of USD689/t FOB and USD457/t FOB respectively. LOM tantalum pricing has been set at USD75/lb Ta₂O₅ in concentrates grading 25% Ta₂O₅.

Taxation and Royalties

The project has been awarded National Project Status meaning it is eligible to claim exemption from import duties and VAT on the value of imported capital goods to be used on the project. This exemption has been applied in the modelling. The exemption does not apply to VAT on locally procured goods and services.

The Company has applied for Special Economic Zone (SEZ) status. This status allows the Company to derive certain income tax, CGT, withholding and PAYE tax benefits during the life of the project. Expert advice has been sought on the application of the various SEZ rules to the Company's tax regime and the tax calculation prepared accordingly. There is a high degree of confidence that the Company will be granted SEZ status and hence the financial model incorporates tax calculations on that basis. The key features of the SEZ status are that the Company will be taxed at zero percent (0%) for the first five years of its operations, and at a flat rate of fifteen percent (15%) thereafter.

All sales are subject to a 2% government royalty and a 5% marketing fee payable to the Minerals Marketing Corporation Zimbabwe (MMCZ).

Sensitivity

Economic scenarios have been run on the project NPV10 by varying the discount rate against CAPEX and the CAPEX against the long-term lithium carbonate selling price. Additional scenarios were run comparing the lithium carbonate spot price and transport costs. The tables below reflect the comparisons of NPV10 of the project against combinations of key inputs.

VARIATION IN PROJECT NPV (USD M) VS CAPEX AND DISCOUNT RATE

Pre-Tax NPV10		Discount Rate				
		8%	9%	10%	11%	12%
CAPEX	90%	618	570	526	485	448
	95%	610	562	518	478	441
	100%	603	555	511	471	434
	110%	588	540	496	456	419
	120%	573	525	481	441	404

VARIATION IN PROJECT NPV (USD M) VS LC SELLING PRICE AND CAPEX

Pre-Tax NPV10		CAPEX				
		90%	95%	100%	110%	120%
Long Term LC SP	14 000	699	692	684	669	655
	13 000	612	605	598	583	568
	12 000	526	518	511	496	481
	11 000	439	432	424	410	395
	10 000	352	345	338	323	308

VARIATION IN PROJECT NPV (USD M) VS OPEX AND CAPEX

Pre-Tax NPV10		CAPEX				
		90%	95%	100%	110%	120%
OPEX Factor	120%	465	457	450	435	420
	110%	495	488	480	466	451
	100%	526	518	511	496	481
	95%	541	534	526	511	497
	90%	556	549	542	527	512

Environmental Assessment and Approvals

Prospect is committed to achieving best practice environmental outcomes and, in line with its commitment to these outcomes, has completed an environmental impact assessment (EIA) and an application was made for the project to proceed.

The application was approved and the Zimbabwe Environmental Management Authority (EMA) issued a certificate on the 24th May 2017 which gives approval from EMA for the project to proceed to construction and operation.

The environmental impact assessment utilised local environmental consultants who assembled a total of 9 experts for the project. The EIA covered the following aspects:

- Scoping & baseline study
- Baseline sample collection
- Collect surface water and borehole water samples for lab analysis
- Stakeholder consultation
- Identification of key stakeholders
- Siting of works plan
- Technical drawing and process diagrams

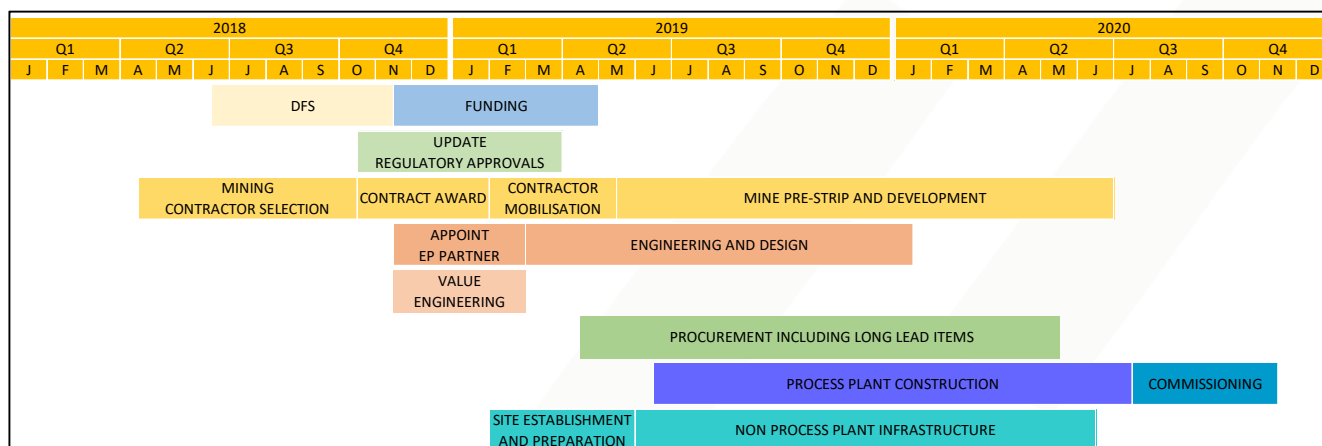
- Company registration documents
- Claims certificates
- Key focal point person for EIA project
- Tailings dam design study

