



Prospect Resources

Arcadia Lithium Project

| Updated Definitive Feasibility Study

12 December 2019



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Competent Person's Statements

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its resource announcement made on 25 October 2017.

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Ore Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its reserve announcement made on 20 November 2019.

Leading Africa in the battery minerals revolution

Strategically Focused

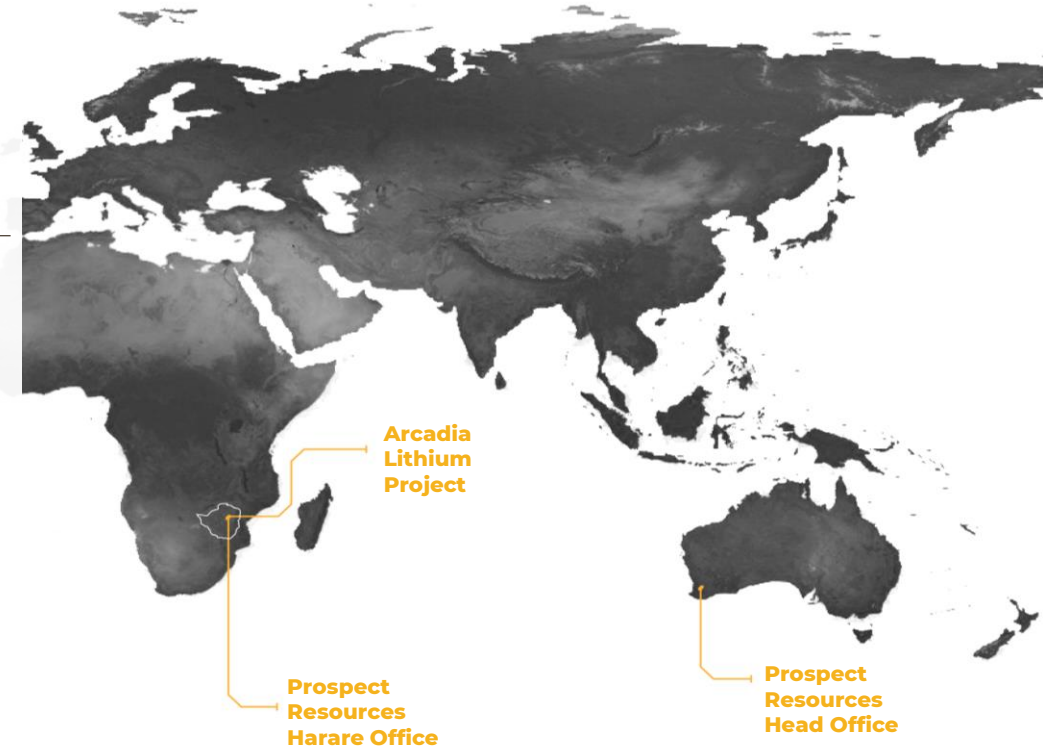
- + Listed on the Australian (ASX: PSC) and Frankfurt (FRA: 5E8) exchanges
- + Battery minerals company with a focus on lithium in and around Zimbabwe
- + Flagship project is the 87%¹ owned Arcadia Lithium Project located in Zimbabwe

Globally Unique

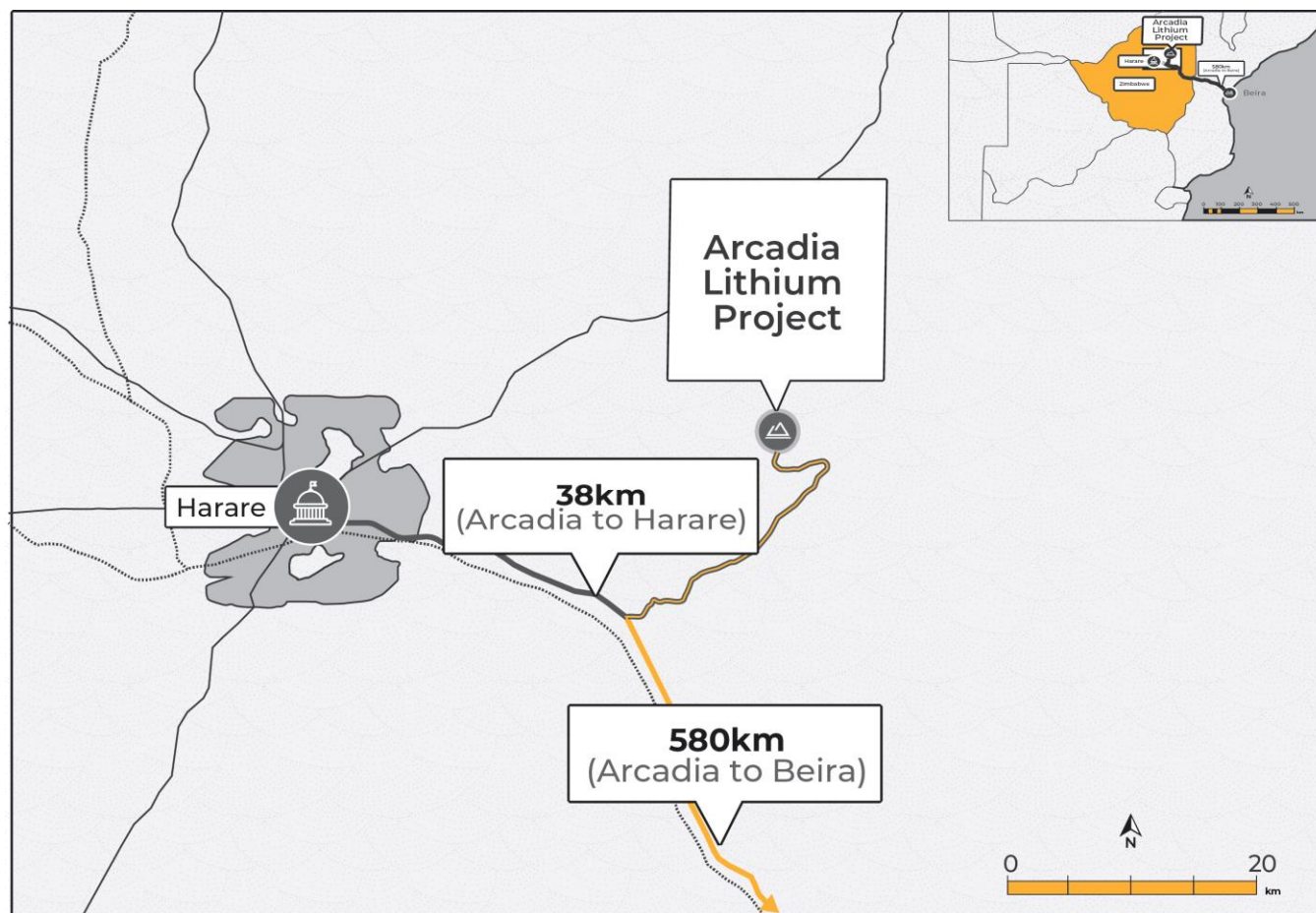
- + Africa's most advanced lithium project
- + Only listed company to produce low iron spodumene and ultra-low iron petalite concentrates
- + A leading player in the lithium industry with low cost production and stability of supply into both chemical and glass & ceramics markets
- + Offtake agreement and equity investment from Shenzhen Stock Exchange listed lithium chemical converter Sinomine Resources Group (002738.SZ)

Experienced Team

- + A strong management team with a wealth of experience across African, lithium and project development, having successfully delivered large, complex mine and plant projects globally
- + Tier 1 EPCM partner - ADP / Lycopodium Engineering



Arcadia, a game changing lithium project



- **7th largest global hard rock lithium asset**
- **Fully permitted to commence production**
- **Strong project economics to drive returns for shareholders**
- **Diversified markets across Europe, North America and North Asia**
- **Close proximity to a skilled labour force and established infrastructure**
- **Operating in an established mining jurisdiction with over 100 years of mining history**



Arcadia Lithium Project: Updated DFS



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**Significantly improved
project economics**

- **Average Annual EBITDA (First 5 years) US\$168M**
- **CAPEX US\$162M, including EPCM cost provision & 14% contingency¹**
- **Pre-tax NPV₁₀ US\$710M²**

