

Initial Petrographic Work demonstrates ‘in-situ’ coarse graphite flake sizes up to 1mm (1,000 μ m) at the Chililogali Graphite Project, SE Tanzania.

HIGHLIGHTS

- Initial petrographic work done on samples from a high grade graphitic quartz schist intersection, exposed in Trench 2 has indicated in-situ coarse graphite sizes of 0.2m to 1mm (200 μ m-1,000 μ m) (Figure 1 & 2)
- No indication of any issues with liberating the graphite.
- The sample consists of zones of both coarse graphite flakes and fine graphite flakes.
- Little evidence of mineral inclusions within the graphite.
- Accessory minerals include biotite, estimated to be less than 5%.



Figure 1: In-situ graphite flakes approximately 0.4 to 1mm long (400 μ m-1,000 μ m) associated with coarse-grained quartz



Figure 2: Two graphite populations. In-situ graphite flakes approximately 0.2 to 1mm long (200 μ m-1,000 μ m) with patches of fine-grained quartz and graphite less than 0.1mm

Table of Graphite Flake Sizes

mm	Microns	Mesh Size	Purity	Market Terminology	Price/Tonne (US\$)
+0.30	>300	+48	90-97%	Extra Large or Jumbo Flakes	~2,000
0.18-0.30	180 to 300	-48 to +80	90-97%	Large Flake	~1,300
0.15-0.18	150 to 180	-80 to +100	90-97%	Medium Flake	~1,100
0.075-0.15	75 to 150	-100 to +200	90-97%	Small Flake	~750
<0.075	<75	-200	80 to 85%	Fine Flake/Amorphous	~450

Important to Note: The above table classifies graphite flake size and purity after it has been liberated and processed, as opposed to 'in-situ' sizes as the Company is now reporting. Samples are being subjected to metallurgical testing. Only at completion of the metallurgical test work will the Company be able to classify the carbon flakes using the above table.

Petrographic Work by Prospect Resources

- Samples were collected from the various points along the graphitic schist exposed in Trench 2 at the southwest end of the Chiligali Prospect (Figure 3).
- Four polished sections were subsequently produced at Witwatersrand University, South Africa. This enabled photomicrographs to be taken in both transmitted and reflected light. Provisional descriptions were done by Professor Judith Kinnaird of the Department of Economic Geology.
- The samples are texturally very inhomogeneous, with patches of very coarse graphite and areas with very fine-grained plates of graphite associated with a mosaic of quartz.
- The fine-grained graphite is not included in other minerals. Where the graphite is coarse, the associated quartz is also coarse, angular and strained. Where the graphite is fine-grained the associated quartz is also fine grained.
- Accessory minerals are sparse, with biotite forming up to 5% overall. It occurs as fine-grained flakes within a mosaic of fine-grained graphite, quartz and biotite. Amphibole is spare, forming less than 1% of the overall mineralogy

