PROSPECT RESOURCES LIMITED

ACN 124 354 329

Notice of Extraordinary General Meeting

Explanatory Statement

& Proxy Form

Time:	9.00am (Perth time)
Date:	11 June 2019
Place:	Prospect Resources Limited Suite 6, 245 Churchill Avenue Subiaco WA 6008

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. Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 8072 1400.

Contents

Date, time and place

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00am (Perth time) on 11 June 2019 at: Suite 6, 245 Churchill Avenue Subiaco WA 6008.

Your vote is important

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

Voting in person

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

Voting by proxy

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

1. 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 'Meetings' – 'Vote'.

   To use the online lodgement facility, Shareholders will need their holding number (Security holder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form.

2. Complete and sign the enclosed Proxy Form and return:
   - by post to:

     Automic
     GPO Box 5193
     Sydney NSW 2001

   - by hand to:

     Automic
     Level 5, 126 Phillip Street
     Sydney NSW 2000

   - by email to:

     meetings@automicgroup.com.au

Your Proxy Form 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 lodged 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.

Defined terms

Capitalised terms used in this Notice have the same meanings set out in the Glossary in the Explanatory Statement attached to this Notice, unless otherwise defined.

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Prospect Resources Limited ACN 124 354 329 will be held at 9.00am (Perth time) on 11 June 2019 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement 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 Extraordinary General Meeting are those who are registered Shareholders at 9.00am (Perth time) on 9 June 2019.

Resolutions

1. Resolution 1 – 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 2, 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 1 by or on behalf of:

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

(b) an Associate of that party (or those parties).

However, the Company need not disregard a vote if:

(i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – 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 1, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 94,976,800 Consideration Shares (on a pre-Consolidation basis) 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 2 by or on behalf of:

(a) Farvic (or its nominee(s)); or

(b) an Associate of a person described in (a).

However, the Company need not disregard a vote if:

(i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the Proxy Form; or

(ii) it is cast by the Chair as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Share Consolidation

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

"That, for the purposes of section 254H of the Corporations Act and for all other purposes, with effect from 13 June 2019 (or such other date that is notified to the ASX by the Company) the issued share capital of the Company be consolidated on the basis that:

(a) every 10 Shares in the capital of the Company be consolidated into 1 Share;

(b) the Options on issue be adjusted in accordance with Listing Rule 7.22.1; and

(c) where the number of Shares or Options held by a member of the Company as a result of the consolidation effected by paragraphs (a) and (b) of this Resolution includes a fraction of a Share or Option, the Company be authorised to round that fraction up to the nearest whole Share or Option."

4. Resolution 4 – Approval of Option Plan

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 7.1, 7.1A, 7.2 Exception 9(b) and 10.14 and for all other purposes, approval is given for the Company to adopt the Option Plan and issue securities at the discretion of the Board in accordance with the provisions of the Option Plan and 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 4:

(a) by, or on behalf of, a Director (except a Director who is ineligible to participate in the Option Plan) or an Associate of those Directors; and

(b) by, or on behalf of, a person who is a member of the KMP on the date of the Meeting and their closely related parties.

However, the Company need not disregard a vote if it is cast by a person entitled to vote:

(i) in accordance with the direction on the Proxy Form; or

(ii) if it is cast by the Chair as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides even though the Resolution is connected with the remuneration of a member of the KMP.

Dated: 2 May 2019
BY ORDER OF THE BOARD

Andrew Whitten
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 9.00am (Perth time) on 11 June 2019 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

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 Meeting are set out below.

1. BACKGROUND TO THE RESOLUTIONS

1.1 Ownership of Prospect Lithium Zimbabwe

The principal activity of the Company is mining exploration. The Company has operations in Australia, Zimbabwe and the Republic of Congo. 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%).

1.2 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).

1.3 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 94,976,800 fully paid ordinary shares (on a pre-Consolidation basis) (**Consideration Shares**) to Farvic and pay Farvic $1,187,210 in cash.

1.4 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:

(i) any approval of the Company's Shareholders required by the ASX Listing Rules;

(ii) 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

(iii) 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 94,976,800 Consideration Shares (on a pre-Consolidation basis) to Farvic and pay Farvic $1,187,210 in cash as further detailed below:

	Transfer Shares	Consideration Shares (on a pre-Consolidation basis)	Consideration funds
	227	94,976,800	N/A
	113	N/A	$1,187,210
TOTAL	**340** (17% of the total shares of Prospect Lithium Zimbabwe on issue)	**94,976,800**	**$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.

1.5 Advantages and disadvantages of the acquisition of shares in Prospect Lithium Zimbabwe

The Independent Expert's Report 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 4.64%; 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.

2. RESOLUTION 1 – ACQUISITION OF SHARES IN PROSPECT LITHIUM ZIMBABWE

2.1 ASX Listing Rules 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 part 1.1 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 2018) were $27,445,000. 5% of this amount is $1,372,250.

For the purposes of Resolution 1, 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 $1,709,582 (based on a Share price of $0.018) 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.

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.

2.2 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report prepared by Stantons International Securities and set out in Annexure A 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 Independent Expert's Report 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 Independent Expert's Report carefully to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

2.3 Directors' recommendation

The Directors, other than Messrs Greaves and Rusike (who decline to give a recommendation in respect of Resolution 1 or 2 due to their respective potential interests in those Resolutions), unanimously recommend that Shareholders vote in favour of Resolution 1.

3. RESOLUTION 2 – ISSUE OF CONSIDERATION SHARES TO FARVIC

3.1 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires that an entity obtain shareholder approval where the entity issues, or agrees to issue, securities to a Related Party, or to a person whose relationship with the entity (or a Related Party to the entity) is, in ASX's opinion, such that shareholder approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Issue of shares

In consideration for 17% of the shares in Prospect Lithium Zimbabwe, the Company proposes to issue 94,976,800 Consideration Shares (on a pre-Consolidation basis) to Farvic.

Relevant relationship

For the reasons set out in part 2.1 of this Explanatory Statement, the Directors are of the view that the relationship between the Company and Farvic is such that Shareholder approval should be obtained for the issue of Consideration Shares to Farvic.

Requirement for Shareholder approval

On the basis of the above, the Directors consider that the issue of Consideration Shares to Farvic will constitute an issue of securities to 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 issue of the Consideration Shares under ASX Listing Rule 10.11. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

3.2 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 2:

(a) The Consideration Shares to be issued pursuant to Resolution 2 will be issued to Farvic (or its nominee).

(b) The maximum number of Consideration Shares to be issued pursuant to Resolution 2 is 94,976,800 (on a pre-Consolidation basis).

(c) The Consideration Shares to be issued pursuant to Resolution 2 will be issued no later than 1 month after the date of the Meeting (or such later date permitted by any ASX waiver or modification of the ASX Listing Rules). It is intended that all Consideration Shares to be issued pursuant to Resolution 2 will be issued on the same date.

(d) The relationship between Farvic and the Company is as described in part 1.1 and 1.2 of this Explanatory Statement.

(e) Based on the cash component of the consideration under the PLZ Agreement, the Consideration Shares will be issued at an implied issue price of 2.5 cents per Consideration Share. We note the Independent Expert's Report gives a preferred value of 2.4 cents per Share, with a low value of 1.8 cents and high value of 3 cents per Share (refer to paragraph 6.5.2 on page 15 of the Independent Expert's Report).

    The Consideration Shares to be issued pursuant to Resolution 2 will be 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.

(f) The voting exclusion statement set out in Resolution 2 applies to Resolution 2.

(g) The Consideration Shares issued pursuant to Resolution 2 will be issued for nil cash consideration. Accordingly, no funds will be raised.

3.3 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 Messrs Greaves and 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.

3.4 Directors' recommendation

The Directors, other than Messrs Greaves and Rusike (who decline to give a recommendation in respect of Resolution 1 or 2 due to their respective potential interest in those Resolutions), unanimously recommend that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – SHARE CONSOLIDATION

4.1 Background

Resolution 3 seeks Shareholder approval for the Company to consolidate its issued share capital through the consolidation of every 10 Shares into 1 Share, and every 10 Options into 1 Option.

Under section 254H of the Corporations Act, the Company may convert all or any of its shares into a larger or smaller number of shares by ordinary resolution passed at a general meeting.

This section of the Explanatory Statement provides the information required by Listing Rule 7.20 to be provided to Shareholders in relation to the Consolidation.

4.2 Purpose of the Consolidation

The Company currently has a large number of Shares on issue (2,046,114,971 Shares as at the date of this Explanatory Statement). The Consolidation will result in a more appropriate and effective capital structure for the Company and is intended to result in a Share price more appealing to a wider range of investors.

4.3 Effect of the Consolidation

Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below:

Capital structure	Shares	Options[3]
Pre-Consolidation	2,046,114,971	160,000,000
Issue of Consideration Shares pursuant to Resolution 3	94,976,800	Nil
Post-Consolidation (if Resolution 2 is not passed)[1]	204,611,498	16,000,000
Post-Consolidation (if Resolution 2 is passed)[2]	214,109,178	16,000,000

Notes:

1 Subject to rounding
2 Subject to rounding
3 The terms and conditions of these Options are set out below.

Shares

If Resolution 3 is approved, every 10 Shares on issue will be consolidated into 1 Share (subject to rounding). Overall this will result in the number of Shares currently on issue reducing from 2,046,114,971 to 204,611,498 (subject to rounding and not including those Shares to be issued under the other Resolutions in this Notice of Meeting).

As the Consolidation applies equally to all Shareholders, individual Shareholders will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Consolidation will have no effect on the percentage interest in the Company of each Shareholder.

The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

Options

As at the date of this Notice of Meeting, the Company has 160,000,000 unlisted Options on issue (**Options**). If the Consolidation is approved, the Options will be reorganised in accordance with the terms and conditions of the Options and Listing Rule 7.22.1 on the basis that the number of Options will be consolidated in the same ratio as the Consolidation of Shares and the exercise price will be amended in inverse proportion to that ratio.

For example, a holding of 1,000 Options with an exercise price of $0.05 each prior to the Consolidation, would be consolidated into a holding of 100 Options with an exercise price of $0.50 each after the Consolidation.

The following tables set out the Company's existing Options, their exercise prices and expiry dates, on both a pre- and post- Consolidation basis.

Pre-Consolidation Option

Number of Options	Exercise price	Expiry date
115,000,000 Options	$0.015	15 June 2019
45,000,000 Options	$0.06	12 May 2022

Post-Consolidation Options

Number of Options	Exercise price	Expiry date
11,500,000	$0.15	15 June 2019
4,500,000	$0.60	12 May 2022

The Consolidation will not result in any change in the substantive rights and obligations of existing holders of Options.

Fractional entitlements

Where the Consolidation results in an entitlement to a fraction of a Share or Option (as applicable), that fraction will be rounded up to the nearest whole number of Shares or Options.

Holding statements

With effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Consolidation.

Taxation

The Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Consolidation will be the sum of the cost bases of the original Shares pre-Consolidation. The acquisition date of Shares held after the Share Consolidation will be the same as the date on which the original Shares were acquired.

The Explanatory Statement does not consider the tax implications in respect of Shares or other securities held on review account, as trading stock or by non-Australian resident Shareholders. Shareholders should consider their own circumstances and seek professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Consolidation.

4.4 Indicative timetable

If approved by Shareholders, the proposed Consolidation will take effect on 13 June 2019. The following is an indicative timetable (subject to change) of the key events:

Event	Date
Company announces Consolidation and sends out Notice of Meeting	Monday, 13 May 2019 (latest)
Meeting	Tuesday, 11 June 2019
Notification to ASX that Consolidation is approved	Tuesday, 11 June 2019
Last day for trading in pre-Consolidation Shares	Wednesday, 12 June 2019
Trading commences in the post-Consolidation Shares on a deferred settlement basis	Thursday, 13 June 2019
Last day for Company to register transfers on a pre-Consolidation basis	Friday, 14 June 2019
First day for Company to register transfers on a post-Consolidation basis	Monday, 17 June 2019
Deferred settlement market ends. Last day for the Company to send notice to Shareholders of the change in their details of holdings.	Friday, 21 June 2019

4.5 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF OPTION PLAN

5.1 Background

The Company has adopted an Option Plan. The Board considers that the Option Plan is an appropriate method to reward employees and directors for their performance, to provide long term incentives for participation in the Company's future growth and motivate and generate loyalty from employees.

The Company is now seeking Shareholder approval for the Option Plan.

5.2 ASX Listing Rule 7.1

Listing Rule 7.1 requires shareholder approval for an issue of equity securities, if over a rolling 12 month period, the amount of equity securities issued (without shareholder approval) is more than 15% of the number of ordinary shares on issue at the start of that 12 month period. Listing Rule 7.1A requires special shareholder approval for a further issue of equity securities if, over a rolling 12 month period, the amount of equity securities issued is more than 10% of the Company's 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.2 Exception 9 provides that an issue of securities under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 and the further 10% limit under Listing Rule 7.1A if the issue of securities is made under an employee incentive scheme and that employee incentive scheme was approved by shareholders no more than 3 years before the date of issue. The Option Plan is regarded as an employee incentive scheme for the purposes of Listing Rule 7.2.

The Company intends that the issue of securities under the Option Plan not be included when undertaking the calculations pursuant to Listing Rule 7.1 and 7.1A. Accordingly, it is seeking Shareholder approval for the Company to be able to issue securities under the Option Plan and have those securities qualify under Exception 9 of Listing Rule 7.2.

Under section 208 of the Corporations Act and ASX Listing Rules 10.11 and 10.14, any specific issue of securities to a director (and/or his or her associate) or other relevant persons under an employee incentive scheme will need additional shareholder approval. The Company will seek such additional approval before issuing any securities under the Option Plan where required.

5.3 Summary of terms of the Option Plan

The key terms of the Option Plan are set out below:

Eligibility

The Board may determine that any full or part-time employee or director of the Company and its subsidiaries is eligible to participate in the Plan (**Eligible Person**).

Administration of the Option Plan

The Board is responsible for the administration of the Option Plan and has a broad discretion to determine which Eligible Persons will be offered Employee Options under the Option Plan.

Invitation

Subject to the Option Plan rules and the Listing Rules, the Company may invite Eligible Persons to apply for Employee Options under the Option Plan at such times and on such terms as the Board decides from time to time including as to:

(a) the number of Employee Options for which that Eligible Person may apply;

(b) the exercise price, exercise period and expiry date of the Employee Options;

(c) whether the Employee Options must be or are able to be satisfied by the payment of cash on exercise;

(d) any vesting conditions of the Employee Options and any conditions to which any Shares acquired on the exercise of the Employee Options will be subject; and

(e) whether any restriction period will apply to any Shares acquired on the exercise of the Employee Options.

Exercise price and expiry date

The exercise price and expiry date for the Employee Options will be determined by the Board prior to the grant of the Employee Options. Employee Options not validly exercised before the expiry date will automatically lapse.

Quotation on ASX

The Company will not apply for Employee Options to be admitted to trading on ASX. An application will be made by the Company to ASX for the Shares issued upon the exercise of the Employee Options to be admitted to trading on ASX.

Transferability

Employee Options are not transferable other than to the legal personal representative of any deceased or legally incapacitated holder of Employee Options or as otherwise approved by the Board.

Shares issued on exercise of Employee Options

Shares issued or transferred on exercise of Employee Options will rank pari passu in all respects with the Company's then-issued Shares except for any rights attaching to the Shares by reference to a record date prior to the date of their allotment or transfer.

Accelerated vesting of Employee Options

Subject to the terms and conditions of grant of the Employee Options, the Board may determine that all or a portion of a participant's unvested Employee Options will vest immediately or at some future time, including:

(a) where a participant ceases to be an employee or director due to redundancy or retirement, death or disability or in circumstances other than where they resign or are dismissed for cause; and

(b) in the event of a takeover bid, a scheme of arrangement or change of control of the company, voluntary or compulsory winding up of the Company or if the Company ceases to be listed on ASX

(each being an **Event**).

If an Event occurs or the Board otherwise makes a determination to accelerate the vesting of the Employee Options, the Board may determine to reduce the exercise period of the Employee Options in its discretion.

Cashless exercise and cancellation exercise

The Board may determine that the Employee Options can be exercised via a cashless exercise (where the participant does not pay any money but receives a reduced number of Shares based on the extent to which the Options are in the money) or a cancellation exercise (where the participant forfeits a number of Employee Options in exchange for consideration based on the market value of the forfeited Options, which is immediately applied to the exercise price of the remaining Employee Options). Under Listing Rule 6.23.2, any specific cancellation of Employee Options for consideration may, if an ASX waiver is not obtained, need additional shareholder approval. If required, the Company will seek such additional approval before cancelling any Employee Options under the Option Plan.

Adjustment of Employee Options

If there is a bonus share issue to the holders of Shares, the number of Shares over which an Employee Option is exercisable will be increased by the number of Shares which the holder would have been entitled to receive if the Employee Option had been exercised before the record date for the bonus share issue.

If there is a rights issue or reorganisation of the Company's share capital (including any subdivision, consolidation, reduction or return of capital) the number of Employee Options held by a participant, exercise price of the Employee Options and/or the number and nature of Shares to which the Employee Option relates will be adjusted in the manner provided for in the ASX Listing Rules or if the ASX Listing Rules do not specify any adjustment, in the manner determined by the Board acting reasonably.

Plan limit

The Company will not offer Employee Options under the Option Plan where making the offer would breach the 5% issue limit set out in ASIC Class Order 14/1000 or equivalent individual instruments of relief granted by ASIC to the Company.

Enquiries

Shareholders are asked to contact Mr Andrew Whitten, Company Secretary, on (+61 2) 8072 1400 if they have any queries in respect of the matters set out in these documents.

Glossary

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

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.

Board means the current board of Directors of the Company.

Chair means the person chairing the Meeting.

Company means Prospect Resources Limited ACN 124 354 329.

Consideration Shares means the 94,976,800 Shares (on a pre-Consolidation basis) proposed to be issued by the Company to Farvic under the PLZ Agreement in part consideration for the Transfer Shares.

Consolidation means the consolidation for which Shareholder approval is sought under Resolution 3 of this Notice.

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.

Employee Option means a right granted under the Option Plan to acquire a Share (by transfer, issue or allocation) in accordance with the terms and conditions of grant and the Option Plan rules.