The Arcadia Lithium Project will comply with all applicable Republic of Zimbabwe mine and environmental statutes and regulations related to the Project’s development and its ultimate commercial operation. In the performance of the work carried out to draft the EIA, members of the community were consulted, including the local Chiefs.

Project Execution Plan

The overall project execution plan balances the aggressive schedule with a regionally-robust project execution plan. As such, PLZ’s development strategy is to identify and pursue all feasible opportunities that reduce schedule of execution, whilst improving the confidence and probability of delivery. This considers a ‘fit-for-purpose’ solution through each project phase of engineering, procurement, construction and commissioning.

The execution phase key activities timeline through to commercial operations is detailed below;



ARCADIA PROJECT DELIVERY SCHEDULE

Technical success will result in a mining operation and processing plant that are able to ramp up to full production capacity in as short a time as possible. The adherence to the project schedule will be achieved through sound planning, particularly in relation to the critical path activities. PLZ will assume the role of “owner-implementing” the design and construction management through the appointment of an engineering and procurement (EP) contractor to design the plant and associated infrastructure whilst construction contractors will be appointed and managed by the owner project manager (PM).

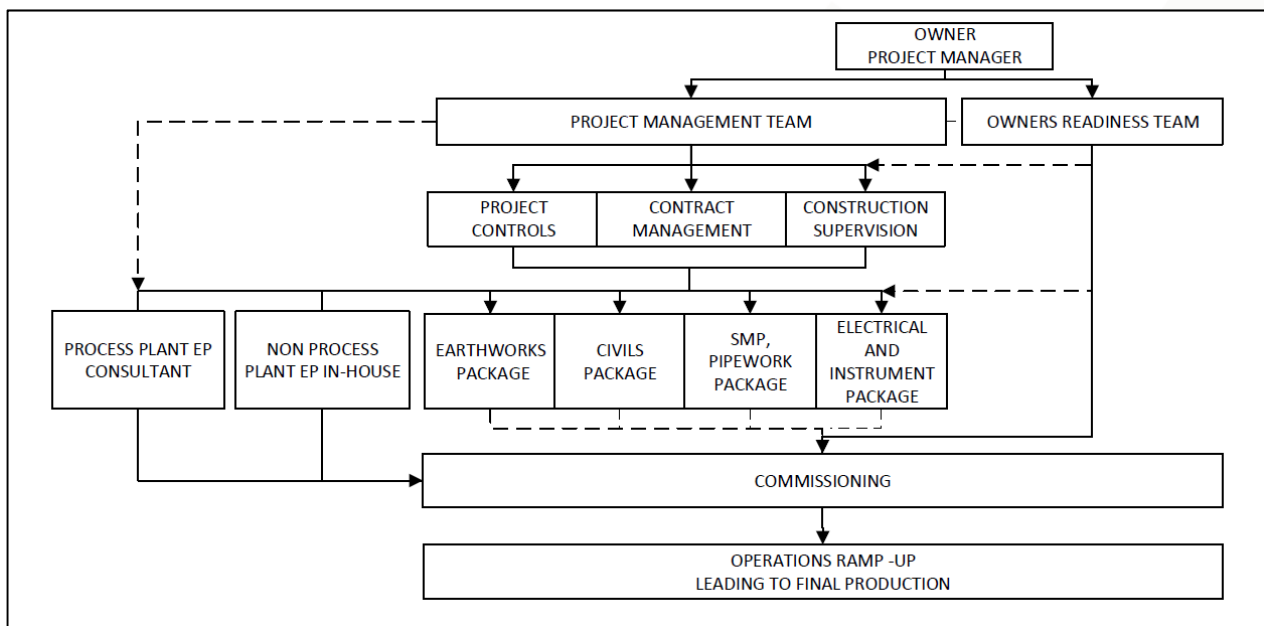
Scope and Execution Strategy

The scope of the Project includes the mine development, process design, engineering, detailed design of the facilities, all construction management, commissioning and operational readiness to enable mine and plant production to be achieved.