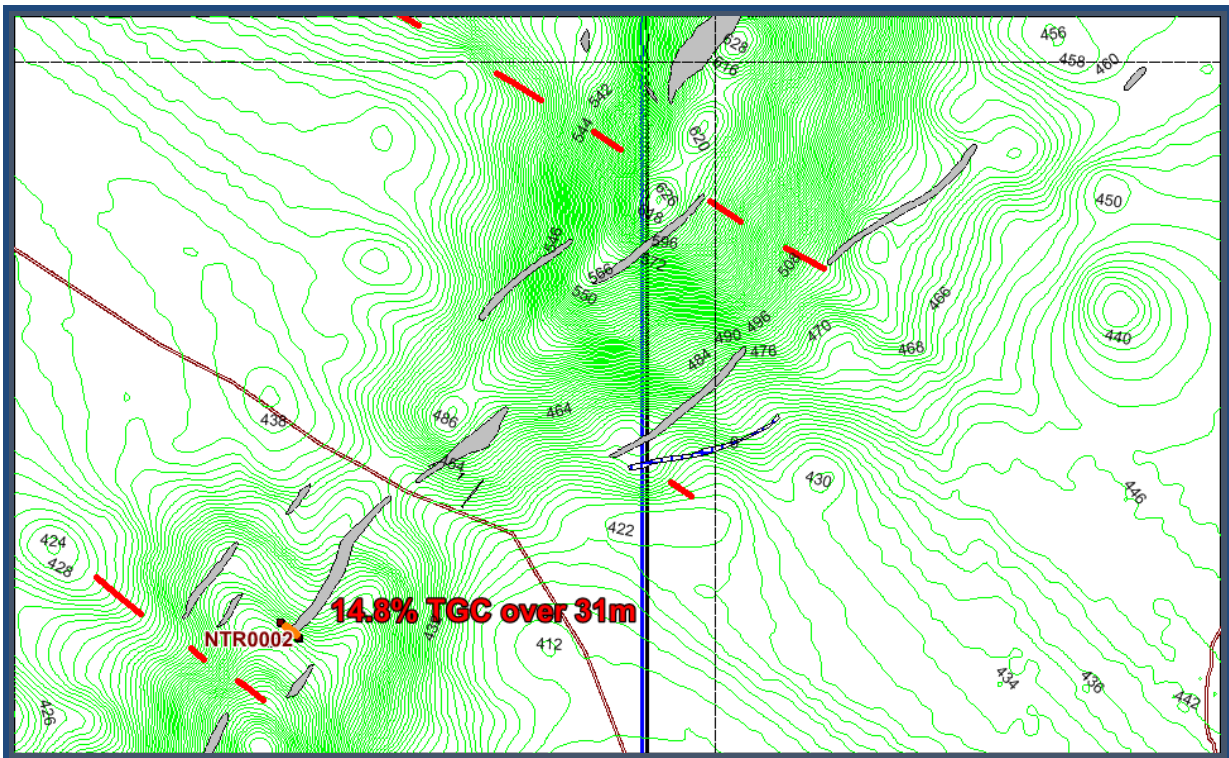


Figure 3: Location of Trench 2, in the SW corner of the Chililogali Hill Prospect

Surveyed topographic contours are in green, with mapped and interpreted graphitic bearing schists shown in grey and conductive geophysical anomalies in red.

Conclusion

- There are zones of large graphite flakes that are associated with, but not intergrown with quartz, which should therefore be easy to liberate.
- The small amounts of biotite that are present are not intergrown with the coarse graphite, and will not likely cause problems with flotation.
- There is no evidence for other deleterious minerals.
- Though only limited metallurgical test work has been done to date, it seems that concentrates of >98% carbon are possible.
- The Mtwara area has the potential to be a significant global graphite producer. The grades and quality of graphite, coupled with the apparent simple metallurgy, identified at Chililogali mean that Prospect Resources has the potential to be a significant player in the graphite production industry.

General

The Chilogali Graphite Project is located some 180km west of Mtwara Port in Southeastern Tanzania. The project is easily accessible from the well maintained main Masai – Lindi- Mtwara road. It straddles two prospecting licences, PL 7488 and 741; which total around 140 sq km,

Regionally the Project lies within the Proterozoic Age Usagaran system. The rocks comprise high grade metamorphic rocks of both sedimentary and igneous origin. These range from marbles, amphibolites, mica and kyanite schists, hornblende, biotite and garnet gneisses, quartzites and granulites, as well as graphitic schists and gneisses.

Rocks in the Usagaran System of Tanzania are well known for hosting gold, nickel, copper, different gemstones, as well as high grade graphite deposits. The south east region is also host to a number of significant graphite projects.

The graphite present at the Chilogali graphite project is hosted in quartzites, gneisses and schists. Graphite has been observed locally in concentrations up to 60%.

It is likely that the graphite formed by the high-grade metamorphism of sedimentary organic matter.



Figure 4: Location of the Chilogali Project in South Eastern Tanzania

The Project, which consists of two prospecting licences lies close to the town of Nachingwea, some 180km west of the major port of Mtwara.