Page 7**Optimised reserve estimate
and extended life of mine**

- **7th Largest Global Hard Rock Lithium Asset**
- **Ore Reserve 37.4Mt @ 1.22% Li₂O and 121ppm Ta₂O₅**
- **Life of mine extended to 15.5 Years**

Page 11**Exceptional growth
opportunities**

- **The global demand for lithium is driven by EV growth**
- **Market is in deficit by 2021³**
- **Supply into the stable glass & ceramics and the growing EV / battery market**

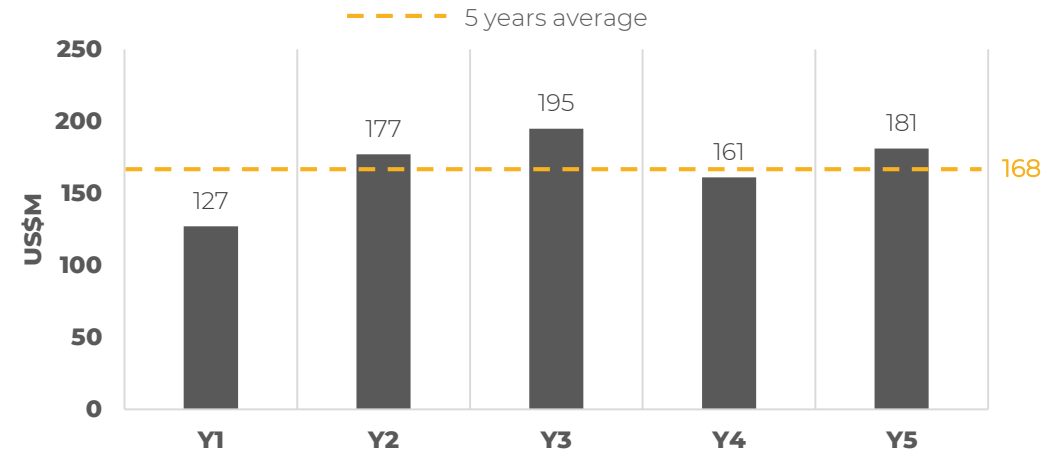
Page 13**Africa's most advanced
lithium project**

- **DFS completed**
- **Fully permitted**
- **Pathway to funding**

Page 16¹ Contingency includes EAA (Estimate Accuracy Allowance)² Net Present Value (NPV) is presented on a nominal basis and with a discount rate of 10%³ Benchmark Minerals Intelligence

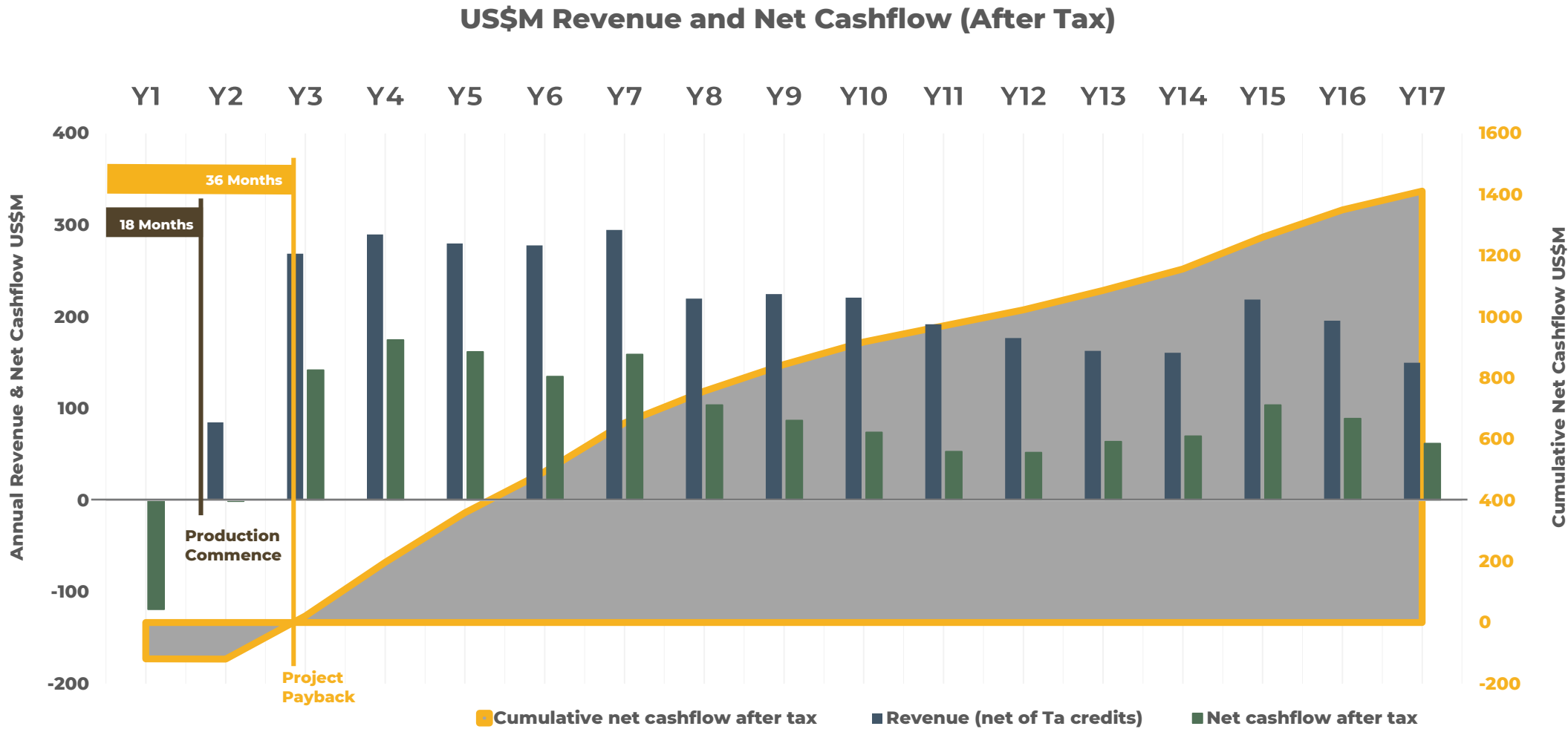
A tier one project delivering strong returns

Updated DFS Nov 2019¹	Change ²
Average Annual EBITDA (first 5 years) US\$168M	99% increase (Previously US\$84M)
CAPEX US\$162M	2% decrease (previously US\$165M)
NPV₁₀ pre-tax US\$710M	39% increase (Previously US\$511M)
IRR pre-tax 71%	27% increase (previously 44%)
Payback Period 18 months	12 months shorter (previously 2.5 years)