PLZ’s appointed Project Management Team (PMT) will manage the total project scope. This scope can be divided into three major areas:

- The design, construction and commissioning of the processing plant and associated infrastructure.
- The development of the mine and its associated haul roads.
- The development of the non-process plant infrastructure.

The PLZ PMT will adopt a strategy where they are responsible for the management of the EP contractor, who in turn will be responsible for process plant and associated infrastructure in an integrated format for the duration of the project through to nameplate production. The EP contractor will primarily provide the technical capability to secure continuity of project design through the execution phases.



PROJECT ORGANISATION STRUCTURE

The various phases of mine development comprising design and approvals have been completed. The mining contractor has been appointed and the Mining Services Contract finalised. The establishment of mining site facilities and workshops are underway. Mobilisation of the mining contractor will commence 3 months prior to construction starting.

Contracting and Procurement Strategy

The procurement strategy comprises simple consistent processes and procedures allowing the PMT to manage and execute the procurement activities. The procurement strategy will:

- Identify critical long lead time items and procure said items as early as possible.
- Pre-select sole source suppliers.
- Use standardised designs where possible, utilising existing 'fit-for-purpose' solutions,
- Maximise the use of supplier's systems to support the management process.
- Identify logistics requirements and include plan to ensure no impact on Project delivery.
- Select purchasing strategies to achieve critical schedule milestones, without compromising the Project's overall requirements / compliance with internal policies / procedures.

Health and Safety

All aspects of the Project will comply with relevant legislation and current international industrial practice. PLZ's principle health and safety objective is to develop a culture and install processes to ensure the safety and health of all employees, contractors and stakeholders.

Construction

The plan defines the responsibilities of all parties during construction to ensure that they are undertaken in a safe and organised manner. It is planned that a balance of EPC and re-measurement contracts will constitute the majority of services required to deliver the development phase of the Project.

Project Controls

Effective project controls are critical to the successful ongoing management, and ultimately the successful completion of the Project. The controls provide relevant and consistent budget, costs and schedule audit and reporting to the PMT. This provides the tools to efficiently manage the Project at the level of detail necessary to meet Project objectives.

Project Critical Path

The PMT intends to continuously monitor and manage the critical path, allowing real-time decision making around project control. There are no items on the Project critical path that represent particular risk. 'Fit-for-purpose' modular processing equipment has been selected and is readily available.

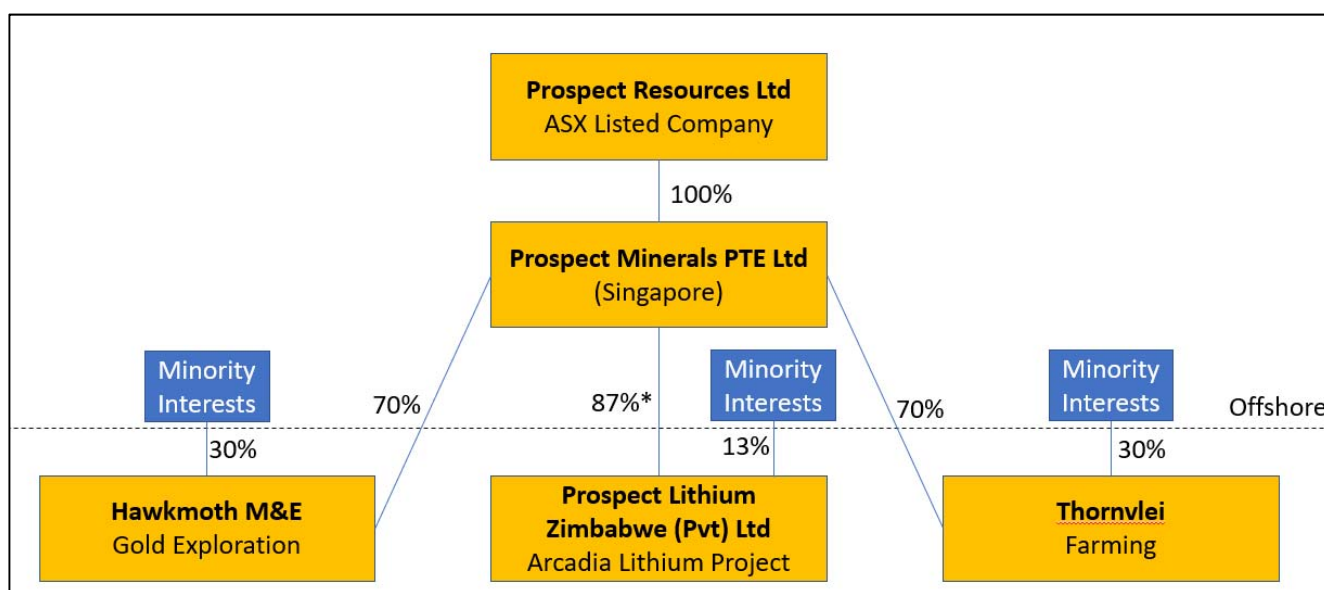
Operational Readiness

The aim of operational readiness is a smooth transition from Project delivery to first production. This is best achieved through continuity of key personnel through project execution. Operational readiness will be developed in parallel with Project construction.