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

Extraordinary General Meeting or **EGM** or **Meeting** means an Extraordinary General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

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

Government Agency means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Independent Expert's Report means the independent expert's report prepared by Stantons International Securities and set out in Annexure A to this Notice of Meeting.

KMP or **Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of extraordinary general meeting dated 2 May 2019, including the Explanatory Statement.

Option means an option to be issued a Share.

Option Plan means the option plan adopted by the Board on 2 May 2019.

PLZ Agreement means the share swap agreement entered into on 2 October 2018 between the Company and Farvic pursuant to which the Company will acquire the Transfer Shares in consideration for the issue of the Consideration Shares and the payment of $1,187,210 in cash.

Prospect Lithium Zimbabwe means Prospect Lithium Zimbabwe (Pvt) Ltd, a private company incorporated in Zimbabwe with registration number (9123/2008).

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

Related Party has the meaning given to it by the ASX Listing Rules and the Corporations Act.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, 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 Registry Services.

Transfer Shares means 340 shares in the capital of Prospect Lithium Zimbabwe agreed to be transferred by Farvic to the Company under the PLZ Agreement.

Stantons International Securities

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN:42 128 908 289
AFS Licence No: 448697
www.stantons.com.au

20 March 2019

The Directors
Prospect Resources Limited
6/245 Churchill Avenue
SUBIACO WA 6008

Dear Sirs

RE: PROSPECT RESOURCES LIMITED ("PROSPECT" OR "THE COMPANY") (ACN 124 354 329) - INDEPENDENT EXPERT'S REPORT RELATING TO THE OWNERSHIP RESTRUCTURE OF THE ARCADIA LITHIUM PROJECT

Summary of Opinion

After taking into account all of the factors noted in this report, we are of the opinion that as at the date of this report, the proposed ownership restructure transaction is **fair and reasonable** to the non-associated shareholders of Prospect.

1. BACKGROUND

1.1 We have been requested by the directors of Prospect to prepare an Independent Expert's Report ("**IER**") to determine whether a proposed ownership restructure, relating to Prospect's Arcadia lithium project ("**Arcadia**") as described below, is fair and reasonable to the shareholders of Prospect who are not associated with the proposed Transaction (as defined below).

1.2 Prospect currently owns approximately 70% of Arcadia, held through a partially owned subsidiary, Prospect Lithium Zimbabwe Pvt Ltd ("**PLZ**") alongside other minority shareholders including Farvic Consolidated Mines Pvt Ltd ("**Farvic**") and others.

1.3 The restructure will involve a share swap with Farvic such that Prospect will issue 94,976,800 new shares in Prospect, plus $1,187,210 in cash, to Farvic in exchange for an additional 17% interest in PLZ to take Prospect's ownership interest in PLZ to 87%. The proposals with Farvic are known in this report as the "**Transaction**".

1.4 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.

1.5 For the purposes of ASX 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. A 17% interest in PLZ is considered to be a substantial asset of Prospect.

1.6 Furthermore, two Farvic directors and substantial holders of Farvic, Mr Harry Greaves and Mr Zed Rusike, are also directors of Prospect. Whilst Farvic is technically not considered to be a related party of Prospect, due to the relationship the Prospect directors have decided that that shareholder approval should be sought for the acquisition of a substantial asset from Farvic.

1.7 Prospect intends to seek shareholder approval at a general meeting for the proposed Transaction. The restructure transaction will be referred to in the Notice of Meeting ('**Notice**") and the Explanatory Memorandum ("**EM**") attached to the Notice to be forwarded to shareholders.

1.8 Apart from this background introduction, this report includes the following:

- Summary of opinion
- Implications of the proposed Transaction
- Profile of Prospect
- Valuation methodology
- Valuation of Prospect shares
- Valuation of Arcadia stake
- Notionally combined equity
- Value and fairness of consideration compared to value of assets acquired
- Reasonableness of the Transaction for Prospect shareholders
- Conclusion as to fairness and reasonableness of the Transaction
- Shareholders decision
- Sources of information
- Appendices A and B (the independent valuation report of Dunbar Resource Management as noted below) and our Financial Services Guide.

2. SUMMARY OPINION

2.1 In determining the fairness and reasonableness of the Transaction to the non-associated shareholders of Prospect, we have had regard to the guidelines set out by ASIC in its *Regulatory Guide 111: Content of Expert Reports* ("**RG 111**"). RG 111 states that an opinion as to whether a transaction is fair and/or reasonable shall entail a comparison between the consideration being paid and the value that may be attributed to the assets being acquired (fairness). Additionally, it should include an examination to determine whether there is justification for the offer price on qualitative grounds after reference to that value (reasonableness). An offer is "fair" if the value of the consideration offered is equal to or greater than the value of the securities that are subject to the offer and an offer is "reasonable" if it is "fair", or where it is not fair, it may still be "reasonable" after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

Our report relating to the Transaction is concerned with the fairness and reasonableness of the Transaction for Prospect shareholders who are not associated with the Transaction, i.e. all Prospect shareholders other than Farvic.

2.2 **After taking into account all of the factors noted in this report, we are of the opinion that the proposed Transaction is <u>fair and reasonable</u> to the non-associated shareholders of Prospect as at the date of this report.**

Our opinion should not be construed to represent a recommendation as to whether or not Prospect shareholders should approve the Transaction. Shareholders who are uncertain as to the impact of approving the Transaction should seek separate advice from their financial and/or taxation adviser.

2.3 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the independent technical valuation report prepared by Dunbar Resource Management (the "**Dunbar Report**") dated 20 March 2019, attached as Appendix B of this report

3. IMPLICATIONS OF THE PROPOSED TRANSACTION

3.1 As at the date of this report, the equity capital structure of Prospect is as follows:

Security	Number
Fully paid ordinary shares	2,046,114,971
Unlisted options, exercisable at 1.5 cents, expires on 15/06/2019	115,000,000
Unlisted options, exercisable at 6 cents, expires on 12/05/2022	45,000,000
Total securities on issue	**2,206,114,971**

3.2 Should the Transaction proceed, it will have the following effect on Prospect's capital structure:

	Ordinary shares only	%	Fully diluted basis	%
Existing securities on issue	2,046,114,971	95.6%	2,206,114,971	95.9%
Additional issue to Farvic	94,976,800	4.4%	94,976,800	4.1%
Post transaction	2,141,091,771	100.0%	2,301,091,771	100.0%

3.3 Prospect's statement of financial position is detailed in Section 4.4. The Transaction will have the following impact on Prospect's financial position:

- Increase Prospect's ownership of Arcadia from 70% to 87%
- Decrease Prospect's cash position by the payment to Farvic of $1,187,210

4. PROFILE OF PROSPECT

4.1 Principal Activities

Prospect is a battery minerals focused company based in Perth with operations in Zimbabwe, and exploration activities in Zimbabwe and the Democratic Republic of Congo ("**DRC**").

Prospect's primary focus is the development of the Arcadia lithium project located near Harare, Zimbabwe. 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 was subsequently updated, confirming 26.9Mt at 1.31% Li_20.

On 19 November 2018, a definitive feasibility study ("**DFS**") was announced by Prospect, which did not alter the resources or reserves but expanded the processing rate from 1.2Mt/a to 2.4Mt/a.

Prospect currently holds a 70% ownership interest in Arcadia however is responsible for contributing 100% of the costs towards the development of the project. The other minority owners are free carried by Prospect.

Prospect also holds the following exploration projects:

- Good Days – a lithium prospect in Zimbabwe
- Penhalonga – a gold prospect in east Zimbabwe near the Mozambique border
- Chisanya – a phosphate prospect in Zimbabwe
- Gwanda East – a gold prospect in southern Zimbabwe

Other ancillary business activities conducted by Prospect include:

- a farm lease for the purpose of mitigating issues with developing Arcadia; and
- trading related to the use of foreign currency to buy and sell merchandise to domestic Zimbabwe entities.

4.2 Directors of Prospect

The directors of Prospect are:

- Hugh Warner (Executive Chairman)
- Sam Hosack (Managing Director)
- Duncan (Harry) Greaves (Executive Director)
- Gerry Fahey (Non-Executive Director)
- Zed Rusike (Non-Executive Director)
- HeNian Chen (Non-Executive Director)

4.3 Top Shareholders

As at 26 September 2018, the top 20 shareholders of Prospect as disclosed in Prospect's Annual Report were as follows:

Rank	Name	Number held	%
1	Pershing Australia Nominees Pty Ltd <Phillip Securities (HK) A/C>	229,583,188	11.59%
2	Sinomine International Exploration (Hong Kong) Co Ltd	166,666,667	8.41%
3	MBM Capital Partners LLP	141,250,000	7.13%
4	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client Drp>	114,038,788	5.76%
5	Armoured Fox Capital Proprietary Limited	99,410,889	5.02%
6	Mr Hugh Warner & Ms Dianne Warner <CBM Superfund A/C>	66,333,334	3.35%
7	Elliot Holdings Pty Ltd <CBM Family A/C>	59,166,667	2.99%
8	HSBC Custody Nominees (Australia) Limited	58,732,507	2.96%
9	J P Morgan Nominees Australia Limited	45,826,894	2.31%
10	Citicorp Nominees Pty Limited	40,670,845	2.05%
11	Mr Jiumin Yan	37,250,511	1.88%
12	Mr Zizhao Shang	25,502,107	1.29%
13	Willec Holdings Pty Ltd <The Lechner Family A/C>	24,000,000	1.21%
14	Continental Minerals Limited	22,439,891	1.13%
15	Wingfield Investments Limited	22,395,589	1.13%
16	Mr Zhijun Hong	21,200,348	1.07%
17	Mr Min Zhou	20,915,000	1.06%
18	Mrs Bin Zhou	20,656,735	1.04%
19	Delfro Limited	20,000,000	1.01%
20	Mr Paul Murray West	18,200,000	0.92%
	Total	**1,254,239,960**	**63.31%**
	Other shareholders	726,875,011	36.69%
	Total shares on issue	**1,981,114,971**	**100.00%**

We also note an additional 5,000,000 shares were issued on 11 October 2018, and 60,000,000 on 19 November 2018, through the exercise of options so that as at 19 March 2019 the number of shares on issue total 2,046,114,971.

4.4 Financial Position

Set out below is Prospect's audited statement of financial position as at 30 June 2018, adjusted for:

- exploration and administration/corporate costs between 1 July 2018 and 31 December 2018 of $8,326,000 ($7,139,000 on exploration expenditure/project development) in accordance with Prospect's December 2018 Quarterly Cash Flow Statement; and
- estimated expenditure between 31 December 2018 and 19 March 2019 of $2,967,000 ($1,333,000 on exploration expenditure), based on the estimated expenditure disclosed in Prospects' December Quarterly Cash Flow Statement.

	Audited 30 June 2018 A$000	Cash flows to 31/12/18 A$000	Estimated expenditure A$000	Adjusted A$000
Assets				
Current Assets				
Cash and cash equivalents	16,393	(8,326)	(2,967)	5,100
Trade and other receivables	325			325
Inventories	228			228
Other current assets	365			365
Total Current Assets	**17,311**	**(8,326)**	**(2,967)**	**6,018**
Non-Current Assets				
Property plant and equipment	1,358	750		2,108
Exploration and evaluation expenditure	11,430	7,139	1,333	19,902
Intangible assets	151			151
Total Non-Current Assets	**12,939**	**7,889**	**1,333**	**22,161**
Total Assets	**30,250**	**(437)**	**(1,633)**	**28,180**
Liabilities				
Current Liabilities				
Trade and other payables	1,217			1,217
Tax liabilities	251			251
Total Current Liabilities	**1,468**	**-**	**-**	**1,468**
Provisions	41			41
Total Non-Current Liabilities	**41**	**-**	**-**	**41**
Liabilities	**1,509**	**-**	**-**	**1,509**
Net Assets	**28,741**	**(437)**	**(1,633)**	**26,671**
Equity				
Contributed equity	56,736	325		57,061
Reserves	10,483	254		10,737
Accumulated losses	(37,526)	(1,016)	(1,633)	(40,175)
Total equity attributable to shareholders of parent company	**29,693**	**(437)**	**(1,633)**	**27,623**
Non-controlling interests	(952)			(952)
Total Equity	**28,741**	**(437)**	**(1,633)**	**26,671**

4.5 Financial Performance

A summarised statement of comprehensive income for Prospect for the years ended 30 June 2017 and 30 June 2018 is set out below.

	2018 A$000	2017 A$000
Revenue from continuing operations	3,892	110
Cost of sales	(2,575)	-
Depreciation expense	(61)	(99)
Employee benefits expenses	(707)	(797)
Exploration and evaluation expenditure expensed	(1,565)	(1,506)
Impairment of exploration and evaluation expenditure	(651)	-
Impairment of mine properties	-	(1,770)
Occupancy expenses	(52)	(57)
Project generation expense	(705)	(400)
Share based payment – options expense	(547)	(6,628)
Other administrative expenses	(2,430)	(1,647)
Loss before tax	**(5,401)**	**(12,794)**
Income tax	(239)	-
Loss after tax	**(5,640)**	**(12,794)**
Other comprehensive profit/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	525	(147)
Other comprehensive profit/(loss) for the year, net of tax	**525**	**(147)**
Total comprehensive loss for the year	**(5,115)**	**(12,941)**
Loss attributable to:		
Equity holders of the Company	(5,581)	(11,989)
Non-controlling interests	(59)	(805)
	(5,640)	**(12,794)**
Total comprehensive loss attributable to:		
Equity holders of the Company	(5,206)	(12,136)
Non-controlling interests	91	(805)
	(5,115)	**(12,941)**

In assessing Prospect's financial position and objectives, it is unlikely to pay dividends to ordinary shareholders in the near future. The Company will assess whether dividends may be paid in the future if Arcadia enters into production (proposed but not guaranteed) and cash flows are positive.

5. VALUATION METHODOLOGY

5.1 Criteria for Assessment of Fairness and Reasonableness

In forming our opinion as to whether the Transaction is in the best interest of the non-associated shareholders of Prospect, we have considered the following definitions of "fair" and "reasonable" outlined in RG 111.

- A transaction is "fair" if the value of the assets being acquired is equal to or greater than the value of the consideration being paid for them.

- A transaction is "reasonable" if it is fair, or where it is "not fair", it may still be "reasonable" after considering other significant factors which support the approval of the transaction.

Under these definitions, the Transaction would be considered fair and reasonable to the non-associated shareholders of Prospect if the value of the stake in PLZ being acquired by Prospect in the Transaction is an amount that is equal to, or greater than, the assessed value of the shares in Prospect being issued plus the cash payment to Farvic.

5.2 Valuation Methodology

In assessing the value of both Prospect and Arcadia, we have considered a range of valuation methods in accordance with RG 111. The valuation methodologies we have considered in determining a fair value of Prospect shares and Arcadia are noted below.

5.2.1 Capitalisation of Future Maintainable Earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects the business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady historical and forecast earnings, regular capital expenditure requirements and a non-finite expected life. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect the risk and growth profile of the FME.

5.2.2 Discounted Future Cash Flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments with equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses or projects with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5.2.3 Net Asset Value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets
- Liquidation of assets
- Net assets on a going concern

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders assuming the entity is wound up in an orderly manner, after payment of all liabilities including realisation costs and taxation charges that arise. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method (herein defined as "**Net Assets**"), estimates the market values of the net assets of an entity, but does not take into account any realisation costs. Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net Assets basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

Asset based methods ignore the possibility that an entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

5.2.4 Quoted Market or Trading Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market, or trading, price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the company. The use of ASX pricing is more relevant where a security displays regular trading with sufficient liquidity, representative of an efficient market in that security.

5.2.5 Alternative Transaction

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable (i.e. other terms and conditions of each offer need to be considered) and to make adjustments accordingly.

6. VALUATION OF PROSPECT SHARES

6.1 Valuation Method Adopted for Prospect

The preferred valuation method used to value the shares of Prospect is the Net Asset value method although consideration has also been given to recent trading prices of Prospect shares. In order to determine the Net Asset value of Prospect, we have instructed an independent technical expert, Dunbar Resource Management specialising in the valuation of mineral assets, to provide a range of values for Prospect's mineral assets. The Dunbar Report dated 20 March 2019 is appended to this report as Appendix B.

We have not considered the FME and DCF methods as appropriate to value the shares of Prospect. Prospect currently generates revenue from trading activities as described in Section 4.1 however these activities:

- are not considered Prospect's focus and are ancillary to the development of Arcadia;
- are not considered to represent sustainable businesses that would justify a DCF or FME approach; and
- are not material to Prospect's financial position.

Accordingly, we do not consider that implying a goodwill value to these business activities would be appropriate and accordingly the value of these business activities is incorporated into the Net Asset based valuation.

Dunbar Resource Management has considered potential cash flows in valuing Arcadia based on existing JORC 2012 ore reserves in determining a value for the Arcadia Project.

To our knowledge, as at the date of this report there has not been any offers made for Prospect, thus the use of an offer based method is not relevant for the purposes of this report.

Set out in section 6.3 is a summary of the recent traded prices of Prospect shares on ASX since 1 March 2018.

6.2 Adjusted Net Asset Based Value of Prospect Shares

Set out below is Prospect's adjusted net assets as at 30 June 2018 based on Prospect being a going concern. The low, preferred and high valuation figures reflect adjustments to the value of Prospect's exploration expenditure in accordance with the technical valuations of Prospect's mineral interests as described in Section 6.2.1. Furthermore, intangible assets have been removed to reflect the realisation value of Prospect's tangible net assets.