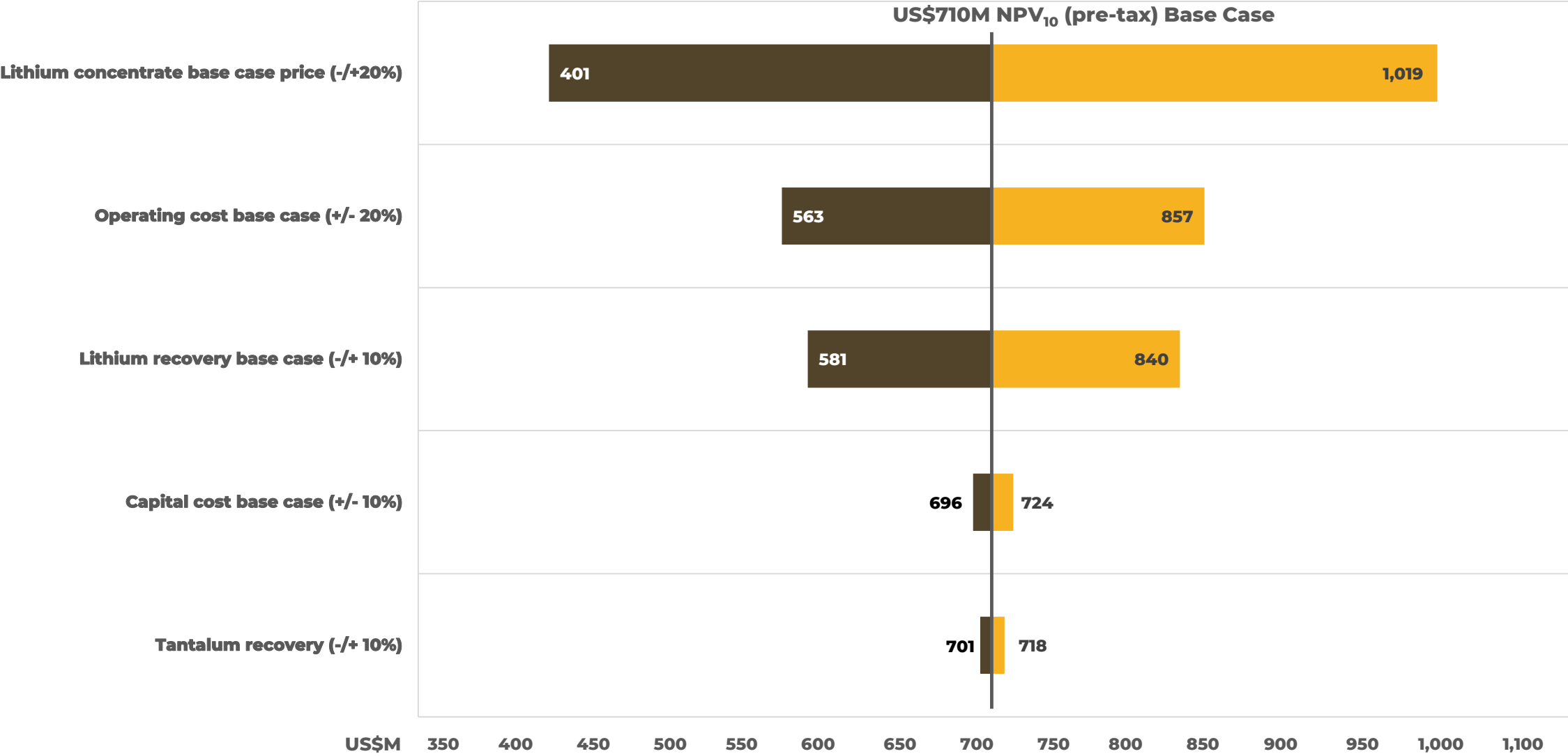
Annual EBITDA (First 5 Years)**Further enhanced project financial positions**

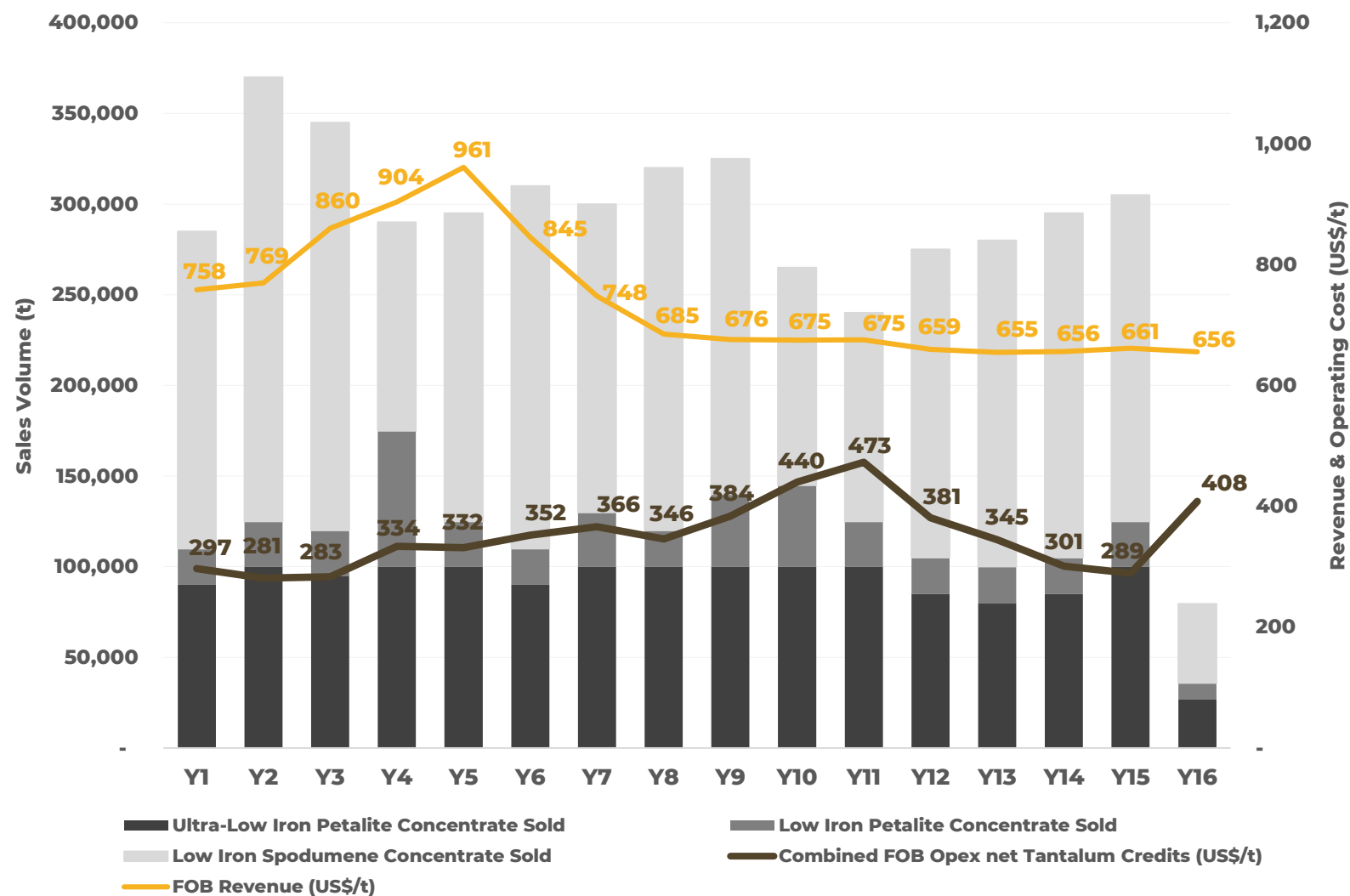
- **Outstanding debt servicing capability and operating performance**
- **Strong increase in profitability in the first 5 years of production compared to the maiden 2018 DFS**