Legal and Administrative Framework

Mining Lease and Ownership Structure

The Arcadia lithium project is situated within the boundaries of mining lease number 38 dated 16 August 2018 (Mining Lease). The Mining Lease is wholly owned by PLZ.



PROSPECT RESOURCES ORG CHART (ZIMBABWE)

*Subject to approvals as described below

Prospect currently owns 70% of PLZ through its wholly owned subsidiary Prospect Minerals Pte Ltd. Prospect has agreed to acquire the 17% minority interest in PLZ owned by Farvic Consolidated Mines Pvt Ltd (Farvic). The purchase is subject to shareholder approval and approval from the Zimbabwe Reserve Bank. On completion of that acquisition, Prospect will effectively own 87% of PLZ. The remaining 13% minority interest in PLZ is free carried to production.

The Mining Lease land is currently the subject of a government granted farm lease. The farm is operated in a joint venture pursuant to an arrangement between the lessee and Prospect’s 70% owned subsidiary, Thornvlei Farming Enterprises (Pvt) Ltd. Pursuant to a further agreement dated 28 January 2017 between the lessee and PLZ, the lessee has granted PLZ various rights permitting it to access, construct and operate a mine on the farm.

The sale of minerals is governed by the Minerals Marketing Corporation Zimbabwe (MMCZ). Agreement has been reached with the MMCZ on rates and procedures.

PLZ and Sinomine Resource (Hong Kong) International Trading Co., Limited have entered into the Spodumene and Petalite Definitive Offtake Agreement (Offtake Agreement). The Offtake Agreement has a term of seven years delivering 280 000 tonnes 6% Li₂O spodumene concentrate and 784 000 tonnes 4% Li₂O petalite concentrate. This represents approximately 30% of annual production.

Consultants and Contributions

Prospect Resource's Arcadia Definitive Feasibility Study work has been completed to the highest standard with valued input and inclusions from a collection of best in class independent consultants and contractors; including:

Contribution	Author
Resource Definition	Roger Tyler MEng (Mineral Resource Evaluation), BSc (Mining Geology), MAusIMM, MSAIMM, ARSM, SACNASP (PLZ)
Resource Modelling	Ms. Gayle Hanssen BSc Geology (Natal), SACNASP of DMS, Zimbabwe
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Geotechnical Services	Practara Ltd of Johannesburg South Africa
Mine Planning	David Miller BE (Mining), MAusIMM (PSC)
Environmental Impact Assessment	Evans Matandeni of Envirosmat Consultancy
Hydrogeological Assessment	Constant Chuma of Zimbabwe
Metallurgy	Mike Kitney MSc MAusIMM (PSC)
Tailings Disposal Facility Design	Chris Rees (PLZ); Blonton of Bulawayo, Zimbabwe
Preliminary Process Design	DRA Global, Johannesburg South Africa
Process Design Review	ADP Marine & Modular, Cape Town South Africa
Final Engineering Cost Estimate	ADP Marine & Modular, Cape Town South Africa
HSE Management Plan	ADP Marine & Modular, Cape Town South Africa
Project Execution Plan	ADP Marine & Modular, Cape Town South Africa
Quality Management Plan	ADP Marine & Modular, Cape Town South Africa
Electrical Network Analysis	Norconsult of Zimbabwe
Transport Fleet Study	JJ Transport, Zimbabwe
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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC) is an ASX listed, Africa-focused, Lithium and Battery Minerals company based in Perth with operations in Zimbabwe, and exploration activities in Zimbabwe and the DRC. Prospect's flagship project is the Arcadia Lithium Project located on the outskirts of Harare in Zimbabwe. The Arcadia Lithium Project represents a globally significant hard rock lithium resource and is being rapidly developed by Prospect's experienced team, focusing on near term production of petalite and spodumene concentrates.

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.

Competent Persons Statements

The information in this announcement that relates to Mineral Resources is based on information compiled by or under the supervision of Ms Gayle Hanssen of Digital Mining Services, Harare Zimbabwe. Ms Hanssen is registered as Professional Scientist with the South African Council for Professional Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO). Ms Hanssen is employed by DMS and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Ms Hanssen consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this study that relates to Ore Reserves is based on information compiled by or under the supervision of Mr David Miller, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Miller is Prospect Resources' Marketing Consultant. Mr Miller 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 JORC Code 2012 Edition. Mr Miller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.