	Ref	Adjusted 30 June 2018 $000	Low $000	Preferred $000	High $000
Assets					
Current Assets					
Cash and cash equivalents		5,100	5,100	5,100	5,100
Trade and other receivables		325	325	325	325
Inventories		228	228	228	228
Other current assets		365	365	365	365
Total Current Assets		**6,018**	**6,018**	**6,018**	**6,018**
Non-Current Assets					
Property plant and equipment		2,108	2,108	2,108	2,108
Exploration and evaluation expenditure	6.2.1	19,902	63,000	92,000	138,000
Intangible assets		151			
Total Non-Current Assets		**22,161**	**65,108**	**94,108**	**140,108**
Total Assets		**28,180**	**71,126**	**100,126**	**146,126**
Liabilities					
Current Liabilities					
Trade and other payables		1,217	1,217	1,217	1,217
Tax liabilities		251	251	251	251
Total Current Liabilities		**1,468**	**1,468**	**1,468**	**1,468**
Provisions		41	41	41	41
Total Non-Current Liabilities		**41**	**41**	**41**	**41**
Liabilities		**1,509**	**1,509**	**1,509**	**1,509**
Net Assets (before minority interests)		**26,671**	**69,617**	**98,617**	**144,617**
Minority interests		(952)	(18,900)	(27,600)	(41,400)
Net Assets (after minority interests)		**25,719**	**50,717**	**71,017**	**103,217**
Number of shares on issue (M)		2,046	2,046	2,046	2,046
Value per Prospect share - control basis (cents)			**2.48**	**3.47**	**5.04**
Discount for minority interest basis			30%	30%	30%
Value per Prospect share - minority interest basis (cents)			**1.74**	**2.43**	**3.53**

As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We have been advised that Prospect has not been involved in any significant (material) transactions subsequent to 30 June 2018 not already referred to in this report or disclosed via ASX announcements.

On a Net Asset basis using technical values for mineral interests in accordance with Dunbar Report, Prospect's shares (on a minority interest basis) may be worth between 1.74 cents and 3.53 cents, with a preferred value of 2.43 cents.

6.2.1 Technical Valuation of Prospect's Mineral Interests

The value of exploration expenditure has been adjusted to reflect the values described in the Dunbar Report.

Arcadia is considered to be a development ready project with JORC 2012 ore reserves and having been subject to a DFS, Dunbar have considered both income and market based methodologies to value 100% of the Arcadia project.

Prospect's additional projects are considered to be early stage exploration projects and the value of these projects is not considered to be material.

Dunbar has utilised modelling from the 2018 DFS, prepared by Prospect, and applying their own technical judgements. The following assumptions and adjustments to the model used in the 2018 DFS have been made by Dunbar Resource Management:

- Spodumene price of US$610/t and pentalite price of US$405/t
- An increase in the (weighted average cost of capital) discount rate to a range of 18% to 25% with a preferred rate of 22% to factor in the likely cost of project financing, taking into account specific country risks of operating in Zimbabwe
- Increasing the capital expenditure cost for the project to $165 million
- A US$/A$ exchange rate of 0.70801

Further details on the assumptions used and adjustments made are referred to in the Dunbar Report attached as Appendix B to this report.

The adjusted range of values for Prospect's mineral interests is summarised below.

	Low	Preferred	High
Arcadia value (per Dunbar Report) (A$000)	63,000	92,000	138,000
Prospect's interest (%)	70%	70%	70%
Prospect's interest in Arcadia (A$000)	**44,100**	**64,400**	**96,600**
Minorities' interest (%)	30%	30%	30%
Minorities' interest in Arcadia (A$000)	**18,900**	**27,600**	**41,400**

We note that whilst the legal ownership of Arcadia is held 70% by Prospect and 30% by minority shareholders, that responsibility for the project costs is borne 100% by Prospect. We have not adjusted for the allocation of cost responsibility but note as a result, the fair value of Prospect's stake in Arcadia is more likely to be in the low to preferred range and the value of the minorities' interests is more likely to be in the preferred to high range. This does not affect our opinion on fairness.

6.2.2 We have used and relied on the Dunbar Report in assessing the fair value of Prospect's mineral interests and have satisfied ourselves that:

- Dunbar Resources Management is a suitable geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the report, Paul Dunbar, is suitably qualified and experienced);

- Dunbar Resources Management and Paul Dunbar are independent from Prospect and Farvic; and

- Dunbar Resources Management and Paul Dunbar have employed sound and recognised methodologies in the preparation of the Dunbar Report on Prospect's mineral interests.

6.3 Traded Market Price Basis – Prospect

6.3.1 In addition to the Net Asset valuation of Prospect shares in Section 6.2 of this report, we have considered recent trading history of Prospect shares on ASX.

Set out below is a summary of the traded share prices of Prospect on ASX (on low volumes) since 1 March 2018 to 19 March 2019. The Transaction was announced by Arcadia on 3 October 2018.

Month	High ($)	Low ($)	Last ($)	VWAP ($)	Volume traded	Volume/ weighted average shares on issue
Mar-18	0.056	0.043	0.055	0.049	63,057,678	3.5%
Apr-18	0.060	0.043	0.043	0.050	76,616,362	3.9%
May-18	0.045	0.037	0.039	0.040	34,508,174	1.7%
Jun-18	0.043	0.035	0.035	0.039	37,392,067	1.9%
Jul-18	0.036	0.026	0.029	0.030	85,351,964	4.3%
Aug-18	0.030	0.026	0.028	0.028	31,666,362	1.6%
Sep-18	0.032	0.025	0.030	0.028	29,696,572	1.5%
Oct-18	0.035	0.026	0.027	0.030	23,372,648	1.2%
Nov-18	0.029	0.023	0.026	0.026	24,357,707	1.2%
Dec-18	0.026	0.022	0.023	0.024	5,013,882	0.2%
Jan-19	0.023	0.021	0.021	0.022	5,956,886	0.3%
Feb-19	0.023	0.019	0.022	0.021	17,131,962	0.8%
Mar-19	0.022	0.017	0.017	0.019	15,282,670	0.7%
Total	**0.060**	**0.017**	**0.017**	**0.036**	**449,404,934**	**22.9%**

6.3.2 Prior to the announcement of the Transaction, Prospect shares were last traded at 3.2 cents, and had a one-month and 3-month volume weighted average price ("**VWAP**") of approximately 2.8 cents. Over the past 12 months the volatility of Prospect's shares was approximately 65%, considered to be average for a junior exploration company (often in the 70% to 100% range).

Between the announcement of the Transaction on 3 October 2018 and 19 March 2019, Prospect's shares have traded as follows:

- Last sale on 19 March 2019 was 1.7 cents
- At a low of 1.7 cents on 19 March 2019
- At a high of 3.5 cents on 4 October 2018
- A VWAP of approximately 2.4 cents

6.3.3 Generally, the market is a fair indicator of what a share is worth, however in order 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 fully informed market.

Liquidity in Prospect shares is considered low to average. A "deep" market is considered to be where the amount of shares traded on a weekly basis exceeds 1% of the company's total shares. Prospect's shares have occasionally demonstrated liquidity at around this level, however liquidity has generally been below this level over the past 12 months. We also note that Prospect's shares are fairly tightly held with top 20 shareholders holding 63.3% of Arcadia shares as at 26 September 2018.

Accordingly, our preferred methodology is based on a technical valuation and we have considered the traded price history of Prospect shares as a secondary methodology for the purposes of assessing the fairness of the Transaction.

We note a technical valuation methodology generates a value per Prospect share which is significantly different from recent trading prices. We believe this may be due to the following factors:

- Current bearish market sentiment in capital markets
- Poor market conditions in particular for junior resource companies
- Recent falls in the lithium price and lithium related companies
- Investor perceptions of country risk relating to Zimbabwe

6.4 The future value of a Prospect share will depend upon, inter alia:

- the successful exploitation of Arcadia;
- the outcome of any project financing for Arcadia;
- political events in Zimbabwe;
- the state of the lithium metal markets (and prices);
- the cash position of Prospect;
- US/AUS exchange rates;
- the state of Australian and overseas stock markets;
- membership and control of the board and management of Prospect;
- general economic conditions; and
- liquidity of shares in Prospect.

6.5 Conclusion on the Value of Prospect Shares

6.5.1 In Section 6 we have discussed the Net Asset value and recent trading history of Prospect shares on ASX. These values are summarised below:

	Low value per share Cents	Preferred value per share Cents	High value per share Cents
Adjusted Net Asset value basis (preferred basis) (Section 6.2) (minority basis)	**1.74**	**2.43**	**3.53**
Traded market price basis (cents) (Section 6.3)	1.80	2.00	2.20
Assessed fair value of a Prospect share	**1.80**	**2.40**	**3.00**

6.5.2 **For the purpose of this report it is considered appropriate to use the Net Asset value for Prospect as the primary methodology, and tempered by the recent traded share prices as a secondary methodology. Accordingly, we have assessed the value of Prospect shares on a minority interest basis may range from 1.8 cents to 3.0 cents, with a preferred fair value of 2.4 cents. These ranges are a blend of the technical Net Asset Values and traded share prices.**

7. VALUATION OF ARCADIA PROJECT STAKE

7.1 Valuation Method Adopted for Prospect

The valuation of the Arcadia project is described in Section 6.2.1. If the Transaction proceeds Prospect will acquire an additional 17% interest in the subsidiary company, PLZ, that holds the Arcadia project. Prospect currently holds a controlling interest in Arcadia and the Transaction will not alter this position. Whilst the Transaction involves the transfer for a 17% interest in Arcadia, being a minority interest in a private company we do not consider that any discount for a minority interest basis is applicable as we are considering the value of the stake to Prospect shareholders who hold a controlling position in Arcadia. Accordingly we have assessed the value of the additional Arcadia stake to be acquired in the Transaction as follows:

	Low	Preferred	High
Assessed fair value of Arcadia (A$000)	63,000	92,000	138,000
Stake acquired (%)	17%	17%	17%
Assessed fair value of Arcadia stake (A$000)	**10,710**	**15,640**	**23,460**

As noted in Section 6.2.1, we have not adjusted for the free carry agreement applying to the minority shareholders in Arcadia. However we note that the additional PLZ stake to be acquired will not result in any additional project cost obligations for Prospect and therefore the value of the additional stake to Prospect is likely to be in the upper end of the assessed range.

8. NOTIONALLY COMBINED ENTITY

8.1 As an alternative valuation methodology, we have adjusted the net assets of Prospect as at 30 June 2018 (as adjusted for estimated cash outflows to 6 March 2019) to consider the impact of the Transaction on Prospect as a notionally combined entity following the Transaction. 100% of the value of Arcadia is consolidated and the economic interest of the remaining minority shareholders in Arcadia is reflected as a minority interest. The figures below are not based on a consolidation under International Financial Reporting Standard ("**IFRS**").

This value represents the value per share that non-associated shareholders will receive if the Transaction is successful.

	Ref	Adjusted 30 June 2018 (Preferred Value) A$000	Transaction A$000	Pro forma A$000
Assets				
Current Assets				
Cash and cash equivalents		5,100	(1,817)	3,283
Trade and other receivables		325		325
Inventories		228		228
Other current assets		365		365
Total Current Assets		**6,018**	**(1,817)**	**4,201**
Non-Current Assets				
Property plant and equipment		2,108		2,108
Exploration and evaluation expenditure	6.2.1	92,000		92,000
Intangible assets		-		-
Total Non-Current Assets		**94,108**	**-**	**94,108**
Total Assets		**100,126**	**(1,817)**	**98,309**
Liabilities				
Current Liabilities				
Trade and other payables		1,217		1,217
Tax liabilities		251		251
Total Current Liabilities		**1,468**		**1,468**
Provisions		41		41
Total Non-Current Liabilities		**41**		**41**
Liabilities		**1,509**		**1,509**
Net Assets		**98,617**	**(1,817)**	**96,800**
Minority interests		(27,600)	15,640	(11,960)
Net Asset value attributable to Prospect shareholders		**71,017**	**13,823**	**84,840**
Number of shares on issue ('000)		2,046	95	2,141
Value per Prospect share - control basis (cents)		**3.47**		**3.96**
Discount for minority interest basis (%)		30%		30%
Value per Prospect share - minority interest basis (cents)		**2.43**		**2.77**

8.2 The value of Prospect shares using a notionally combined entity approach demonstrates an increase in the value of a Prospect share, supporting the assessment that the Transaction is fair to the non-associated shareholders of Prospect.

9. VALUE AND FAIRNESS OF CONSIDERATION COMPARED TO VALUE OF ASSETS ACQUIRED

9.1 Value of Consideration Compared to Value of Assets Acquired

The value of the share consideration being paid by Prospect to Farvic, being a combination of Prospect shares and cash, compared to the value of the asset being acquired (a 17% stake in Arcadia) is shown below.

	Low	Preferred	High
Value per Prospect share - minority interest basis (cents) (Refer paragraph 6.5.1)	1.80	2.40	3.00
Shares to be issued to Farvic ('000)	94,977	94,977	94,977
Value of share consideration (A$000)	1,710	2,279	2,849
Cash consideration (A$000)	1,187	1,187	1,187
Value of total consideration to Farvic (A$000)	**2,897**	**3,467**	**4,037**
Value of Arcadia stake being acquired (A$000) (refer 7.1)	**10,710**	**15,640**	**23,460**

9.2 Fairness of Consideration Compared to Value of Assets Acquired

The above table indicates that the value of the consideration being paid by Prospect to Farvic is significantly less than the value of the asset being acquired. Accordingly, the Transaction is considered to be <u>fair</u> to the non-associated shareholders of Prospect as at the date of this report.

10. REASONABLENESS OF THE TRANSACTION TO PROSPECT SHAREHOLDERS

10.1 Under RG 111, a transaction is "reasonable" if it is "fair". Notwithstanding, we have also considered, inter-alia the following factors:

- Significant shareholdings in Prospect and Arcadia
- Prospect's financial position
- Liquidity of the market in Prospect's securities
- Risks associated with developing the mineral projects of Prospect

We set out below some of the advantages and disadvantages pertaining to the proposed Transaction as they apply to the non-associated shareholders of Prospect.

10.2 Advantages

10.2.1 Prospect is acquiring an additional 17% in the Arcadia project at a significant discount to the assessed fair value of the project.

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

10.2.3 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 minorities are free carried.

10.2.4 Improves alignment between Prospect shareholders and Farvic.

10.2.5 If the Transaction is successful, the market capitalisation of Prospect is likely to increase, which should increase the relevance of Prospect to investment and financing markets.

10.3 Disadvantages

10.3.1 Results in dilution through the issue of additional new shares in Prospect and cash resources are reduced by $1,187,210.

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

10.4 Conclusion as to the Reasonableness of the Transaction

As the Transaction is considered fair, the Transaction is also considered reasonable.

11. CONCLUSION AS TO FAIRNESS AND REASONABLENESS OF THE TRANSACTION

11.1 **We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is <u>fair and reasonable</u> to the non-associated shareholders of Prospect at the date of this report.**

12. SHAREHOLDERS DECISION

12.1 Stantons International Securities Pty Ltd ("**SIS**") has been engaged to prepare an IER setting out whether in its opinion the Transaction is fair and reasonable and state reasons for that opinion. SIS has not been engaged to provide a recommendation to shareholders as to whether to approve the Transaction.

12.2 The decision whether to approve the Transaction or not is a matter for individual shareholders based on each shareholder's views as to 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 Transaction proposal shareholders should consult their own professional adviser.

12.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Prospect. This is an investment decision upon which SIS does not offer an opinion and is independent of the decision to approve the Transaction or not. Shareholders should consult their own professional adviser in this regard.

13. SOURCES OF INFORMATION

13.1 In making our assessment as to whether the Transaction is fair and reasonable to the non-associated shareholders of Prospect we have reviewed relevant published information and other unpublished information on the Company which is relevant to the current circumstances. In addition, we have held discussions with the management of Prospect about the present and future operations of Prospect. 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.

13.2 Information we have received includes, but is not limited to the following items.

- Discussions with representatives of Prospect
- Details of historical market trading of Prospect shares as recorded by ASX to 19 March 2019
- Shareholding details of Prospect as at 26 September 2018 as noted in the 2018 Annual Report of Prospect
- Annual report of Prospect for the year ended 30 June 2018
- Half year reports of Prospect for the half year ended 31 December 2017
- Announcements made by Prospect for the period from 1 January 2017 to 19 March 2019
- The Dunbar Report on the mineral assets of Prospect prepared by Dunbar and discussions with Paul Dunbar
- Quarterly cash flow statements from 30 June 2017 to 31 December 2018
- The share swap agreement relating to the Transaction

13.3 Our report includes Appendices A, our declarations and Financial Services Guide and Appendix B being the Dunbar Report.

Yours faithfully
STANTONS INTERNATIONAL SECURTIES PTY LTD
(Trading as Stantons International Securities)

John P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 20 March 2019, relating to the proposed Transaction.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. Stantons International Audit and Consulting Pty Ltd ("**SIAC**"), the parent entity of Stantons International Securities Pty Ltd acts as the auditor of Prospect. The author of this report is not a director or shareholder in SIAC. There are no other relationships with Prospect other than Stanton International Securities acting as an independent expert for the purposes of this report. SIAC and Stantons International Securities undertook an independence assessment and considered that there are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is expected to be $30,000 exclusive of GST plus out of pocket expenses. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor Mr John P Van Dieren (not a shareholder in or a director of SIAC) have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Prospect or Farvic. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr John P Van Dieren have consented to the inclusion of this report in the form and context in which it is included.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services License (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of SIAC are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd and SIAC (trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted businesses.

Mr John P Van Dieren FCA, the person responsible for the preparation of this report, has extensive 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 the directors of Prospect in order to assist 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 International Securities opinion as to the longer-term values of Prospect, its subsidiaries and/or assets. Stantons International Securities 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 International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with 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 International Securities (and Stantons International Audit and Consulting Pty Ltd, its directors, employees or consultants) for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities 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 International Securities experience and qualifications), Prospect has agreed:

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

(b) to indemnify Stantons International Securities against any claim arising (wholly or in part) from Prospect, or any of its officers, providing Stantons International Securities 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 International Securities.

A final draft of this report was presented to Prospect directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

Stantons International Securities

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN:42 128 908 289
AFS Licence No: 448697
www.stantons.com.au

FINANCIAL SERVICES GUIDE
Dated 20 March 2019

1. STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities (ABN 42 128 908 289 and AFSL Licence No 448697) (**"SIS"** 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.

2. 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:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697;**
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. 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.

4. General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account 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.

5. 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.

Except for the fees referred to above, neither SIS, 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.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. 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.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS 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.

9. Complaints resolution

9.1 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 International Securities 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 15 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.