Strong cashflow delivering rapid payback



Robust project economics – conservative assumptions



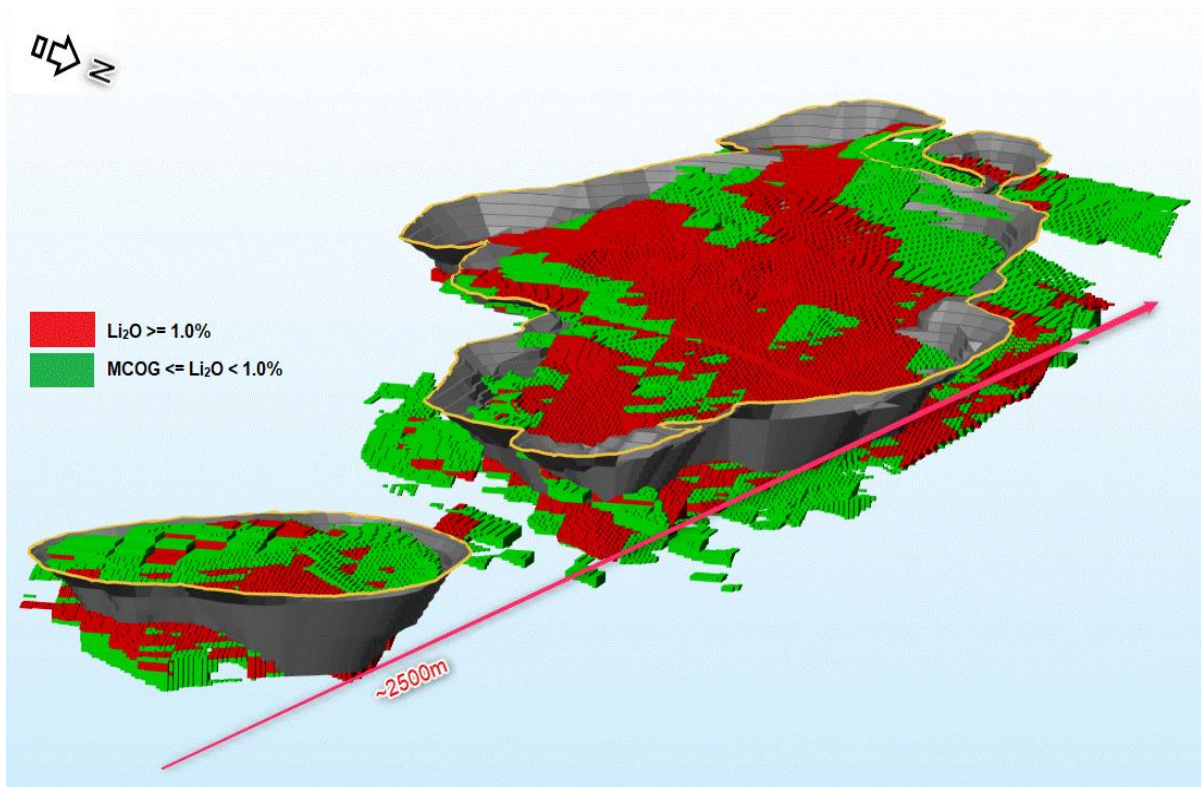
**Life of Mine operating costs:**

Spodumene	US\$268/t
Petalite Low Iron	US\$428/t
Petalite Ultra-Low Iron	US\$458/t

Healthy operating margin

64% (first 5 years average)

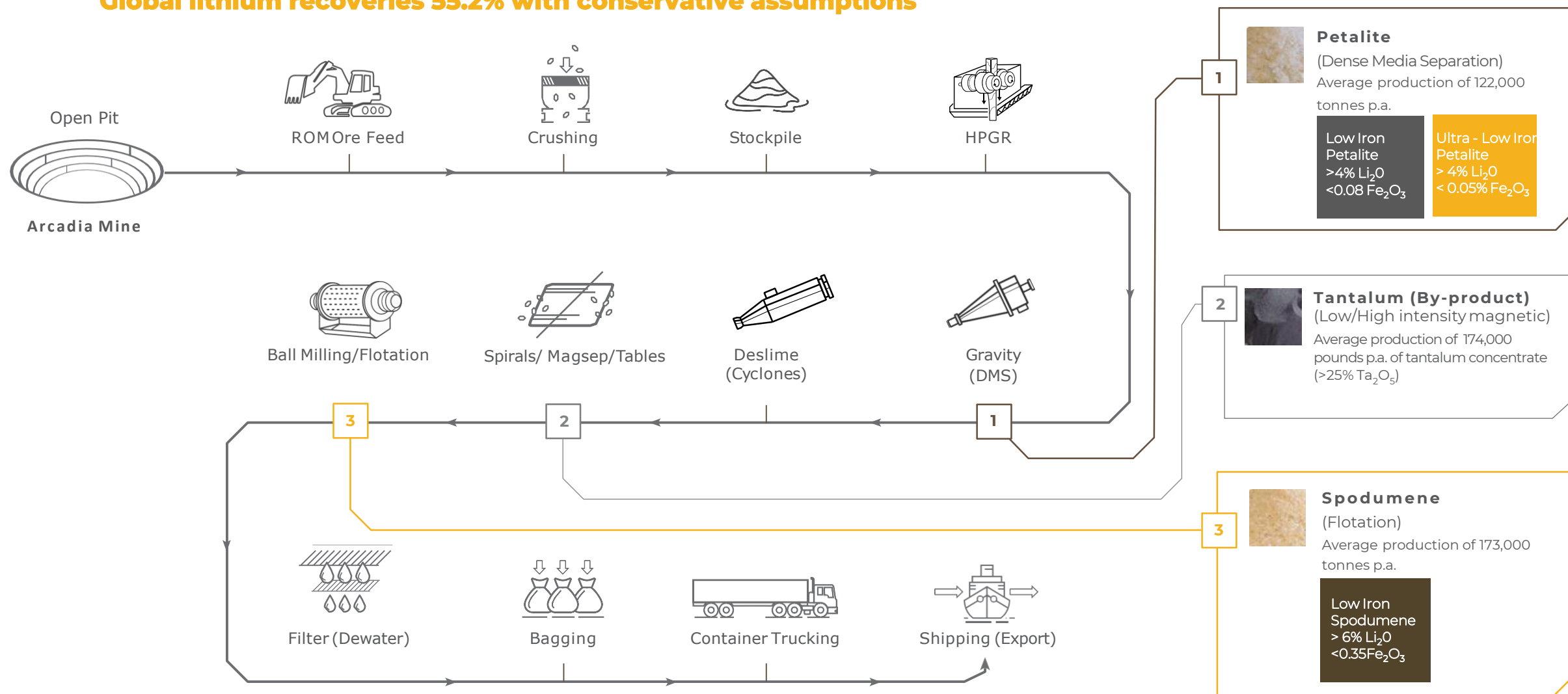
Target annual production of 100,000t of premium priced ultra-low iron petalite to meet customer demand

**Ore Reserve** Nov 2019

Category	Tonnes (Mt)	Li ₂ O (%)	Ta ₂ O ₅ (ppm)	Li ₂ O (kt)	Contained Ta ₂ O ₅ (Mlbs)
Proved	11.3	1.28%	114	144	2.8
Probable	26.1	1.20%	124	314	7.2
TOTAL	37.4	1.22%	121	457	10.0

- **Ore Reserve increase 39%**
- **Extended life of mine to 15.5 years**
- **Low strip ratio of 3.2:1 (waste:ore)**
- **Reduced risks associated with grade control and orebody knowledge, with 30% of Reserve in the proved category**

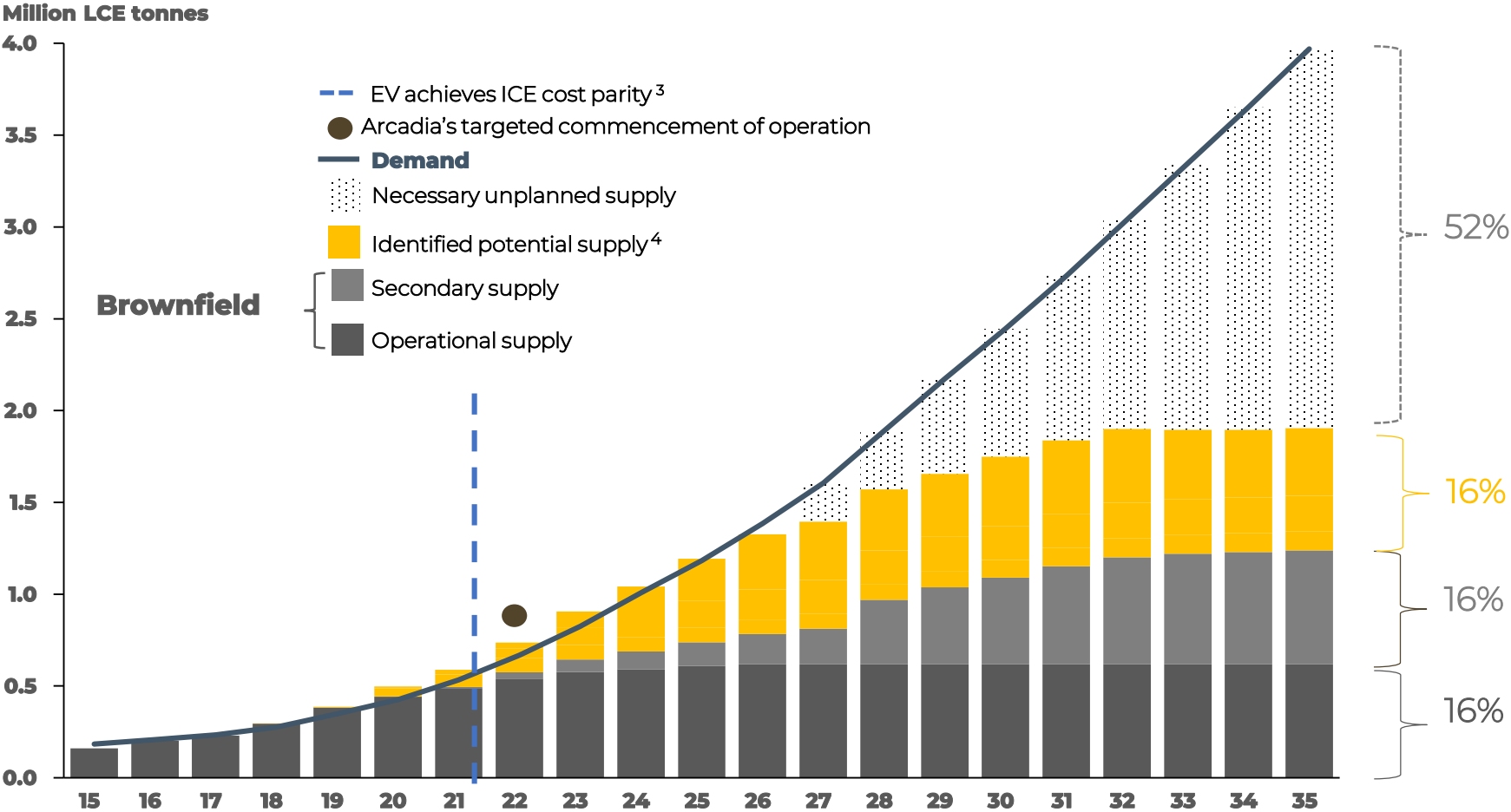
Global lithium recoveries 55.2% with conservative assumptions