Previous Work

- Thirteen trenches excavated across exposed graphitic schists.
- Results for all 458 channel chip samples collected (Phase 1 and 2) from the thirteen trenches produced;
 - Peak grade 33.2% TGC
 - 150 samples > 5%, with
 - 114 samples > 10%
 - 41 samples > 20%
- The average grade of all the significant intersections being 13.7m @ 12.8% TGC.
- PGC Geophysics of Perth undertook a successful ground EM34 (frequency domain electromagnetic) survey. From a total of 100 line kms; 75 targets have been identified for follow-up. Only one of which has been tested to date; by Trench 13; this returned a grade 10.2% TGC over a 5.3m intersection of graphitic schists.

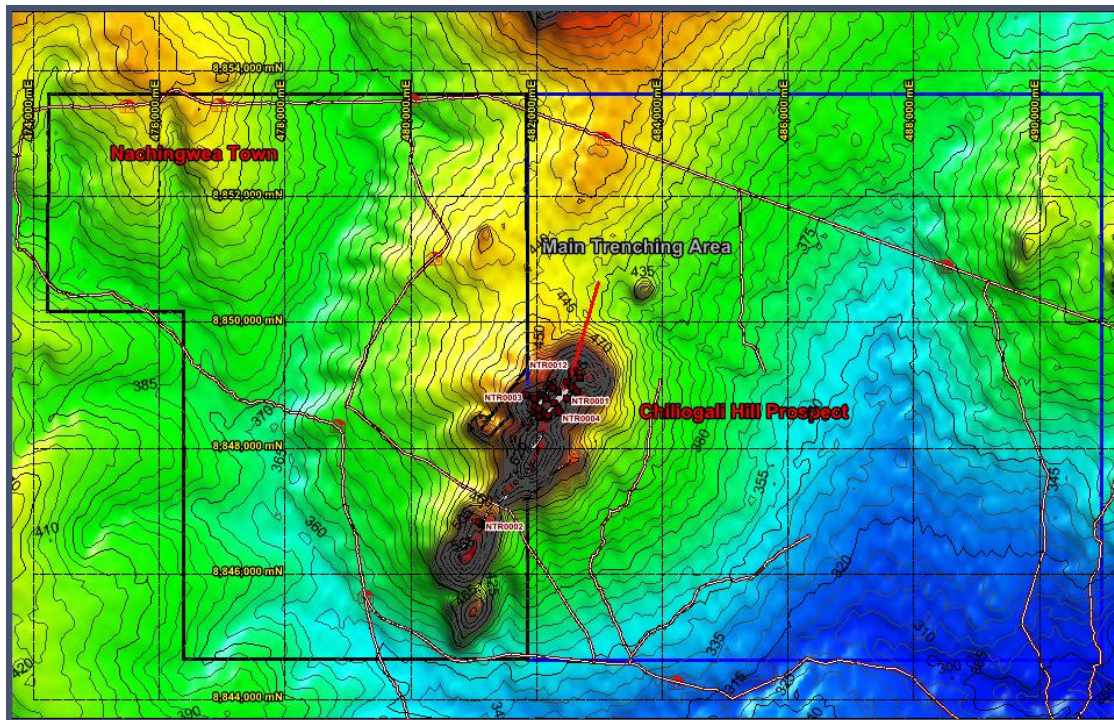


Figure 5: Location of the Chilogali Hill Prospect, superimposed on SRTM topographic data.

Prospecting Licence PL 7488 is outlined in black, with PL 7471 in blue. Although the ground electromagnetic (EM34) survey covered most of the licences, only a small portion, approximately 2 sq km has been followed up by trenching.

For further information, please contact:

Hugh Warner

Executive Chairman
Prospect Resources Ltd
Ph: +61 413 621 652
E: info@prospectresources.com.au

Harry Greaves

Executive Director
Prospect Resources Ltd
Ph: +263 772 144 669

Competent Person's Statement

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