9.2 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 Financial Ombudsman Service Limited ("**FOSL**"). FOSL is an independent company that 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 FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

APPENDIX B

DUNBAR RESOURCE MANAGEMENT CONSULTING GEOLOGIST TECHNICAL VALUATION REPORT (DUNBAR VALUATION REPORT) ON PROSPECT'S MINERAL ASSETS DATED 20 MARCH 2019

DUNBAR
RESOURCE
MANAGEMENT

Consultants in Economic
Geology & Management

INDEPENDENT TECHNICAL SPECIALISTS REPORT & VALUATION

PROSPECT RESOURCES LIMITED MINERAL ASSETS

Final

March 2019

Report Commissioned by Stantons International Securities

Valuation Date:	1 March 2019
Report Date:	20 March 2019
Primary Author:	Paul Dunbar

Distribution:
Stantons International Securities
Prospect Resources Limited
Dunbar Resource Management

Document Reference	Prospect DFS ITAR March 2019 Final.pdf	
Distribution	Prospect Resources Limited Stantons International Securities Dunbar Resource Management	
Principal Author	Paul Dunbar BSc Hons (Geology) MSc (MINEX) M AusIMM M AIG	Date: 20 March 2019
Contributors	Harry Warries F AusIMM Alexander (Sandy) Moyle M AusIMM, M AIG Shaun Searle M AusIMM, M AIG Gayle Hanssen SACNASP	
Valuation Date	1 March 2019	

Executive Summary

Stantons International Securities Pty Ltd (Stantons) commissioned Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd 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 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 is a technical review of the Arcadia Lithium Project owned by Prospect.

It includes a technical evaluation of the exploration and development projects and a fair market valuation of these mineral assets. In accordance with the VALMIN code DRM has undertaken several valuation methods for both the existing Mineral Resources and a separate valuation for the earlier stage exploration tenements that surround the resource areas. Importantly, as neither the principal author nor DRM 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 1 March 2019. The proposed transaction was announced on 3 October 2018 with this report being updated to account for the various updates to the project including the DFS in November 2018. As commodity prices, exchange rates and cost inputs fluctuate over time this valuation is subject to change. The valuation derived by DRM 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. DRM 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$) when the currency is Australian Dollars the prefix A$ 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 Lithium Project

The Arcadia Lithium Project consists of one Mining Lease of 1,031 hectares. Within the project is the Arcadia Mineral Resource Estimate which currently totals 72.7Mt at 1.11% Li_2O at a 0.2% Li_2O cut-off while at a 1% Li_2O cut-off the Mineral Resource totals 43.2Mt at 1.41% Li_2O. These resources contain a mixture of spodumene and petalite as the main lithium bearing minerals. 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. The DFS expanded the processing rate from the initial 1.2Mt/a evaluated in the PFS to 2.4Mt/a in the DFS. The Mineral Resource and Ore Reserves remain unchanged from the 2017 PFS. In this report DRM initially used the findings and costs derived from the 2017 PFS however the report was updated to reflect the November 2018 DFS.

Conclusions

The Arcadia Lithium Project contains a large Mineral Resource and has completed studies which have resulted in delineation of Ore Reserves for the project.

During the preparation of this report and while reviewing all the technical documents associated with the mineral assets of Prospect no material flaws or errors were identified in the Mineral Resource or Ore Reserve Estimates nor the technical reporting of the exploration activities. The proposed mining and processing methodology, including metallurgical recoveries and cut-off grades, are considered reasonable.

In DRM's opinion, the fair market value for the Arcadia lithium project is between A$63 million to A$138 million with a preferred total mineral asset value of A$92 million. Importantly Prospect, prior to the proposed transaction, only holds 70% of the project. See section six below for details.

Contents

List of Figures

List of Tables

1. Introduction

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd, was engaged by Stantons International Securities Pty Ltd (Stantons) to undertake an Independent Technical Assessment and Valuation Report (ITAR) on the mineral assets of Prospect Resources Limited. The main mineral asset is the Arcadia Lithium Project located in Zimbabwe. A PFS was completed in 2017 and the DFS was completed and announced by Prospect in November 2018 (ASX Release 19 November 2018). The announcement of the proposed transaction was prior to the completion of the DFS however in DRM's opinion it reasonable to value the assets based on the DFS as the initial findings of that study would have been known by the company and the related parties (Prospect Directors) prior to the completion and public release of the DFS. Subsequent to the valuation date of this report Prospect announced an economic update to the project (ASX release 5 March 2019) which included a 1.4% reduction in the CAPEX and 2.4% reduction in the OPEX. Combined the impact of these cost reductions result in an increase in the NPV of the project (as determined by Prospect) of 4% or $22 million. In DRM's opinion these reductions are not material in the overall valuation due to the uncertainty and risks associated with the project including funding and geopolitical risks.

DRM 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).

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%.

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

The ITAR has been prepared in accordance with the 2012 JORC and the 2015 VALMIN Codes. Both of these industry codes are mandatory for all members of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. These codes are also requirements under Australian Securities and Investment Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX)

This ITAR is as a Public Report as described in the VALMIN Code (Clause 5) and the JORC Code (Clause 9). It is based on, and fairly reflects, the information and supporting documentation provided by Prospect to the Competent Persons listed as signatories to this ITAR and additional publicly available information.

1.2. Scope of Work

DRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects in compliance with the JORC and VALMIN Codes. These require that the Public 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.

DRM has compiled the ITAR based upon the principle of reviewing and interrogating both the work of Prospect and independent specialists who have contributed to the technical information available for the projects. This report is a summary of the work conducted, completed and reported to 1 March 2019 and is based on information supplied to DRM by Prospect, its advisors and information that is in the public domain, to the extent required by the 2012 JORC Code and the 2015 VALMIN Code.

DRM has prepared an Independent Valuation of the Arcadia Lithium Project located within the Archean Zimbabwe craton, Zimbabwe.

DRM understands that its review and valuations will be relied upon and appended to an IER prepared by Stantons for inclusion in a Notice of Meeting, to assist Prospect shareholders in their decision regarding the approval of a proposed transaction. The Notice of Meeting will be distributed to Prospect Shareholders and as such, it is understood that DRM's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets ("VALMIN").

1.3. Statement of Independence

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd, was engaged to undertake an Independent Technical Assessment and valuation of the mineral assets of Prospect. This work has been conducted in accordance with the 2012 JORC and the 2015 VALMIN codes. In addition to these industry codes the work also complies with ASIC Regulatory Guideline 111 – Content of Expert Reports (RG111) and ASIC Regulatory Guidelines 112 Independence of Experts (RG112).

Mr Dunbar of Dunbar Resource Management, the trading name of Jewell Dunbar Pty Ltd has not had any direct association with Prospect, its individual employees, or any interest in the securities of PSC, which could be regarded as affecting the ability to give an independent, objective and unbiased opinion. Neither DRM or Mr Paul Dunbar hold an AFS licence and the valuation contained within this report is limited to a valuation of the mineral assets being reviewed. Dunbar Resource Management will be paid a fee for this work on standard commercial rates for professional services. The fee is not contingent on the results of this review and is estimated at $29,000.

Additional specialists have been engaged by DRM to undertake specific sections of this report, being a review of the Geology and Exploration History of the project, Mineral Resource and Ore Reserve Estimates for the Arcadia. Mr Alexander (Sandy) Moyle was engaged to undertake a review of the regional geology and exploration history of the project, Mr Shaun Searle was engaged to undertake the review for the Mineral Resource estimates within the Arcadia Lithium Project while Mr Harry Warries was engaged to review the Ore Reserves and Definitive Feasibility Study for the Project. Mr Moyle, Searle and Warries have confirmed that they are independent of both Prospect, they have had no other association with Prospect, its individual employees, or any interest in the securities of PSC, which could be regarded as affecting their ability to give an independent, objective and unbiased opinion.

A site visit by the principal author for the sole purpose of this report was not considered justified however an independent specialist who has previously visited site on numerous occasions has been engaged to review the geology and confirm the validity of the information within this report. That specialist is Ms Gayle Hanssen of Digital Mining Services. Ms Hanssen has previously undertaken several Mineral Resource estimates for Prospect Resources on the Arcadia Lithium Project. That work was as an independent consultant and DRM has enquired as to the independence of Ms Hanssen. It was confirmed by both the company and Ms Hanssen that she is independent of Prospect and holds no shares in the company. As such DRM engaged Ms Hanssen to comment on the validity of the aspects of a site visit in this report.

1.4. Competent Persons Declaration and Qualifications

This report was prepared by Mr Paul Dunbar as the primary author with specialist sections undertaken by Mr Alexander (Sandy) Moyle, Mr Harry Warries and Mr Shaun Searle.

The primary author of the report and information that relates to 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 Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Dunbar is employed by Jewell Dunbar Pty Ltd, trading as Dunbar Resource Management, a Geology and Exploration Management consultancy, which has been engaged by Stantons. Mr Dunbar has a Master of Science in Mineral Exploration and Mineral Economics 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 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code) and a specialist under the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The 2015 VALMIN Code). Mr Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Specialists Qualifications

Mr Alexander (Sandy) Moyle, BSc Geol. (Hons), principal of AJ Moyle and Associates Pty Ltd, has over 30 years' experience in exploration and evaluation of mineral deposits similar to those held by Prospect. Mr Moyle was engaged by DRM as a Specialist to review the geology and exploration history at Arcadia, he is the principal author of sections 3.3 to section 3.6. Mr Moyle is a Member of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience 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 Moyle consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

Mr Harry Warries, Principal of Mining Focus Consultants Pty Ltd, was engaged by DRM to review the Ore Reserve Estimates and DFS of the Arcadia Lithium Project owned by Prospect. Mr. Warries has not verified the underlying dataset, nor has he re-reported the Ore Reserves at the date of this report he is the principal author of section 3.8. Mr Warries is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience 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 Warries consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

Mr Shaun Searle, Senior Consultant Geologist with Ashmore Advisory Pty Ltd, was engaged by DRM to review the reasonableness of the previously announced Arcadia Lithium Project Mineral Resource estimate. Mr. Searle has not verified the underlying geological dataset, nor has he re-reported the Mineral Resources as at the date of this report he is the principal author of section 3.7. Mr Searle is a Member of the Australian Institute of Geoscientists and has sufficient experience 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 Searle consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

The information in this report that relates to the site visit is based on information reviewed 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 2012 Edition of the "Australasian Code for Reporting of Mineral Resources. 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.

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. DRM has relied on copies of the original tenement certificates to confirm that the tenements are current. As DRM 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 DRM has relied upon the following reports and information;

- 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
- A review of the Arcadia Ore Reserves undertaken by Mr H Warries in November 2018
- Various ASX releases, publicly available information and regional datasets.

1.6. Sources of Information

All information and conclusions within this report are based on information made available to DRM and the specialists engaged to assist with this report by Prospect and other relevant publicly available data to 3 October 2018. A significant source of information is the Definitive Feasibility Study Report completed in November 2018 and the Pre-Feasibility Study Report completed in 2017. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. DRM 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. DRM 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 has been provided to Prospect (via Stantons) 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 company until the technical aspects were validated and the report was declared final.

1.7. Site Visit

While the principal author (Mr Paul Dunbar) and the specialists Mr Moyle, Mr Searle and Mr Warries have not undertaken a specific visit to the site as a part of this report Mrs Gayle Hanssen of Digital Mining Services has visited the site on numerous occasions. Mrs Hanssen is considered by DRM to be Independent of Prospect. The Mineral Resource estimates have previously been prepared by Mrs Hanssen as an independent consultant. Prospect has been invoiced (and paid) the invoices associated with the resource estimation on standard commercial rates. Mrs Hanssen has reviewed the geological sections of this report along with the Mineral Resource estimate and Ore Reserve sections of this ITAR and confirms that the assumptions and technical descriptions of the project accurately reflect the activities on site.

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.

Table 1 Prospect Resources Tenement Schedule

Tenement Type & Number	**Country**	**Project**	**Registered Company Name**	**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%
23724[#1]	Zimbabwe	Arcadia	PLZ	70%
23275[#1]	Zimbabwe	Arcadia	PLZ	70%
23722[#1]	Zimbabwe	Arcadia	PLZ	70%
23723[#1]	Zimbabwe	Arcadia	PLZ	70%
32128[#1]	Zimbabwe	Arcadia	PLZ	70%
23474[#1]	Zimbabwe	Arcadia	PLZ	70%
23475[#1]	Zimbabwe	Arcadia	PLZ	70%
23476[#1]	Zimbabwe	Arcadia	PLZ	70%
23477[#1]	Zimbabwe	Arcadia	PLZ	70%
23481[#1]	Zimbabwe	Arcadia	PLZ	70%
23479[#1]	Zimbabwe	Arcadia	PLZ	70%
23480[#1]	Zimbabwe	Arcadia	PLZ	70%
23478[#1]	Zimbabwe	Arcadia	PLZ	70%
23362[#1]	Zimbabwe	Arcadia	PLZ	70%
23361[#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%
31228	Zimbabwe	Makahaya	PLZ	70%
31229	Zimbabwe	Makahaya	PLZ	70%
31230	Zimbabwe	Makahaya	PLZ	70%
31231	Zimbabwe	Makahaya	PLZ	70%
31232	Zimbabwe	Makahaya	PLZ	70%
31233	Zimbabwe	Makahaya	PLZ	70%
31234	Zimbabwe	Makahaya	PLZ	70%
31235	Zimbabwe	Makahaya	PLZ	70%
31236	Zimbabwe	Makahaya	PLZ	70%
31237	Zimbabwe	Makahaya	PLZ	70%
ME268	Zimbabwe	Verdale	PLZ	70%
ME269	Zimbabwe	Verdale	PLZ	70%
ME270	Zimbabwe	Verdale	PLZ	70%
ME271	Zimbabwe	Verdale	PLZ	70%
ME272	Zimbabwe	Verdale	PLZ	70%
ME273	Zimbabwe	Verdale	PLZ	70%
ME274	Zimbabwe	Verdale	PLZ	70%
ME275	Zimbabwe	Verdale	PLZ	70%

Tenement Type & Number	Country	Project	Registered Company Name	Equity
ME276	Zimbabwe	Verdale	PLZ	70%
ME277	Zimbabwe	Verdale	PLZ	70%
ME278	Zimbabwe	Verdale	PLZ	70%
ME279	Zimbabwe	Verdale	PLZ	70%
ME280	Zimbabwe	Verdale	PLZ	70%
ME283	Zimbabwe	Verdale	PLZ	70%
ME284	Zimbabwe	Verdale	PLZ	70%
ME285	Zimbabwe	Verdale	PLZ	70%
ME286	Zimbabwe	Verdale	PLZ	70%
ME287	Zimbabwe	Verdale	PLZ	70%
ME288	Zimbabwe	Verdale	PLZ	70%
ME289	Zimbabwe	Verdale	PLZ	70%
ME304	Zimbabwe	Verdale	PLZ	70%
ME305	Zimbabwe	Verdale	PLZ	70%
ME306	Zimbabwe	Verdale	PLZ	70%
ME307	Zimbabwe	Verdale	PLZ	70%
ME308	Zimbabwe	Verdale	PLZ	70%
ME309	Zimbabwe	Verdale	PLZ	70%
ME310	Zimbabwe	Verdale	PLZ	70%
ME311	Zimbabwe	Verdale	PLZ	70%
ME312	Zimbabwe	Verdale	PLZ	70%
ME313	Zimbabwe	Verdale	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%
30419	Zimbabwe	Greater Farvic	Hawkmoth	70%
31773	Zimbabwe	Greater Farvic	Hawkmoth	70%
31774	Zimbabwe	Greater Farvic	Hawkmoth	70%
32194	Zimbabwe	Greater Farvic	Hawkmoth	70%
32195	Zimbabwe	Greater Farvic	Hawkmoth	70%
32196	Zimbabwe	Greater Farvic	Hawkmoth	70%
32716	Zimbabwe	Greater Farvic	Hawkmoth	70%
33181	Zimbabwe	Greater Farvic	Hawkmoth	70%
33280	Zimbabwe	Greater Farvic	Hawkmoth	70%
36972	Zimbabwe	Greater Farvic	Hawkmoth	70%
36973	Zimbabwe	Greater Farvic	Hawkmoth	70%
36974	Zimbabwe	Greater Farvic	Hawkmoth	70%
36975	Zimbabwe	Greater Farvic	Hawkmoth	70%
36976	Zimbabwe	Greater Farvic	Hawkmoth	70%
36977	Zimbabwe	Greater Farvic	Hawkmoth	70%
36978	Zimbabwe	Greater Farvic	Hawkmoth	70%
36979	Zimbabwe	Greater Farvic	Hawkmoth	70%
36980	Zimbabwe	Greater Farvic	Hawkmoth	70%

Tenement Type & Number	Country	Project	Registered Company Name	Equity
36981	Zimbabwe	Greater Farvic	Hawkmoth	70%
36982	Zimbabwe	Greater Farvic	Hawkmoth	70%
36983	Zimbabwe	Greater Farvic	Hawkmoth	70%
GA 5243	Zimbabwe	Greater Farvic	Examix	70%
GA 5244	Zimbabwe	Greater Farvic	Examix	70%
779	Zimbabwe	Greater Farvic	Farvic	Earning 51%
30132	Zimbabwe	Greater Farvic	Farvic	Earning 51%
32979	Zimbabwe	Greater Farvic	Farvic	Earning 51%
32980	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37660	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37661	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37662	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37663	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37664	Zimbabwe	Greater Farvic	Farvic	Earning 51%
37665	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 2037	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 2038	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 2039	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 2040	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 2041	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 3008	Zimbabwe	Greater Farvic	Farvic	Earning 51%
GA 4597	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4598	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4599	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4600	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4601	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4602	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4603	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4604	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4605	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4606	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 4890	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5125	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5126	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5196	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5197	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5198	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5199	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5201	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5202	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5203	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5204	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5207	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5208	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5209	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5210 A	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5210 B	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5211	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5212	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5217	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5219	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5220	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5221	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5222	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5223	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5224	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5225	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5226	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5227	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5240	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5241	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5242	Zimbabwe	Greater Farvic	Tannahill	Earning 51%

Tenement Type & Number	Country	Project	Registered Company Name	Equity
GA 5245	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5246	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5247	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5248	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5249	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5250	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5251	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5252	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5253	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5254	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5256	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5258	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5265	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5287	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5453	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5454	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5455	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5456	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5457	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5458	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5459	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5460 A	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5461	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5465	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5466	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5467	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5468	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5469	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5470	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5471	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5472	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5477	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5478	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5479	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5480	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5481	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5482	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5483	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5484	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5485	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5486	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5487	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5488	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5527	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5528	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5529	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5530	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5531	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5532	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5533	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA 5693 A	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA5200	Zimbabwe	Greater Farvic	Tannahill	Earning 51%
GA5460 B	Zimbabwe	Greater Farvic	Tannahill	Earning 51%

Notes

#1 These tenements were partly amalgamated into ML 38

The tenement schedule above is sourced from Prospect Resources.