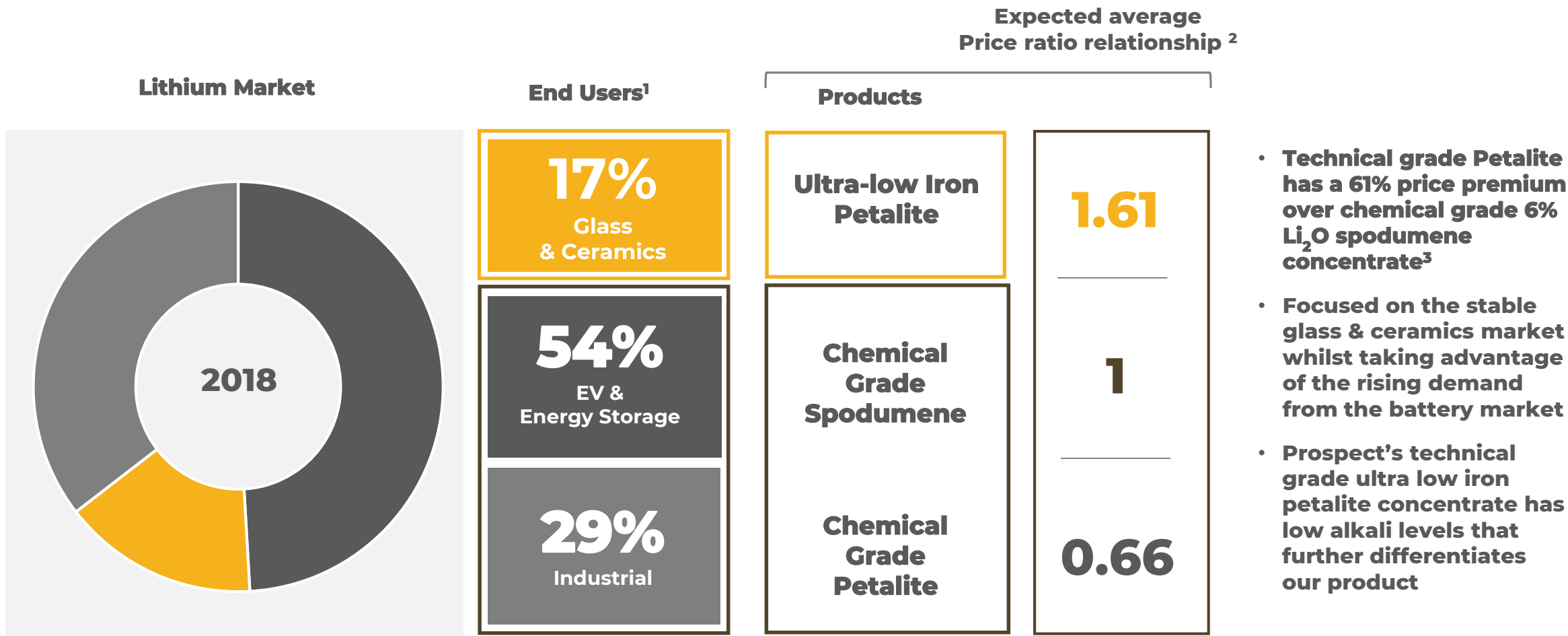
Without further project financing, the market is in deficit **by 2021**

Shortage of long term supply¹

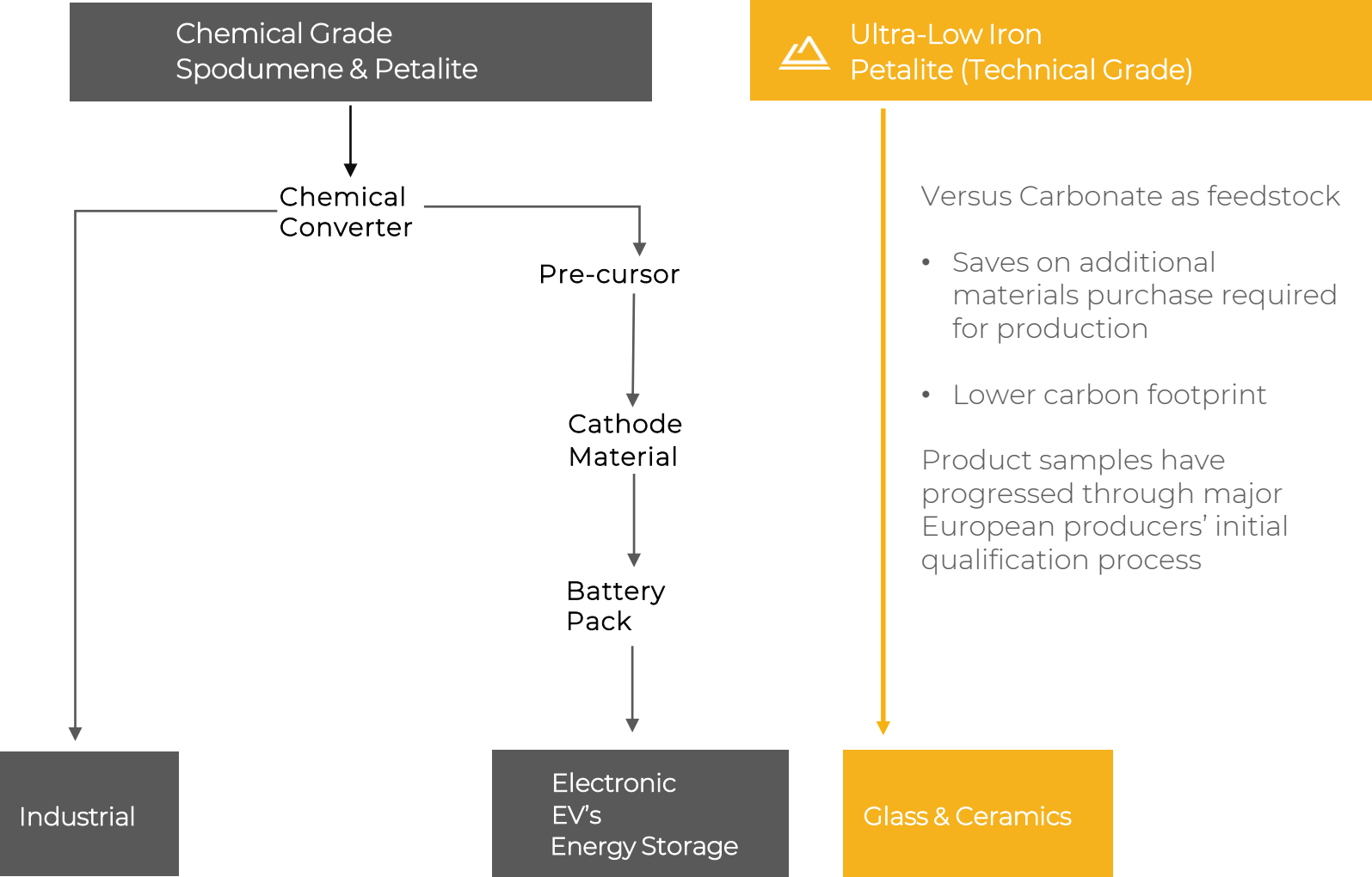
- Existing operational supply only in place to meet demand to 2021
- For additional producers to meet the demands of the market in 2022, development would need to commence in 2019²
- Therefore without further investment in new projects there will be a supply shortage by 2022 where EV growth will accelerate as they reach cost parity with ICE vehicles