Validity of the tenements has only been checked by DRM 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”)
4) Farvic Consolidated Mines (Pvt) Limited (“Farvic”)
5) Tannahill Mine (Pvt) Limited (“Tannahill”)
6) Mixnote Investments (Pvt) Limited (“Mixnote”)

As DRM 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. DRM has made all reasonable enquiries regarding the status of these tenements and confirms that to be best of DRM’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. DRM 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.

3. 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 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.

An Ore Reserve was initially estimated as a part of the 2017 PFS. That Ore Reserve remains valid and has been the basis of the updated DFS which was announced on 19 November 2018. The DFS was an update of the 2017 PFS with the main difference 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. Where considered reasonable the costs and assumptions from the DFS are used in this report.

3.1. 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.

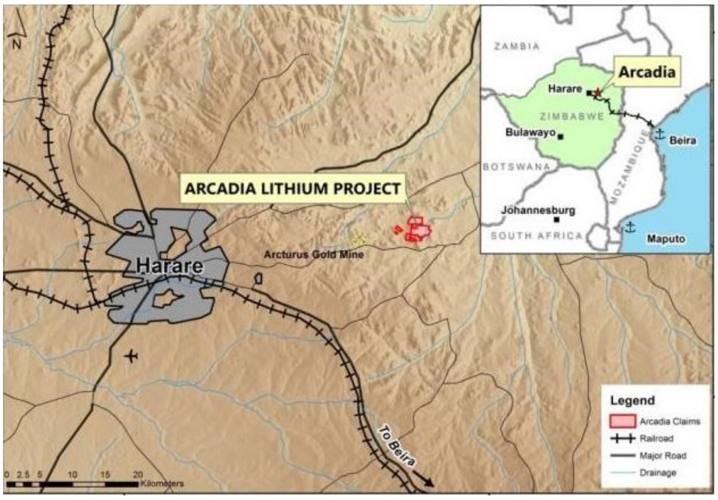


Figure 2 Location of Arcadia Project and potential transport route to the port at Beira.

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 at between 1,300 and 1,420m above sea level.

3.2. Mineral Tenure

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.

DRM 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.

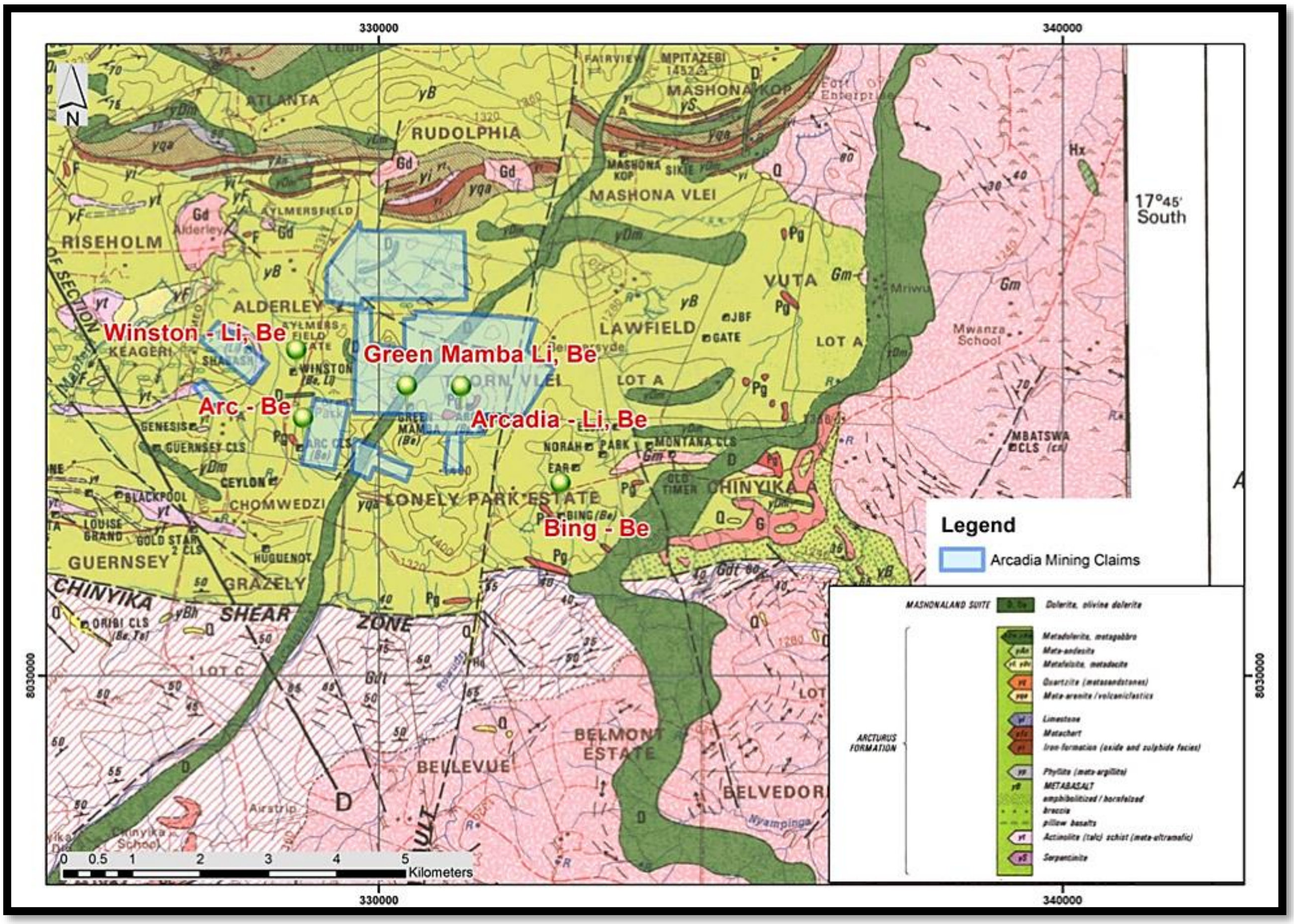
As detailed above DRM is not considered an expert in the mineral tenure or mining acts of Zimbabwe and no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

3.3. Regional Geology

The geology of the greater Arcadia area is dominated by greenstone lithologies of the Arcturus Formation within the Archaean age Harare Greenstone Belt (HGB). These greenstones are encircled and intruded by a variable suite of granitic rocks, the oldest of which may have been coeval with the youngest felsic volcanic rocks of the belt. There is also some evidence for a small remnant area of gneissic basement associated with the greenstone belt.
The HGB takes the form of a complex refolded synformal structure, which crops out in two major limbs. An east-west trending Arcturus Limb occupies a broad band across the centre of the area, and to the west of the city of Harare this passes via a fold closure into the north-south trending Passaford Limb which is contiguous northwards with the greenstones of the Bindura area.

The main HGB lithological units comprise meta-basalts, banded iron formations, meta-andesites, serpentinites, dolerites and the lithium bearing pegmatites that also host beryl, tin and tantalite amongst other minerals.

The Arcadia-Green Mamba Camp, which hosts the Arcadia Lithium Project, lies close to the eastern end of the HGB and is dominated by Arcturus Formation Metabasalts, Figure 3. Numerous granodioritic and tonalitic plugs of the Chishawasha suite surround the area. It is highly likely that the pegmatites are genetically related to these intrusions. Large dolerite sills and associated dykes are widespread and intrude the greenstone belt and the granitic terrain. They are tholeiitic, petrographically fresh and are ascribed to the Mashonaland Event (ASX: PSC Release 3 July 2017).



Source *(ASX: PSC PFS Report)*

Figure 3 The Arcadia Lithium Project and Prospect Resources Ltd tenure overlain on the regional geology

3.4. Local Geology

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.

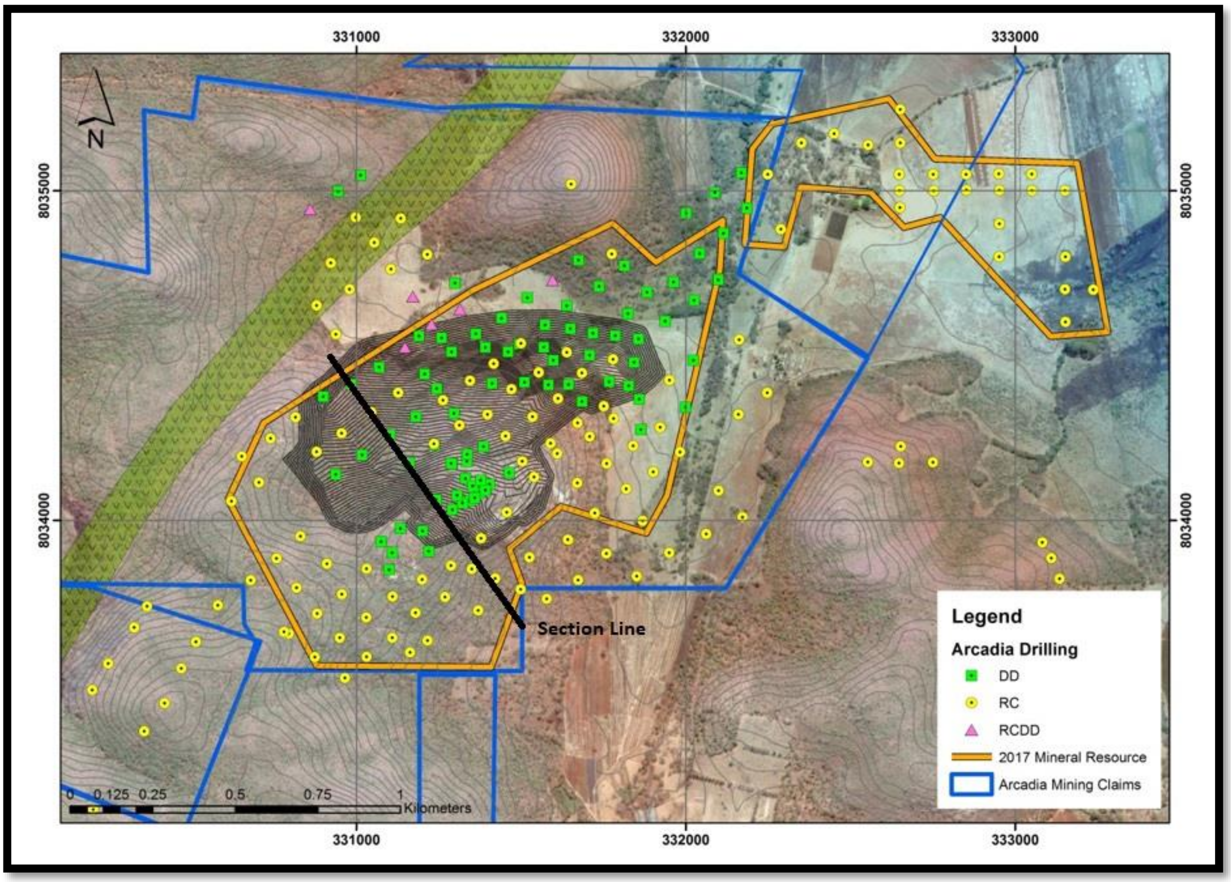
The most significant bodies both in terms of thickness, lithium grade and lateral consistency are the Main Pegmatite and Lower Main Pegmatite, whose maximum thicknesses are 7 to 10m and 25 to 50m respectively. The other pegmatites are much thinner, bifurcate and coalesce along strike and down-dip, but are also mineralised.

The Main Pegmatite is exposed in a 175m long historical Arcadia pit on a steep hill slope, Figure 4. 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).

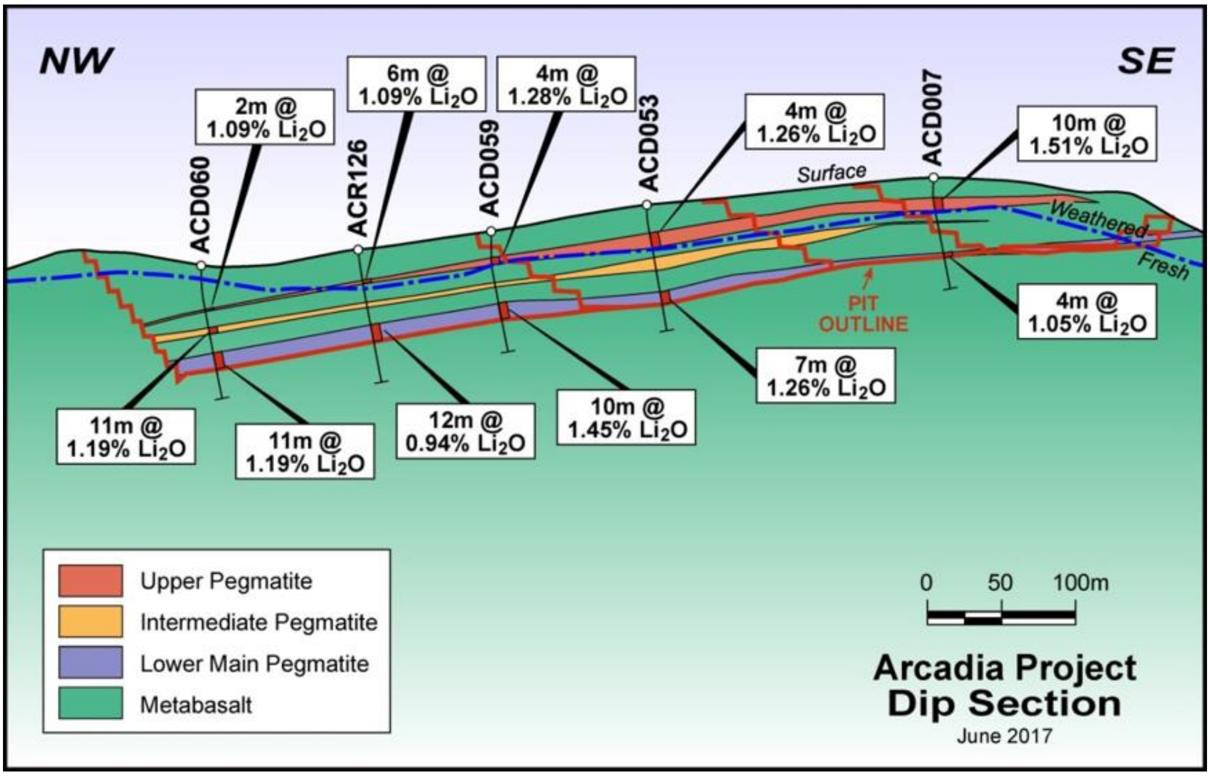
Figure 4 Arcadia Main Pegmatite outcrop in the historical Arcadia Pit – looking North.

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 5. A schematic southeast - northwest cross-section across the proposed pit outline displays the pegmatite orientation and drill hole Li_2O intercepts, Figure 6.



Source (ASX Release 25 October 2017).

Figure 5 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 6 A schematic NW – SE cross-section through Arcadia Deposit (see Figure 5) 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).

3.5. Historical Exploration and Mining

The Arcadia Lithium Camp includes the Winston, Takashi, Green Mamba, Bing, Tourit and the Oribi Li-Be claims, Figure 3. None of these claims 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 2.

Table 2 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 4 (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.

3.6. Recent Exploration Activities

In addition to the recently completed 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.

<u>Petrographic Analysis</u>
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 3(Johnson, R. and Cronwright, M. 2016).

Table 3 Paragenetic sequence for the Arcadia Pegmatite.

Mineral	**Early (primary magmatic crystallisation)**	**Intermediate (veins and alteration)**	**Late (alteration)**
Quartz			
Microcline			
Petalite			
Spodumene			
Eucryptite			
Lepidolite			
Hectorite			
Holmquistite			

Table 3 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.

Geophysics

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.

3.7. Resources

The review of the Mineral Resource Estimate was undertaken by Mr Shaun Searle of Ashmore Advisory. Mr Searle is the primary author of section 3.7 of this report.

3.7.1. Previous Estimates

Mineral Resources have been previously estimated for the Project in October and December 2016, but the reported numbers were not located. A previous estimate completed in March 2017 formed the basis for the Projects' Pre-Feasibility Study ("PFS") and the estimate is shown below in Table 4.

Table 4 Arcadia March 2017 Mineral Resource Estimate (1% Li_2O Cut-off)

Class	Tonnage Mt	Li_2O %	Li_2O Tonnage t
Measured	5.7	1.48	83,800
Indicated	15.1	1.38	208,300
Inferred	14.1	1.44	203,100
Total	**34.9**	**1.42**	**495,100**

3.7.2. Current Estimate

The Mineral Resource was updated in October 2017 and is summarised in Table 5 below. The estimate was completed by Digital Mining Services ("DMS") for Prospect and reported in compliance with the JORC Code (2012) reporting standards.

Table 5 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**

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.

Comment

Considering the size of the deposit, the absence of historical mining depletion (in the order of 25 to 30kt) is not a material issue. It is recommended that a high-resolution aerial survey is flown to correctly estimate near surface tonnage in the locations of historical mining. DRM 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.

3.7.3. Informing Data and QA/QC

The information in this section was sourced from Biomet report of July 2017 or Prospect ASX release of 25 October 2017

Drilling and Sampling

The Project was drilled with reverse circulation ("RC") and diamond core drilling ("DD") techniques, with all drilling used in the estimate conducted by Prospect since 2016. Drilling data from the 1960's and 1980's could not be located and has not been used in the Mineral Resource estimate.

Drill hole spacing is approximately 75m by 75m up to 100m by 100m. Some infill drilling has been conducted on 40m by 40m spacing.

For RC drilling, two rigs were used. A trailer mounted Smith Capital double tube RC rig was used with a 25 bar (Ingersoll Rand) 2013 compressor. In addition, a Thor truck mounted rig was used, with a 50 bar Atlas Copco compressor. For Phase 5 a Super Rock 5000 was used. Three metre rods were used, and the hole air blasted to allow sample recovery via a cyclone every 1m. A total of 188 RC holes (15,145m), plus 9 pre-collars (1,490m) were drilled. A total of 9,318m from 111 RC holes were used in this estimate.

For diamond core drilling, two Atlas Copco CS 14 rigs were used. HQ core was drilled through the first 20 to 30m of broken ground. This section was then cased, and drilling proceeded with NQ sized core. A total of 81 DD holes (8,622m) were drilled, with 74 DD holes (7,454m) used in the Mineral Resource estimate. In addition, 11 holes were pre-collared by RC, with four of these being subsequently being tailed with core (1,490m). In addition, 25 dedicated metallurgical holes (HQ) were drilled for a total of 1,985m.

The majority of samples were percussion chips obtained from the RC drilling. Samples were collected from the cyclone and riffle split on site before bagging. Three bags of 3kg samples were collected every metre in triplicate, one of which was sent for pulverising and assaying, in addition to a smaller sample retained for reference and logging. For the DD samples, core was marked up on site, and halved with a diamond saw, in a facility close to site. Half of the core (normally left side) was retained for reference purposes.

Analysis

All samples were taken by Prospect were transported to Zimlabs laboratory in Harare, where they were pulverised to produce a 30g charge and then dispatched by courier to ALS Johannesburg. All samples were analysed by multi-element ICP (ME-MS61), following four acid dissolution. Over limits on lithium were analysed by the LiOG63 method (four acid digestion with ICP or AAS finish). This analytical method is considered reasonable.

All the pulps from holes drilled within the planned new pit area have subsequently been resubmitted for XRD analysis at either ALS, SGS or FT Geolabs.

QA/QC

Certified Reference Materials ("CRMs") produced by AMIS of Johannesburg, blanks and field duplicates were inserted into each sample batch. (5% of total being CRMs, 5% blanks, 5% field duplicates and 5% laboratory duplicates). This was done by Zimlabs who undertook the sample preparation, as well as blank and CRM insertion, under instruction from PSC. The AMIS CRMs used were; AMIS0338; 0.1682% Li, AMIS0339; 2.15% Li, AMIS0340; 1.43% Li, AMIS0341; 0.47% Li, AMIS0342; 0.16% Li, AMIS0343; 0.70% Li & AMIS0355; 0.77% Li.

The overall average Li grade of the 2,093 RC chip samples is 0.30% v 0.31% for the 1,781 DD samples. As there is only a partial overlap in the RC and DD drilling ‘grids’, it is not possible at this stage to make a definitive statistical comparison, to determine if this is geological in origin or as a result of the drilling method.

RC hole ACR167 was drilled as a twin of DD hole; ACD050. In comparison;

o ACR167: Mean grade 1.51% Li_2O, Main Pegmatite 1.58% over 5m. Lower Main Pegmatite 1.73% over 10m.

o ACD050: Mean grade 1.47% Li_2O, Main Pegmatite 1.46% over 4.4m. Lower Main Pegmatite 1.65% over 12m.

It is reported by Prospect that the vast majority of QA/QC samples reported within acceptable ranges or limits and that the data was fit for use in Mineral Resource estimation.

Bulk Density Measurements

Densities for all RC and DD core samples have been measured, in both weathered and un-weathered zones. The pegmatites are competent units with no voids, and the densities measured are considered to be a good estimate of future mined bulk densities.

In core, the Archimedes technique has been used by the company. For the RC chips, a pycnometer was used by SGS Harare, and the Archimedes technique by Zimlabs. The results from the DD have proved to be more statistically robust, and only in areas where there is no DD coverage, have the SG measurements from the RC been used.

The number of density measurements were not provided for the October 2017 Resource update, however a total of 62 weathered core measurements and 269 fresh core measurements were available at the time of the March 2017 estimate.

Metallurgical Test work

Detailed XRD and mineralogical investigations have been completed on ore samples drawn from the Main Pegmatite and Lower Main Pegmatite zones of the Arcadia orebody. The results indicate the mineralogy of the lithium occurrence comprises coarse grained petalite and fine grained spodumene, both of which are amenable to conventional recovery methods for the production of saleable lithium concentrates.

Petalite is coarse grained and responds well to heavy liquid separation. Metallurgical test results reported by FT Geolabs of South Africa demonstrate petalite reporting to low density floats and spodumene to the high density sinks. Follow-up pilot-scale dense medium separation (DMS) testing recovered up to 60% of petalite into a 4% Li2O product. Associated iron in the DMS petalite product is typically <0.1% Fe2O3.

Spodumene recovery to DMS sinks is generally poor as a consequence of its fine crystal morphology. However, flotation work completed by NAGROM of Western Australia has demonstrated up to 85% recovery of spodumene from DMS tails into a concentrate containing 6% Li2O.

Whilst these results reflect near total recovery of spodumene, work is continuing with the aim of improving upon petalite recovery.

The following products have been produced from test programmes completed to date;

- Spodumene concentrate at 6.5% Li_2O and 0.33% Fe_2O_3
- Spodumene concentrate at 6.1% Li_2O and 0.52% Fe_2O_3
- Petalite concentrate at 4.2% Li_2O and 0.08 % Fe_2O_3.

Comment

The drilling, sampling and sample preparation procedures are appropriate for the mineralisation style and thickness. The QA/QC results confirm the suitability of the drilling data for use in the Mineral Resource estimation. There is a high proportion of DD compared to RC drilling which gives confidence in the overall mineralisation controls and geometries.

The insertion of QA/QC samples was undertaken at the sample preparation laboratory under instruction from Prospect. In DRM and Ashmore’s opinion, this practice should cease, and the insertion of field duplicates, Certified Reference Materials (CRM’s) and blanks should be completed by Prospect at the time of drilling and sample collection. This allows the whole sampling, sample preparation and analysis process to be assessed by the QA/QC program.

Sufficient metallurgical testing has been conducted to confirm that the Arcadia mineralisation can be processed to create a potentially saleable lithium concentrate consisting of a 4% Li_2O petalite concentrate and a 6% Li_2O spodumene concentrate.

3.7.4. Mineral Resource Estimate

The information in this section was sourced from Biomet report of July 2017 or Prospect ASX release of 25 October 2017

Wireframes were created in Leapfrog software with a low grade set of wireframes constructed at a 0.2% Li_2O cut-off and was determined from statistical analysis. No minimum down hole lengths were stated; however, it is noted that lithium mineralisation within pegmatites is usually broad. Other geology and weathering wireframes were generated based on geological logging and geochemistry.

Sample data from within the wireframes was selected and analysed to determine appropriate compositing lengths for grade estimation. Samples were composited to 1m in length. No high grade cuts were applied to the composites. Variography was conducted in Surpac software and the range in the major direction was approximately 108m.

The block dimensions used in the Arcadia block model was 40m NS by 40m EW by 5m vertical with sub-cells of 10m by 10m by 2.5m. The block model was estimated in Surpac using Oridinary Kriging ("OK") grade interpolation for Li (%), Ta (ppm), Nb (ppm), Rb (ppm) and Fe (%). An orientated 'ellipsoid' search was used to select data and adjusted to account for the variations in mineralisation orientations, however all other parameters were taken from the variography. The wireframes were used as hard boundaries for the estimate, with weathering surfaces also used as hard boundaries in consideration that lithium is a highly mobile element in weathered rock. The estimate was completed using a search radius of 150m, with a minimum of 3 and maximum of 15 composites.

Comment

The interpretation and wireframing methodology is suitable for the mineralisation style and geometry. The variography analysis provided expected results and ranges, highlighting reasonable grade continuity.

The block size adopted for the estimate is appropriate, however Ashmore recommends that Kriging Neighbourhood Analysis ("KNA") is completed on the Arcadia dataset to confirm that this block size is optimal.

The kriging and search parameters are appropriate for the dataset, although the minimum samples could be increased to ensure a quality estimate. KNA should be conducted to confirm the suitability of the search parameters.

Bulk densities assigned in the block model are based on core measurements obtained from the Arcadia material types and are appropriate.

Overall, the estimation of the Arcadia Mineral Resource is conducted with industry standard techniques and is appropriate level of confidence at the deposit. Minor adjustments could be made to the estimate and ensure consistency across the deposit; however, the changes would be immaterial to the global resource.

3.7.5. Mineral Resource Classification and Reporting

Mineral Resource classification was coded into the block model based on average distance of all samples. Measured Mineral Resource was classified where the average distance was less than 50m with at least 12 informing samples from at least three holes, Indicated Mineral Resource was classified where the average distance was less than 100m with at least 12 informing samples from at least three holes and Inferred Mineral Resourced was classified where the average distance was less than 400m with informing samples from at least two holes.

The mineralisation could be mined using open pit mining techniques and the Mineral Resources were reported at a 0.2% and 1% Li_2O cut-off grade.

Comment

The classification has been assigned quantitatively based on average distance to samples and numbers of samples. It is standard industry practice to assign classification qualitatively based on data quality, sample spacing and lode continuity.

Approximately 24% of the total Mineral Resource has been classified as Measured. In Ashmore's opinion, the majority of this should be reclassified as Indicated due to the drill spacing not being close enough to assign Measured. This is supported by the observation of the range of maximum continuity in the variography being 108m. The Measured classification should, in Ashmore's opinion, be limited to drill hole spacing of 40 to 50m where the holes have been sampled. The 100m spaced drilling is appropriate for classifying Indicated Mineral Resource. This reclassification would have no impact on the valuation or estimation of Ore Reserves as Reserves can be estimated from either Indicated or Measured Resources.

The Mineral Resource has been reported at two cut-offs, 0.2% and 1% Li_2O, however Ashmore has only reviewed the 1% Li_2O cut-off above given that the Ore Reserve cut-off was 1% Li_2O.

3.7.6. Appropriateness of the Table 1 Reporting

Overall the data presented in the JORC Table 1 is adequate. Additional information that could be included is additional information to justify the reported cut-off grades.

Overall the information included in the Mineral Resource Estimate Report and the associated ASX releases provides confidence to DRM that the Mineral Resource Estimate is robust and has been undertaken to and conforms with standard industry practices. The resource review conducted as a part of this report and summarised in Section 3.7 provides confidence to DRM that this resource is suitable for supporting the Ore Reserve estimate (summarised below) and the valuation of the Arcadia project.

3.8. Ore Reserves

The review of the Ore Reserves was undertaken by Harry Warries of Mining Focus Consultants Pty Ltd (MFC). Mr Warries is the principal author for section 3.8.

The main items that were covered by the Reserve Review are: -

- Pit optimisation
- Mine design
- Mine production schedules
- Financial model

The mine planning aspects of the PFS were undertaken jointly by Virimai Projects (based in Zimbabwe) and Gleam Company Limited (based in Tanzania). The PFS mine planning has not been updated for the DFS however the scheduling has been revised to account for the larger processing plant.

The following sections describe the findings of the review for the items listed above.

All denominations are in United States of America dollars (US$), unless specifically stated otherwise.

3.8.1. Pit Optimisation

Pit optimisations were undertaken with the Whittle software. A summary of the Whittle input parameters that were adopted for the PFS are summarised in Table 6.

Table 6 – Summary Whittle Four-X Input Parameters

Item	Unit	Value
Mill throughput	Mtpa	1.2
Spodumene price (6% Li2O)	$/t	675
Petalite price (4.1% Li2O)	$/t	413

Tantalite	$/lb	58
Royalty - State - MMCZ	%	2.0 0.875
Marketing and insurance	% (of gross sales)	0.5
Processing recovery - Spodumene - Petalite - Tantalum	%	(Li2O Grade) % - 0.25 %)/(Li2O Grade) % ((Li2O Grade) % - 0.35 %)/(Li2O Grade) % (Tantalite Grade in ppm) - 80)/(Tantalite Grade in ppm)
Freight - Lithium concentrate - Tantalum	$/t $/lb of contained Ta2O5 in con	60.73 2.00
Processing cost	$/t milled	30.16
General and administration	$/t milled	4.88
Average Mining Cost	$/t mined	2.36
Dilution	%	5
Mining recovery	%	95
Slope angle	Degree	Ranging from 45 - 54

It is believed that the pit optimisation was undertaken to industry standard.

The selected optimum pit shell was Shell 9, which contains 27.1Mt of mill feed at 1.33% Li_2O and 78Mt of waste for a waste to ore strip ratio of 2.9:1.

3.8.2. Pit Design

The pit design was based on the following parameters: -

- Maximum Final Inter Ramp Angle = 56°
- Bench face Angle (Batter angle) = 80°
- Bench heights = 10m
- Berm width = 5m
- Mining Operating = 35m
- Ramp and road widths = 15m
- Ramp and road gradients = 10% maximum

Figure 7 provides a plan view of the pit design, as well as the waste dump design.

The pit design and waste dump design were undertaken to industry standards.

A 15m wide ramp for the proposed 30t or 40t articulated dump trucks is considered reasonable.

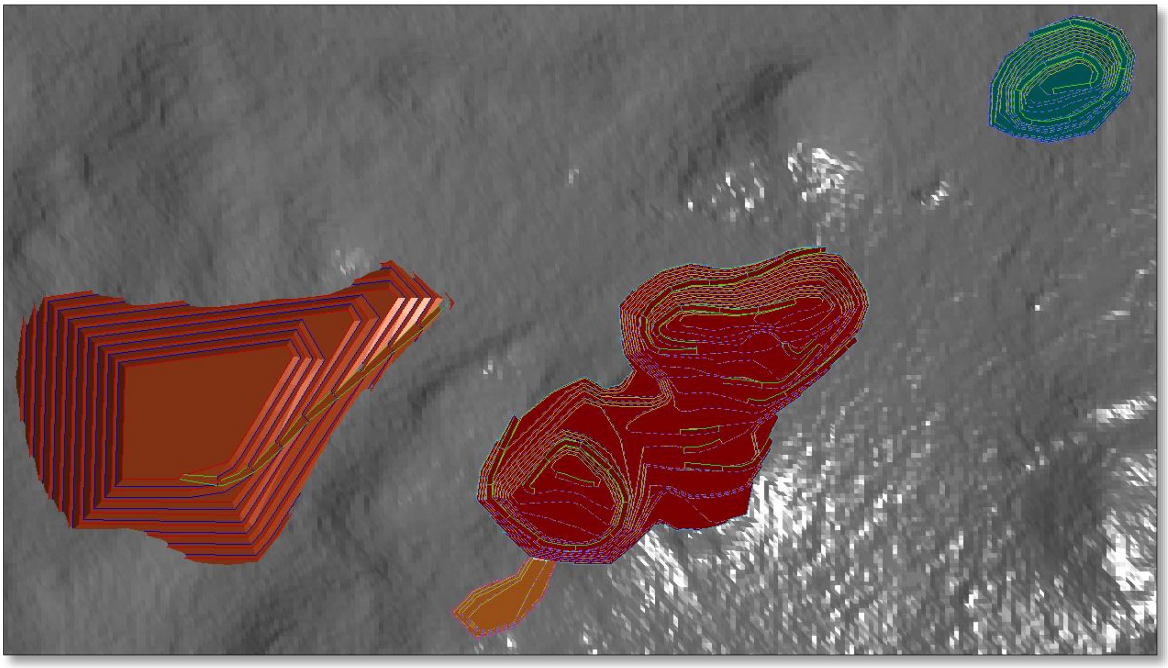


Figure 7 – PFS Pit Design

The material breakdown for the pit design was quoted as 26.9Mt at 1.38% Li_2O of mill feed, 84.4Mt of waste for a waste to ore strip ratio of 3.1:1. However, it appears that the mill feed grade is undiluted and Prospect Resources' ASX announcement, dated 6 December 2017, states an Ore Reserve of 26.9Mt at 1.31% Li_2O.

3.8.3. Mine Production Schedule

The main pit has been designed in six phases, which are considered reasonable. Notwithstanding that, no bench movements were provided for the PFS developed mine production schedule and, as such, MFC cannot categorically state whether or not the mine production schedule is achievable. However, a cash flow model that was developed for the DFS does include bench movement rates, which appear reasonable, albeit the total mill feed and waste tonnes are somewhat different. The aforementioned, cash flow model was only reviewed with regards to the underlying mine production schedule as DRM advised that it did not form part of the Ore Reserve review. DRM has reviewed the DCF independently and included it in the valuation section below.

It is noted that the annual total material movement fluctuates significantly (Table 7), which is not considered cost effective. It is proposed to utilise mining contractors, who are more likely to be in a position to accommodate such a mining profile. However, this would incur additional mobilisation and de-mobilisation costs to bring in additional mining equipment when required.

Table 7 – Total Material Movement

Year	Quantity (Mt)	Year	Quantity (Mt)
1	2.0 (4.0)[1]	8	8.4
2	8.0	9	7.6
3	8.3	10	9.0
4	10.7	11	13.5
5	12.8	12	11.3
6	9.7	13	4.1[2]
7	5.6		

Note: 1. Year 1 is a 6 month period. The amount shown in brackets is the annualised movement rate.
2. Part year

The life of mine, annual feed grade of the concentrator feed fluctuates significantly as summarised in Table 8.

Table 8 – Concentrator Feed grade

Element	Unit	Minimum	Maximum	Average
Li2O	%	1.02	225	1.35
Ta2O5	ppm	88	221	135
Spodumene	%	0.42	0.93	0.62
Petalite	%	0.27	0.96	0.73

Neither DRM or MFC are considered to be Experts with regards to metallurgy and processing, however, such fluctuations in grade as shown in Table 8 may require specific process design requirements and or may impact on operational matters.

3.8.4. Discounted Cash Flow Model

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 are provided in Table 9.

Table 9 – Summary DCF Parameters

Item	Unit	Value
Mill throughput	Mtpa	2.4
Spodumene price (6% Li2O) (Variable with average shown)	$/t	687
Petalite price (4.1% Li2O) (Variable with average shown)	$/t	458
Tantalite	$/lb	75
Royalty - State - MMCZ	%(of gross sales)	2.0 0.875
Mineral Tax	% (of gross sales)	5.0
Processing recovery - Spodumene - Petalite - Tantalum	%	72.7 42.5 22.2
Freight - Lithium concentrate - Tantalum concentrate	$/t	70.44 1,260
Processing cost	$/t mill feed	27.50
General and administration	$/t mill feed	3.67
Average Mining Cost	$/t mined	2.77
Grade control	$/t mill feed	0.07
Survey and planning	$/t mill feed	0.04
Dilution	%	5
Mining recovery	%	95
Capital expenditure - Plant & Infrastructure - Pre-strip - Working capital - Other	M$	 149 5.0 9.6 1.5
Discount rate	%	10

The DCF is based on monthly periods for the first two years and annual thereafter. Commencement of construction is shown as July 2019. A 12 months construction period has been modelled, which includes approximately 2Mt of pre-strip.