Arcadia's products penetrate 100% of lithium end users

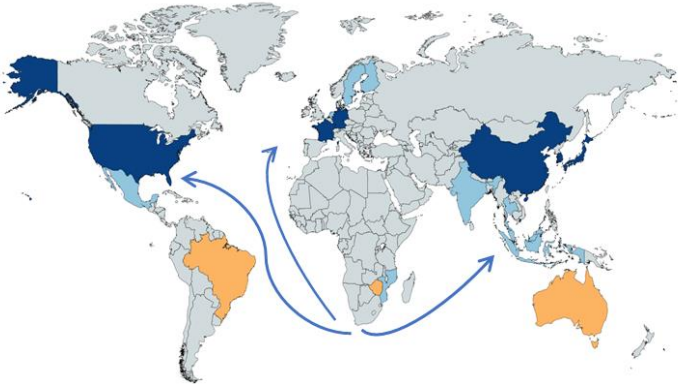


Continuity and security of supply to a ‘supply constrained’ market



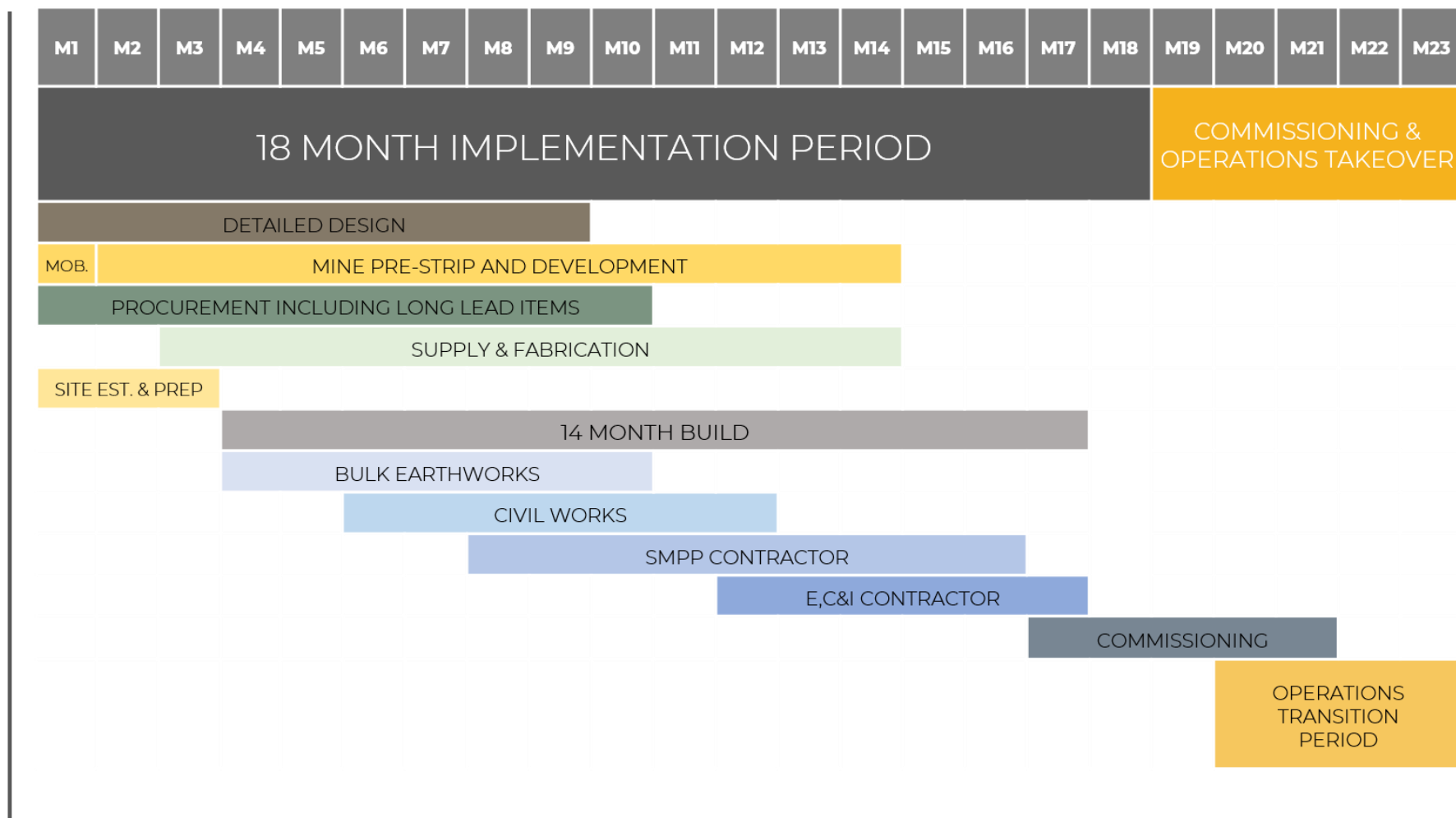
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- **One of two ultra-low iron petalite suppliers in the world**
- **One of three suppliers able to go directly into the glass & ceramics market with a lithium concentrate product**



Path forward to becoming a lithium industry leader

Financial Close



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Investors & Customers

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General Manager, Corporate Affairs

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www.prospectresources.com.au



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APPENDIX

Project parameters and assumptions

Mining and Production	
Processing Plant Size	2.4Mtpa
Ore Reserve	37.4Mt
- Li ₂ O grade (diluted)	1.22%
- Ta ₂ O ₅ grade (diluted)	121ppm
Life of Mine (years)	15.5
Average life of Mine strip ratio	3.2:1
Average Lithia Recovery	55.2%
Ta ₂ O ₅ recoveries	27%
Average Life of Mine Production	
-Spodumene (t per annum)	173,000
-Petalite Chemical (t per annum)	24,000
- Petalite Technical (t per annum)	98,000
-Tantalum (lbs per annum)	174,000
Spodumene concentrate grade	6%
Petalite concentrate grade	4%
Tantalite concentrate grade	25%

Cost Assumptions (US\$/t)	
Mining	97
Processing (inclusive crushing)	136
General administration and selling costs	32
Transport and loading	70
Cash operating costs (before tantalite credit and royalties and government marketing costs)	335
Less tantalum credit	(36)
Total cash operating costs FOB (after tantalum credit, before royalties and government marketing costs)	299
Add royalties and government marketing costs	45
Total cash operating costs FOB	344