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. It is noted that the 2017 PFS included an allowance for Environmental Monitoring and a Rehabilitation provision. DRM and MFC did not see any detailed cost estimates that relate to these two items. The 2017 PFS made a LOM allowance of $10.5M and $28.1M for Environmental Monitoring and the Rehabilitation respectively. In the financial model and DFS report reviewed by DRM there is no separate allowance for the environmental monitoring while the rehabilitation is limited to $10 million at the end of the mine life, therefore DRM has added costs in the valuation section below to account for the expected environmental costs.

Neither DRM nor MFC are considered to be experts with regards to Process Plant design, however, the Plant and Infrastructure capital cost estimate of $149 million. This cost and the total CAPEX cost of US$165 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).

Within the financial model prepared by Prospect and provided to DRM the total pre-production CAPEX has been updated by DRM to $165 million which is the total CAPEX in the Prospect DFS.

4. Valuation Methodology

The VALMIN code outlines various valuation approaches that are applicable for projects 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 projects

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

As there are Ore Reserves estimated for the Arcadia Project DRM considers an income valuation methodology as an appropriate valuation technique. This valuation is supported by a market valuation being a comparable project transaction based on resource multiples and a yardstick valuation.

4.1. Previous Valuations

No previous valuations have been sourced nor have any been made available to DRM.
As a part of this report and work DRM has conducted searches for previous valuations on the Arcadia Project and also asked Prospect if there are any previous valuations that have been undertaken for the project. No previous valuations are available.

4.2. Valuation Subject to Change

The valuation of any mineral project is subject to several critical inputs most of these change over time and this valuation is using information available as of 3 October 2018. This valuation is subject to change due to variations 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 project, the current and future lithium 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. While DRM has undertaken a review of multiple aspects that could impact the valuation there are numerous factors that are beyond the control of DRM. This valuation assumes several forward-looking production and economic criteria which would be unreasonable for DRM to anticipate.

4.3. General assumptions

Mineral Assets of Prospect are valued using appropriate methodologies as described Table 10 in the following sections. The valuation is based on a number of specific assumptions detailed above, including the following general assumptions;

- That all information provided to DRM and its associates is accurate and can be relied upon,

- The valuations only relate to the mineral assets of Prospect, in particular the Arcadia Lithium Project and not Prospect Resources nor their shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to DRM by Prospect 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 advance the project as assumed,
- That the current mineral resource and / or mineral reserve estimates and any modifying factors assumed in their estimation remain reasonable and valid,
- The lithium carbonate price is assumed (where it is used in the valuation) to be constant at US$10,500/t with offtake discounts and margins applied in accordance with confidential Prospect agreements resulting in an assumed 6% spodumene concentrate price of $610/t and a petalite price of approximately US$405/t and the US$ - AUS$ exchange rate as at 1 March 2019 of 0.70801 has been used.
- All currency in this report are dominated by United States of America Dollars (US$), unless otherwise noted. The valuations have been converted to Australian Dollars (AUS$ or A$) using the exchange rate as of 1 March 2019.

4.4. 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.

4.4.1. Lithium Market

The Lithium price has undergone a fundamental change over the past two to three years. 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.

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 mold 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 have recently increased include cobalt, graphite, vanadium and to a smaller extent (due to the other non EV related consumption) nickel.

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 hardrock lithium operation is a spodumene concentrate. The concentrate ideally is low in iron as one of the alternate uses for a spodumene concentrate is in ceramics. 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 manufacture of Hydrofluoric acid 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.

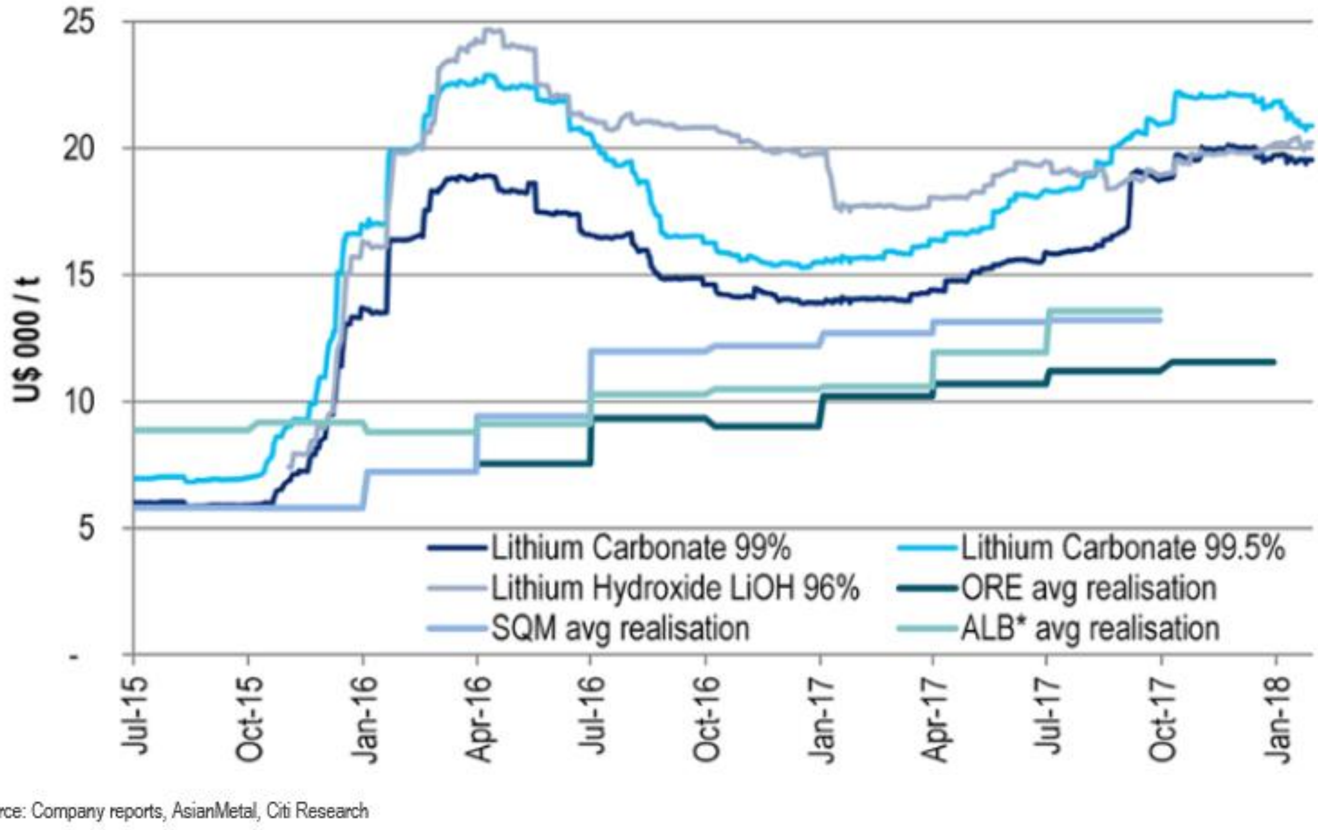
As the lithium bearing concentrates are sold in long term contracts with the end users there is no transparent independent lithium price. In negotiating their concentrate prices several companies link their concentrate prices to either Lithium Carbonate or Lithium Hydroxide prices.

In the DFS Prospect has used a life of mine 6% Li_2O Spodumene concentrate price of $689/t (ranging from US$636/t to US$798/t) and a life if mine 4% Li_2O Petalite concentrate price of $457/t (ranging from $424/t to $532/t). Other companies are currently selling 6% Li_2O Spodumene concentrates of a similar specification to the Arcadia concentrates for between $830 and $850/t. These concentrate prices have been calculated based on forecast Lithium Carbonate prices with appropriate discounts applied.

For this valuation DRM has considered various price forecasts and has therefore assumed a lithium carbonate price of $10,500/t this results in a 6% Li_2O Spodumene concentrate price of $610/t and a life if mine 4% Li_2O Petalite concentrate price of $405/t. In DRM's opinion this is a conservative price forecast.

If the current price of approximately $850/t for 6% Li_2O Spodumene concentrate were used, then a significantly higher valuation would be expected. Under the Yardstick valuation method below if the current concentrate price of $850 were used then the project valuation would be significantly higher than the other valuation methods, therefore the yardstick valuation has used a conservative price of $610 has been assumed for the 6% Li_2O spodumene concentrates.

An important by-product from Arcadia will be tantalum. The Ta_2O_5 price assumed by Prospect and DRM in this valuation is $75/lb for the life of mine.



From Pilbara Minerals Corporate Presentation Feb 2018

Figure 8 Lithium Carbonate / Lithium Hydroxide Prices

In late 2018 there has been a significant reduction in the Lithium carbonate and lithium hydroxide prices in China. Figure 9 shows the dramatic reduction in the lithium carbonate prices for 2018. Note the current exchange rate between US$ and CNY (Yuan) is approximately 6.7066. Therefore, the lithium carbonate price of approx. 75,000 yuan at the end of 2018 equates to approximately $11,180/t.

On the basis of the various price forecasts and the reduction in the lithium carbonate prices in the latter part of 2018 DRM considers a lithium carbonate price of $10500 to be reasonable resulting in a 6% Li_2O Spodumene concentrate price of $610/t and a life if mine 4% Li_2O Petalite concentrate price of $405/t.

From Pilbara Minerals Corporate Presentation Feb 2018

Figure 9 99.5% lithium carbonate prices during 2018 in Yuan per tonne.

4.4.2. Valuation of Advanced Projects

There are several valuation methods that are suitable for advanced projects these include;

- Financial modelling including DCF valuations (limited to projects with published Reserves),
- Comparable Market Based transactions including Resource and Reserve Multiples
- Yardstick valuations

4.4.2.1. Comparable Market Based Transactions

A comparable Transactional 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 Estimated reported) or on an area basis for non-resource projects. 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 resources are reported according to an industry standard (like the JORC Code or NI43-101) but it 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 recent then it should 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 releases associated with these transactions, a database compiled by DRM for advanced exploration, development and operating lithium projects.

This valuation method is the secondary valuation method with the discounted cash flow (DCF) or financial modelling the primary valuation method.

DRM's preference is to limit the transactions and Resource / Reserve multiples to completed transactions from the past two to three years however there has been limited transactions where advanced hardrock spodumene lithium projects have transacted. This is primarily due to the lithium market and demand resulting in companies retaining and developing these assets rather than selling the project. One notable exception is the sale of 50% of the Earl Grey deposit owned by Kidman Resources. In that case one of the major lithium companies has provided their expertise and financial backing to diversify their project portfolio away from a pure lithium brine company to one associated with a significant spodumene project.

The comparable transactions that have been compiled for advanced projects where Resources and reserves have been estimated along with operating lithium mines. Appendix A details the Resource Multiples for advanced exploration development or operating mines that are considered broadly comparable to the Arcadia Lithium Project.

4.4.2.2. 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 price as at the valuation date. The yardstick valuation factors used in this report are below other yardstick valuation factors commonly used for projects that produce metal (i.e. a gold project) in other VALMIN reports this is due to the project producing a concentrate. In this Yardstick valuation DRM has taken into account the recovery of lithium into the concentrates and therefore a yardstick factor closer to a gold yardstick is potentially a reasonable approximation of the value of the project.

Table 11 details the yardstick multiples typically used for base metal and other commodities which are sold as concentrates. They are significantly lower yardstick multiples than for a project where the producer receives a higher proportion of the value of the metal in the concentrate. In this case as the product that potentially is produced will be sold as a concentrate with the value of the concentrate used in the yardstick valuation it is reasonable to use a higher yardstick multiple. The lower yardstick multiples have also been used to determine a lower valuation for the project.

Several Australian producers are currently selling a 6% spodumene concentrate for between US$830/t and US$880/t however most consensus forecasts are expecting the price to drop to between US$650 and US$690/t. As the project is not currently in production DRM consider it reasonable to use the forecast weighted concentrate price rather than the current price. The weighted price assumed in the DFS and considered appropriate has been determined based on the underlying lithium carbonate price landed in China and has been determined based on the existing offtake agreements. Weighting the proportion spodumene concentrates and petalite concentrates and the relative prices for each product has been used to determine the weighted concentrate price used in the yardstick valuation. The exchange rate used to convert the concentrate price to Australian Dollars is the exchange rate as of 3 October 2018, being the valuation date.

Table 11 Yardstick Multiples

Resource or Reserve Classification	Lower Yardstick Multiple	Upper Yardstick Multiple
	(% of Con price)	(% of Con price)
Ore Reserves	5%	10%
Measured Resources (less Proved Reserves)	2%	5%
Indicated Resources (less Probable Reserves)	1%	2%
Inferred Resources	0.5%	1%

4.4.3. Exploration Asset Valuation

Given the size of the recently granted mining lease in DRM's opinion the exploration upside is captured in the range of the valuations derived by the DCF and the resource multiple ranges and therefore no additional valuation has been determined for the exploration upside away from the currently outlined Mineral Resources and proposed development at Arcadia.

To generate an overall value of the entire project it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced projects (with reserves or resources) the most significant value drivers for the overall project are the Resources or Reserves for earlier stage projects a significant contributor to the projects value is the exploration potential. There are several ways to determine the potential of pre-resource projects, these being;

- A Geoscientific (Kilburn) Valuation
- Comparable transactions based on the projects' area
- Joint Venture Terms
- A prospectivity enhancement multiplier (PEM)

DRM considers the Geoscientific (Kilburn) Valuation method to be the most robust and therefore that is the primary valuation method used for early stage projects. The Geoscientific (Kilburn) Valuation method is checked using the other valuation methods with a preference toward Joint Venture terms and comparable transactions. It is the view of DRM that the least transparent and most variable valuation method is a PEM valuation.

As the area of the project is limited in DRM's opinion the exploration potential and any value attributed to the exploration upside has been captured in the ranges from the DCF valuation along with resource multiple valuations. Therefore, no additional valuation or assessment of the exploration upside on the project has been undertaken.

5. Valuation of the Arcadia Lithium Project

The Arcadia Lithium Project is an advanced project with a completed Pre-Feasibility Study (PFS) and a Definitive Feasibility Study completed in November 2018. DRM 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. DRM 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 however a significant discount has not been applied to these valuations for the geopolitical 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.

5.1. Discounted Cashflow 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 DRM's opinion an elevated discount rate is still considered reasonable until the Zimbabwe economy is more stable.

In addition to the aspects outline in the Reserve section above DRM has made several changes to the DCF to determine the preferred valuation of the project, these include;

A discount rate (Weighted Average Cost of Capital or WACC) of between 18% and 25% 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.

As outlined in the Reserve section above the allowance for sustaining capital was 1% of revenue. In the review of the financial model DRM discovered minor inconsistencies. If these inconsistencies are corrected there is no material difference to the overall NPV. Therefore, these inconsistencies are considered insignificant in the overall model.

The capital costs included in the DFS total $165 million however in the review of the financial model the total CAPEX was $155 million. DRM has added additional costs in the financial model with this cost added at the end of the construction period.

The CAPEX is broadly consistent with the DFS CAPEX used in the Pilbara Minerals Stage 1 and Stage 2 expansion (PLS ASX Release 20 September 2016 and PLS ASX release 3 August 2018). Subsequent to the valuation date and the date of this report Prospect released an economic update to the DFS where CAPEX savings of approximatly 1.6% had been identified. In DRM's opinion this cost saving is not material to the overall valuation determined in this report due to the uncertainty associated with the funding and the geopolitical risks associated with the project. DRM does note that according to the Prospect ASX release of 5 March 2019 the project's NPV increases by $22 million when compared to the original NPV from the DFS.

The financial model has been developed with a commencement of the development in July 2019 and the proposed construction which has been estimated (optimistically in DRM's opinion) as nine months. The financial model assumes that production will continue until mid-2032.

The financial model has a monthly schedule for the first two years and then annual production schedules.

A summary of the total salient inputs are included in Table 12 below. 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 DRM is not an expert in corporate tax or company structures that Prospect may consider.

Table 12 Table of the significant inputs in the DCF

Input	Unit		Comment
Mine Life		12 years	
Spodumene Price 6% con.	US$/t	$610	Linked to lithium carbonate price
Petalite Price 4% con	US$/t	$405	Linked to lithium carbonate price
Tantalite Price	US$/lb	$75	Constant
Spodumene Production	ktpa	212	
Petalite Production	ktpa	216	
Gross Revenue	$ billion	2.934	
Operating Costs			
Mining	$/t concentrate	$60	
Processing	$/t concentrate	$120	
Transport	$/t concentrate	$70	
Admin	$/t concentrate	$20	
Less Tantalum Credits	$/t concentrate	($33)	
Royalties	$/t concentrate	$48	
OPEX	$/t concentrate	$285	
CAPEX	$	$165 million	
Exchange Rate		0.70801	
NPV(18)	US$163.3 million - AUS$231 million		
NPV(22)	US$108.0 million - AUS$153 million		
NPV(25)	US$74.3 million - AUS$105 million		
IRR	33%		

The high discount rates were selected to reflect the likely interest rates associated with funding the project via non-traditional lenders including via bonds or private equity groups. There would also be very high dilution to the existing Prospect shareholders if a debt to equity ratio typical of similar mining ventures were undertaken. Given the current market capitalisation of Prospect along with an expected 40% equity component to project financing (assuming a typical 60:40 debt to equity ratio) a full weighted average cost of capital would be very high compared to the WACC that has been used by Prospect in the November 2018 DFS.

Altura, a lithium developer in Australia in 2017 funded its development through a series of bonds which attracted interest rates of between 14% and 15% (Altura (AJM) ASX release 28 July 2017). This funding also required a significant share issue and five year warrants at a significant discount to the Altura share price at the time of the bonds were issued. It is considered likely that the total cost of this debt would be at least 18% while the total cost of capital would likely exceed 22%.

Therefore, in DRM's opinion a weighted average cost of capital would likely be between 18 and 25% and an arbitrary 22% WACC has been used to determine the preferred NPV of the project.

Overall based on the information included above including in the Reserve Review section above DRM has determined a range of NPV valuations for the Arcadia Project to be between $NPV_{(25)}$ US$74.3 million and $NPV_{(18)}$ US$163.3 million with a preferred $NPV_{(22)}$ US$108.0 million.