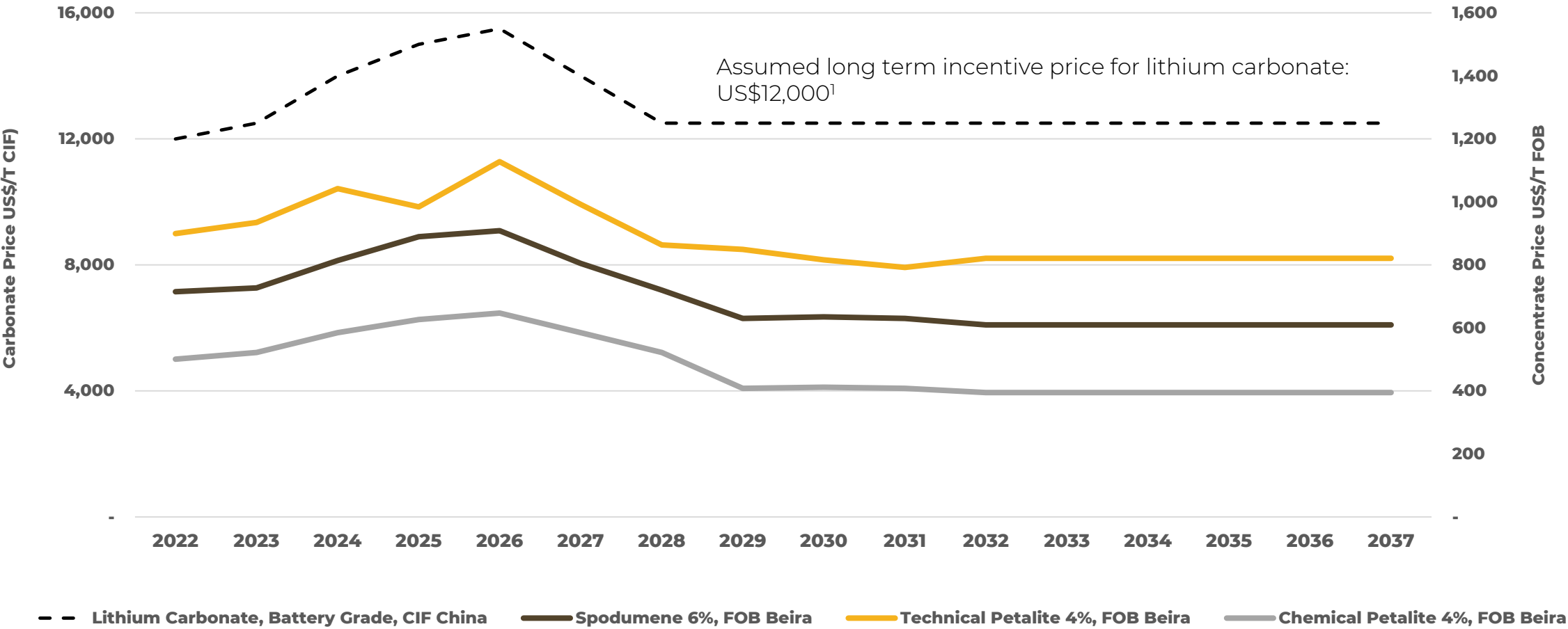
General and Economic	
Discount rate (% , real)	10
LOM Low Iron Spodumene (6%) conc price (US\$/t)	701
LOM Low Iron Petalite (4%) conc price (US\$/t)	483
LOM Ultra- Low Iron Petalite (4%) conc price (US\$/t)	894
LOM Tantalum conc price (US\$/lb)	75

LoM Financials and Capital Expenditure

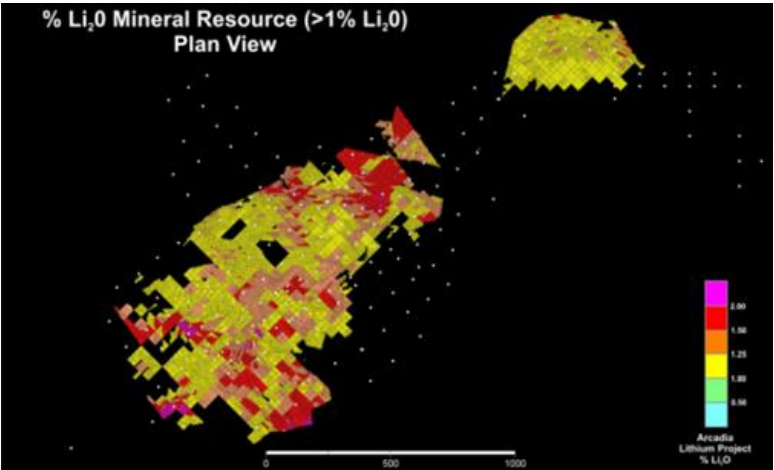
Life of Mine Financials	
Average Annual Free Cash Flow from Operations (post-tax)	US\$101M
Average first 5 years Annual Free Cashflow from operations (post-tax)	US\$145M
Average first 10 years Annual Free Cashflow from operations (post tax)	US\$116M
Life of Mine Revenue (excl. Ta Credits)	US\$3.42B
Average Annual EBITDA	US\$114M
Pre-Tax NPV ₁₀	US\$710M
Pre-Tax IRR	71%
Post Tax NPV ₁₀	US\$645M
Post Tax IRR	70%
Operating Margin	43%
Payback Period (From Commencement of Production)	18 Months

Capital Cost Summary (US\$ Thousands)	
Mine Development Cost (Sub Total)	4 816
Process Plan (Sub Total)	117 715
Earthworks	5 047
Civil Works	8 269
Mechanical Equipment incl. Modular plant	50 332
Structural Steel	4 098
Plate Work	3 382
Piping	3 862
Electrical, C&I	15 115
Spares & Consumables	1 411
Transport	3 016
Process Plant Installation	23 183
Tantalum Recovery	Incl. Above
Non-process Plant Costs	39 902
Mining & General Infrastructure	18 772
Engineering and Services	11 090
Mining Inventories on Hand at Commissioning	2 543
First Fill Spaces & Consumables	4 783
Non-Plant CAPEX	2 714
TOTAL (Direct and Indirect Costs incl. Contingency)	162 433

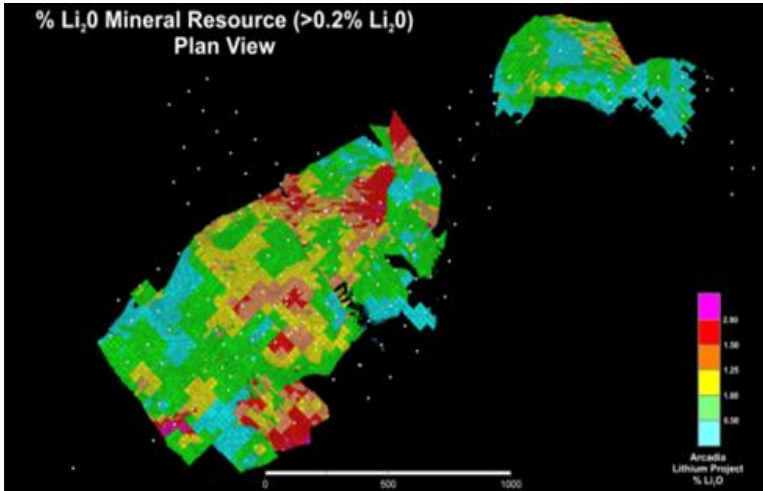
Pricing assumptions



Mineral resource estimate



Arcadia High Grade JORC Mineral Resource Statement- 1% Li ₂ O Cut-off ¹					
Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ Mlbs
Measured	10,200,000	1.45%	132	148,100	3.0
Indicated	27,200,000	1.39%	119	378,400	7.1
Inferred	5,800,000	1.45%	97	84,000	1.2
GRAND TOTAL	43,200,000	1.41%	119	610,500	11.3



Arcadia JORC Mineral Resources Statement- 0.2% Li ₂ O Cut-off ¹					
Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ Mlbs
Measured	15,900,000	1.17%	121	184,900	4.2
Indicated	45,400,000	1.10%	121	501,500	12.1
Inferred	11,400,000	1.06%	111	121,400	2.8
GRAND TOTAL	72,700,000	1.11%	119	807,800	19.1

¹Minerals Resource Statement as described in ASX announcement dated 25 October 2017

Corporate summary

ASX Code	PSC
FRA Code	5E8
Shares Outstanding ¹	235.95m
Market Capitalisation	A\$26m
Share Price ¹	AU\$0.11
Cash ²	A\$3.22m

Top Shareholders ³	%
Citicorp Nominees	11.33
Lord of Seven Hills Holdings FZE	10.98
Sinomine International Exploration	7.06
MBM Capital Partners	5.99
BNP Paribas Nominees	4.62
Armoured Fox Capital	4.21
HSBC Custody Nominees	3.72
Elliott Holdings Pty Ltd <CBM Family A/C>	3.36



Board of directors with lithium market and project experience



Hugh Warner
Executive Chairman

A capital markets professional with 25+ years' with listed mining and oil and gas companies.



Sam Hosack
Managing Director

A third generation Zimbabwean with over 15 years' experience in mining and infrastructure project development.

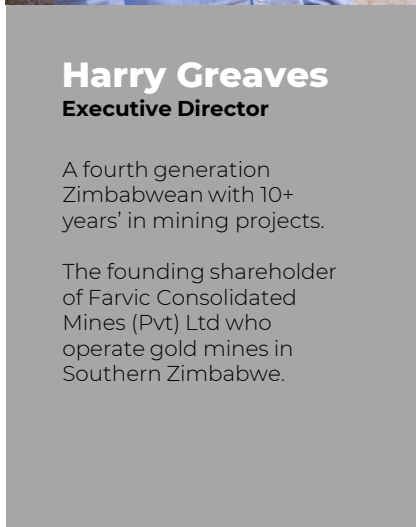
Spent 12 years at First Quantum Minerals Ltd, where he recently project managed the building of a port and coal-fired power station.



Zed Rusike
Non-Executive Director

A qualified accountant and resident of Zimbabwe.

Director of Cairns Holdings, TSL Limited, Dulux Paints Limited and Halsted Brothers (Pvt) Limited.



Harry Greaves
Executive Director

A fourth generation Zimbabwean with 10+ years' in mining projects.

The founding shareholder of Farvic Consolidated Mines (Pvt) Ltd who operate gold mines in Southern Zimbabwe.



Gerry Fahey
Non-Executive Director

A specialist in mining geology, mine development and training with over 40 years' experience in the minerals industry.

Director of Focus Minerals Ltd, formerly a Director of CSA Global Pty Ltd, and member of the Joint Ore Reserve Committee (JORC).



Henian Chen
Non-Executive Director

The Chairman of Changshu Yuhua Property Co. Ltd since 2003, and has served as the Deputy Chairman of Afore New Energy Technology (Shanghai) Co. Ltd since 2007.



Board of directors with lithium market and project experience



Chris Hilbrands
Chief Financial Officer

Mr Hilbrands has worked as Chief Financial Officer for a number of public companies listed on the ASX and AIM, primarily resources focused.



Mike Kitney
Consultant, Metallurgy,
Process Design

Mr Kitney is a practising metallurgist with over 46 years' experience in mineral processing.

Mr Kitney has specific experience in spodumene beneficiation and downstream lithium carbonate plant design, construction and commissioning.



Roger Tyler
Geologist

Mr Tyler has worked for over 33 years' as a geologist and resource analyst in numerous African countries.

Prior to the Arcadia discovery, his most significant achievement was leading the programme which resulted in the development of the new Kinsevere mine in DRC.

Trevor Barnard
General Manager

Mr Barnard has held numerous senior leadership roles over the last 20 years', most recently being the country Managing Director of PPC Ltd's business in Zimbabwe and the DRC.



Nick Rathjen
General Manager,
Corporate Affairs

Mr. Rathjen is an Australian capital markets executive with more than 8 years' experience in investor relations, stockbroking and banking.



John Maketo
Production Manager

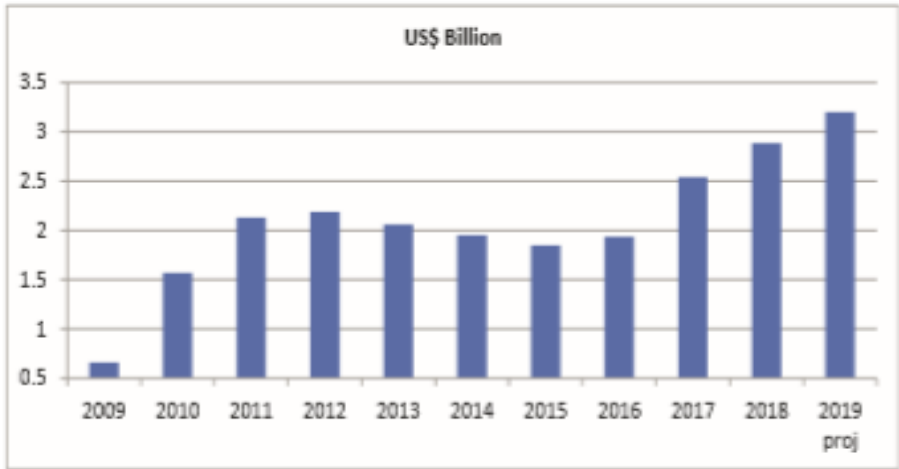
John is a consummate Metallurgical Engineer with 23 years of extensive knowledge and practical experience in projects, production and operations management. He was involved in various operations in Australia and Africa.



Zimbabwe: an established and ambitious mining jurisdiction



Figure 6: Mineral Revenue (2009 – 2019)



Source: RBZ and Chamber of Mines

Zimbabwe Mineral Resource Estimate ¹	
Gold	> 4,000 recorded gold deposits
Coal	> 12 billion tonnes
Nickel	> 30 deposits
PGM	~ 2.8 billion tonnes @4g/t

- A vast mineral wealth with a long and rich history in mineral exploration and mining with active projects in coal, diamonds, gold, lithium, nickel, PGM and wolframite¹
- In 2018, Zimbabwe’s mining sector contributed 60% of the country’s national exports, and 13% of Government revenue
- The Chamber of Mines in Zimbabwe (CoMZ) predicted production from the sector could reach US\$12 billion by 2023 and US\$18 billion by 2030
- Well positioned to capitalise on the significant opportunity presented by the lithium-ion battery era with the world’s 5th largest reserves of lithium³, with one producing project and a number of projects at various stages of implementation

Progressed from discoveries to an updated DFS under a 3 years period

Establishment

Exploration

Development

2016
2017
2018
2019

- Prospect acquires a 70% interest in Arcadia
- Drilling commenced
- Results of Scoping study announced
- Chip sampling completed in old pit
- High grade lithium oxide results returned from Arcadia pit
- Maiden JORC resources for Arcadia Project delivered

- PFS – Arcadia Lithium project announced
- Significant mineral resources update announced
- Environmental approval to build mine received
- Significant mineral resources estimate upgrade announced
- Significant Increase in Mineral Resources Estimate announced
- “Final” MRE announced
- Significant increase in ore reserve announced

- Offtake with Sinomine signed
- DFS announced
- Ground-breaking ceremony – Arcadia Lithium Project
- National Project Status granted
- Arcadia was granted with mining license
- Lithium carbonate samples exported

- Updated DFS confirming a 2.4Mtpa base case
- Prospect increased ownership in the Arcadia project to 87%
- SEZ approved
- Petalite passed glass & ceramics manufacture process
- Petalite recovery updated
- Premium pricing from Low iron confirmed
- MOU signed for power supply to Arcadia
- Listed on Frankfurt exchange

DFS delivery team

Resource Definition	Roger Tyler MEng (Mineral Resource Evaluation), BSc (Mining Geology), MAusIMM, MSAIMM, ARSM, SACNASP (PLZ)
Resource Modelling	Ms. Gayle Hanssen BSc Geology (Natal), SACNASP of DMS, Zimbabwe
Project Geologist	Adam Moodley BSc(Hons), MSc (CT) (PLZ)
Geotechnical services	Practara Ltd of Johannesburg South Africa Civil Technics of Bulawayo, Zimbabwe BCHOD of Harare, Zimbabwe
Mine Planning	CSA Global (Pvt) Ltd of Perth, Australia David Miller BE (Mining), MAusIMM (PSC)
Environmental Impact Assessment	Gap Analysis by SRK Consulting of Johannesburg, South Africa Evans Matare of Envirosmart Consultancy
Hydrogeological Assessment	Constant Chuma of NUST university Zimbabwe
Metallurgy	Mike Kitney MSc, MAusIMM (PSC)
Tailings disposal facility design	EPOCH Resources (Pty) Ltd Blonton of Bulawayo, Zimbabwe
Preliminary process design	Lycopodium Minerals Africa (Pty) Ltd
Process design review	Lycopodium Australia
Update Engineering cost estimate	Prospect Lithium Zimbabwe
SHE Management Plan	ADP Modular & Marine, Cape Town South Africa
Project Execution Plan	Lycopodium Minerals Africa (Pty) Ltd
Quality Management Plan	ADP Modular & Marine, Cape Town South Africa
Electrical Network Analysis	Norconsult
Transport Fleet Study	Prospect Lithium Zimbabwe
Project Manager	Trevor Barnard (PLZ)
Project coordinator	Chase Charsley (PLZ)
Minerals Marketing	Lithium - Benchmark Minerals Intelligence, United Kingdom Tantalum – Roskill, United Kingdom Nicholas Rathjen MAppFin, BComm (PSC)
Project modelling	Iain Sheasby (PLZ), with support from Mazars

A black and white photograph of a person from behind, wearing a plaid shirt and a hard hat, looking out at a field of wind turbines. The person is holding a clipboard. The background is a hazy landscape with several wind turbines visible.

Leading Africa in the Battery Mineral Revolution



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