Using the exchange rate as of 1 March 2019, being the valuation date, DRM determines that the $NPV_{(25)}$ A$105 million and $NPV_{(18)}$ A$231 million with a preferred $NPV_{(22)}$ A$153 million.

DRM notes that in the Prospect DFS ASX announcement the company announced an $NPV_{(10)}$ of US$511 million while economic update of 5 March 2019 results in an NPV of $533 million, if a 10% discount rate is used and based on the modified DRM DCF model generates an $NPV_{(10)}$ of $337 million.

Importantly this valuation has not considered 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 reduce the valuation to account for the geopolitical risks associated with the project, the lack of funding to advance the project and the potential sources of funding available to Prospect.

A review of multiple project specific transactions shows that it is very rare and unlikely that a project would have a fair market value that is equal to the full DCF generated NPV of a project (especially where the project is at a pre funding DFS stage). In generating a fair market valuation, a discount to the NPV is usually required. The extent of the discount would vary from company to company and jurisdiction to jurisdiction however if a nominal discount of 40% were applied to the NPV derived for the Arcadia project then the value would then reduce to being between A$63 million and A$138 million with a preferred valuation of A$92 million. This revised valuation is broadly in line with the secondary valuations being the comparable transactions and the yardstick valuation methods detailed below.

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.

5.2. Comparable Transactions

As detailed in Appendix A, DRM has reviewed a series of transactions that are considered broadly comparable to the Arcadia Lithium Project. 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.

DRM considers that, for the Arcadia Lithium Project a reasonable resource multiple for the >1% Li_2O resource is between $122/t and $360/t with a preferred valuation of $304/t. These multiples are determined based on the contained Li_2O in the global resource for the various projects listed in Appendix A. In all cases DRM has used the Mineral Resource estimates prior to the transaction being completed.

These ranges are determined by the 25th Percentile, 75th percentile and the median of the transactions that are potentially comparable.

The resource multiples detailed above have been used along with the Mineral Resources estimates for the Arcadia Lithium project outlined above to derive the value of the resources shown in Table 13. In addition there has been a 40% discount applied to the resource multiplier to account for the geopolitical and funding risks associated with the project.

Table 13 Comparable transaction valuation summary for the Arcadia Lithium Project.

Prospect Resources			
Arcadia Lithium Project	**Lower**	**Preferred**	**Upper**
Resource (Mt contained Li_2O).	0.61	0.61	061
Resource Multiple (AUS$/oz)	$74	$183	$217
Resource Valuation	**$45**	**$111**	**$132**

Note appropriate rounding has been applied to the Resource estimate and the valuation.

Therefore, DRM considers the Arcadia Lithium Project to be valued, based on comparable transactions, at between **A$45 million** and **A$132 million** with a preferred valuation of **A$111 million.**

5.3. Yardstick

Table 14 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.

Table 14 Yardstick Multiples used for the Arcadia Project

Resource or Reserve Classification	Lower Yardstick Multiple	Upper Yardstick Multiple
	(% of Con price)	(% of Con price)
Ore Reserves	5%	10%
Measured and Indicated Resources (less Reserves)	1%	2%
Inferred Resources	0.5%	1%

Table 15 Yardstick Valuation of the Resources within the Arcadia Lithium Project

	Concentrate (Mt)	AUS$/t	Valuation (AUS$ million)		
			Low	Preferred	High
Reserves	3.64	**$734.45**	$144.5	$216.8	$289.0
Measured & Indicated	5.44	**$734.45**	$14.2	$21.4	$28.5
Inferred	0.87	**$734.45**	$3.4	$5.2	$6.9
Total Valuation (AUS$M)			**$162**	**$243**	**$324**

Note:
The yardstick valuation of uses a weighted (Spodumene – Petalite - Tantalum) price of US$520 and an exchange rate of 0.7136.
Appropriate rounding has been applied to the resource and the valuation.
The concentrate tonnes assume a 67% recovery of lithium into concentrate.

The yardstick valuation is approximately double the DCF valuation for each of the valuations. The yardstick valuation does not account for the funding risks, jurisdictional risks or technical risks associated with developing the project and is therefore considered by DRM to be an absolute maximum value of the project and it is likely that the fair market value is significantly lower than this yardstick valuation.

In DRM's opinion a lower yardstick multiple of between 2% and 5% for the Ore Reserves is be reasonable due to the material being sold from the project being a concentrate and the uncertainty associated with funding and jurisdictional / geopolitical risks. If this were done, then the overall combined valuation of the Reserves would reduce to between A$57.8 million and A$144.5 million with a preferred valuation of A$101.2 million. This would result is a total yardstick valuation of between A$75 million and A$180 million with a preferred valuation of A$128 million. This modified yardstick valuation is in line with the comparable transaction valuation detailed above and the discounted DCF NPV of the project. Alternatively, the Yardstick method is usually calculated based on the current commodity prices. If the lithium concentrate price being achieved by several of the Australian producers in late 2018 of around US$850/t and the higher reserve valuation yardstick multiplier were used the valuation would be between A$265 million and A$530 million with a preferred value of A$398 million. The valuation using the October 2018 lithium carbonate price clearly does not accurately reflect the current market value of the project as various risks and development modifying factors have not been applied.

In DRM's opinion as the yardstick valuation does not take into account any funding risks, jurisdictional risks or project / technical risks it should only be used as a guide to a likely value of a project. It should be used as a supporting valuation with the preferred valuations taking into account the various modifying factors as outlined in the 2012 JORC code.

6. Valuation Summary

Based on the valuation techniques detailed above Table 16 provides a summary of the various valuations. Figure 10 shows the various valuations.

As stated above DRM considers the DCF valuation to be the most robust and it contains all the modifying factors that influence the viability of a project.

Table 16 Summary of the Valuations completed for Arcadia Lithium Project.

Mineral Asset	Valuation Technique	Asset Being Valued	Lower Valuation (AUS$ million)	Preferred Valuation (AUS$ million)	Upper Valuation (AUS$ million)
Mineral Asset					
Arcadia Lithium Project	DCF	Entire Project	$63	$92	$138
	Comparable Transactions	Entire Project	$45	$111	$132
	Yardstick Higher Reserve Multiple	Entire Project	$162	$243	$324
	Yardstick Lower Reserve Multiple	Entire Project	$75	$128	$180

Notes: The Comparable transaction valuation is based on the contained Li_2O with a 40% discount applied due to jurisdictional risks while the Yardstick is based on the contained 6% Spodumene concentrate. The DCF valuation above is based on a 40% discount to the NPV of the project as it is unlikely / rare that a project would transact for the full NPV of the project and jurisdictional risks associated with Zimbabwe.

Therefore, based on the nominal 40% discount to the NPV for geopolitical risks and as supported by the secondary valuation methods DRM has determine the preferred total valuation for 100% of the project. This preferred valuation is documented in Table 17 below.

Table 17 DRM's preferred valuation for 100% of the Arcadia Lithium Project

Mineral Asset	Lower Valuation (AUS$ million)	Preferred Valuation (AUS$ million)	Upper Valuation (AUS$ million)
Arcadia Lithium Project Valuation	$63	$92	$138

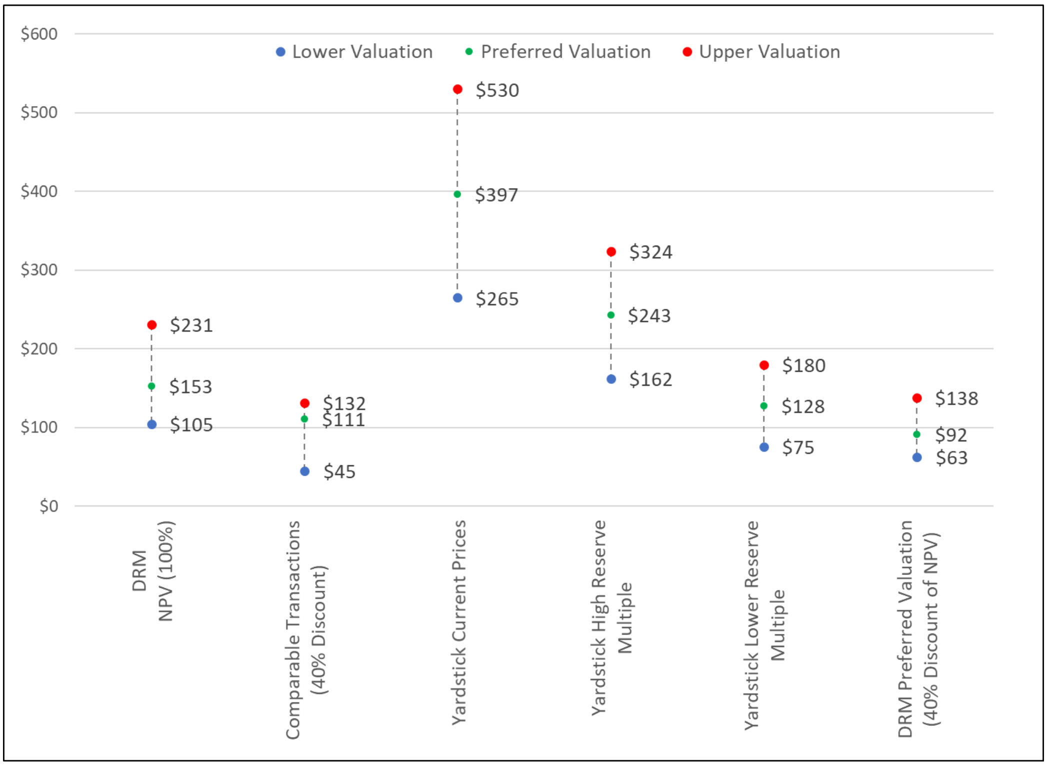


Figure 10 Valuation Summary

7. Conclusion

DRM considers the Arcadia Lithium Project to have a mineral asset valuation within a range of A$63 million to A$138 million with a preferred total mineral asset value of A$92 million.

8. References

The reference list below is dominated by unpublished company reports. Where they are published the publication is noted. None of the ASX releases of Prospect Resources have been listed in the Reference list but are all available on the company and the ASX websites.

Acadia Pegmatite sample polished thin sections descriptions report, Judith Kinnaird and Warrick Fuchsloch. Undated.

ADP Marine Pvt Ltd November 2018, Arcadia Lithium Project Definitive Feasibility Study.

Arcadia Lithium Project Pre-Feasibility Study by Biomet Engineering. Full Report. 28 June 2017.

Arcadia Lithium Project delivers robust Pre-Feasibility Study (ASX: PSC Release 3 July 2017)

Gumbo, N. March 2017. 3D Earth Exploration. Arcadia Mine Project ground magnetic survey report.

Investor presentation - Africa Down Under (ASX: PSC Release 30 August 2018)

Johnson, R. and Cronwright, M., MSA. 3 October 2016. Prospect Resources- Petrography of Arcadia's lithium bearing pegmatites, Zimbabwe.

JORC, 2012, *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)* [online]. Available from: http://www.jorc.org (The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia).

Kilburn, L.C., 1990, *Valuation of mineral properties which do not contain exploitable reserve*, CIM Bulletin, 83, pp. 90–93.

Naidoo, T., O'Callaghan, P., Cobb, M., *2016 Independent Technical Specialist's Report, Valuation of Renaissance Minerals' Okvau Gold Project, Cambodia, CSA Global Report No 236.2016,* in Renaissance Minerals Limited Independent Expert's Report, BDO, Renaissance Minerals Target Statement 2016.

Prospect Resources Limited website: www.prospectresources.com.au

Prospect Resources Limited 30 June 2018 Annual Report.

Prospect Resources Arcadia Definitive Feasibility Study Confirms Leading African Lithium Project (ASX PSC Release, 19 November 2018)

Prospect Resources Presentation of the Arcadia Definitive Feasibility Study release 2.4Mtpa Base Case (ASX PSC Release, 19 November 2018)

Prospect Resources announces significant increase in Ore Reserve at Arcadia (ASX: PSC Release 6 December 2017)

Prospect announces significant increase in Measured and Indicated Mineral Resource at Arcadia (ASX: PSC Release 25 October 2017)

U.S. Geological Survey, 2018, Mineral commodity summaries 2018: U.S. Geological Survey, 200 p., https://doi.org/10.3133/70194932.

VALMIN, 2015, *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code)* [online]. Available from: http://www.valmin.org (The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists).

9. 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.

Specialist 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.

10. Appendices

Appendix A – Comparable Transactions

The table below documents several transactions that were analysed to determine a resource multiple for recently completed transactions.

There have been very few truly comparable transactions for development stage lithium projects. Several of the transactions included in the table below are for operating mines with associated processing facilities however these have been included in the analysis due to the transactions being completed prior to the recent increases in the overall lithium market and demand for lithium concentrates.

DRM has excluded transactions that are considered as outliners being the acquisition of 50% of the Mt Caitlin project in 2016 as that resource multiple is considered a statistical outlier and the transaction by Vision Lithium in late 2017 has been excluded due to the small resource (at the time of the transaction) compared to the other transactions resulting in an artificially elevated resource multiple.

The overall resource multiples used in this valuation have been determined based on the 25th Percentile (for the lower valuation) the 75th Percentile for the upper valuation and the median of the transactions for the preferred valuation. In DRM's opinion using the median of the transactions is better than the average, especially where there a wide variation in the resource multiples. Additionally, to account for the geopolitical risks and the funding risks associated with the Arcadia project DRM considered is reasonable to apply a 40% discount to the resource multiples.

Date	Project	Location	Purchaser	$	Currency	Exchange Rate	A$	Equity	Resource		Contained Li2O	AUS $/t	Status	Comment
									Mt	Grade (%)				
Oct-16	Lynas Find	Pilbara WA	Pilbara	8	Australian	1	$8.00	100%	7.3	1.25%	0.091	$87.67	Exploration	
Dec-13	Greenbushes	Southern WA	Tainqi	847	Canadian	0.96698	$875.92	100%	120	2.40%	2.880	$304.14	Operating	
May-14	Greenbushes	Southern WA	Albermarle	475	US	0.92752	$512.12	49%	120	2.40%	2.880	$362.90	Operating	
May-16	Mt Caitlin	Southern WA	General	216	Australian	1	$216.00	50%	12.8	1.09%	0.140	$3,096.33	Operating	Exclude Outlier
Jun-15	Mt Caitlin	Southern WA	Galaxy	25	Australian	1	$25.00	50%	12.8	1.09%	0.140	$358.37	C&M	
Jun-15	James Bay	Canada	Galaxy	5	Australian	1	$5.00	50%	22.2	1.28%	0.284	$35.19	Exploration	
Jun-17	Earl Grey	Yilgarn WA	SQM	110	US	0.7539	$145.91	50%	128	1.44%	1.843	$158.32	PFS	
May-18	Bald Hill	Yilgarn WA	Tawana	186.9	Australian	1	$186.90	50%	18.9	1.18%	0.223	$1,676.08	Operating	
Dec-17	Vision Lithium	Canada	Vision	6.25	Canadian	1.0143	$6.16	100%	0.304	1.36%	0.004	$1,490.39	Exploration	Exclude very
										Median		$304.14	$182.48	
										Average		$426.10	$255.71	
										25th Percentile		$123.00	$73.80	
										75th Percentile		$360.63	$216.38	

With a 40% discount applied for the geopolitical risks associated with the project the median resource multiple is $182.48/t of contained Lithia, the 25th Percentile is $73.8 while the 75th percentile is $216.38/t. In DRM's opinion a 40% discount is considered reasonable. In analysing various other African mineral project transactions these commonly transact at a discount of between 35% and 50% when compared to Australian projects. On that basis DRM considers a 40% discount reasonable.

Prospect Resources

Prospect Resources Limited | ACN 124 354 329

Meeting Registration Card & Proxy Instructions

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Vote by Proxy: PSC

Unless otherwise defined, capitalised terms in this document have the meaning given to them in the Notice of Meeting to which this document relates. Your Proxy Form must be received by **9.00am (Perth Time) Sunday, 9 June 2019,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at https://investor.automic.com.au/#/loginsah

Login & click on 'Meetings'. Use the Holder Number as shown at the top of this Meeting Registration Card.

- ✓ **Save money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's quick and secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive vote confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

SUBMIT YOUR PROXY VOTE BY PAPER

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, Shareholders sponsored by a broker should advise their broker of any changes. If you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home.**

VOTING UNDER STEP 1 - APPOINTING 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 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, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair will be voted according to the instructions set out in the Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All of your Shares will be voted in accordance with such a direction unless you indicate only a portion of your Shares 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 your proxy 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 Forms and specify the percentage or number of Shares each proxy may exercise. If you do not specify a percentage or number of Shares, each proxy may exercise half the Shares. You must return both Proxy Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services using the contact details on the next page.

SIGNING INSTRUCTIONS

You must sign this Proxy form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders must sign.

Power of attorney: If you have not already lodged the power of attorney with the Share Registry, please attach a certified photocopy of the power of attorney to this Proxy 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 dispatched by the Company electronically (where legally permissible) such as a notice of meeting, proxy form and annual report via email.

CORPORATE REPRESENTATIVES

If a representative of a corporate Shareholder is to attend the Meeting the appropriate completed 'Appointment of Corporate Representative' form should be produced prior to admission. A form may be obtained from the Share Registry online at https://automic.com.au.

ATTENDING THE MEETING

Completion of a Proxy Form will not prevent the individual Shareholder from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If an attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the power of attorney, or the original power of attorney, must be received by the Company in the same manner, and by the same time as outlined for Proxy Forms.

Contact

Return your completed 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

All enquiries to Automic

WEBCHAT
https://automic.com.au/

PHONE
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

AUTOMIC

STEP 1: Appoint Your Proxy

Complete and return this Proxy Form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the Extraordinary General Meeting of Prospect Resources Limited to be held at **9.00 am (Perth time) on Tuesday, 11 June 2019 at Prospect Resources, Suite 6, 245 Churchill Avenue, Subiaco WA 6008** hereby:

Appoint the Chair OR if you are not appointing the Chair 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 Resolution 4 (except where I/we have indicated a different voting intention below) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chair.

STEP 2: Your Voting Direction

Resolutions		For	Against	Abstain
1.	Acquisition of shares in Prospect Lithium Zimbabwe			
2.	Issue of Consideration Shares to Farvic			
3.	Share Consolidation			
4.	Approval of Option Plan			

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.*

SAMPLE

PSC

STEP 3: Sign Here + Contact Details

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

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).