

## December Quarterly Review of Activities

Prospect Resources Ltd (ASX: PSC) (Prospect, the Company) is pleased to report on another busy quarter of activities.

### Summary of Significant Announcements in the Quarter and up to the date of this announcement:

- |             |   |
|-------------|---|
| 13 October  | • Notice of Annual General Meeting  |
| 18 October  | • Trial mining sampling results – Arcadia Lithium Project                 |
| 23 October  | • New mineralised zone discovered – Arcadia Lithium Project               |
| 25 October  | • Significant Mineral Resource estimate upgrade – Arcadia Lithium Project |
| 30 October  | • Grant of National Project Status - Arcadia Lithium Project              |
| 31 October  | • 99.5% Battery grade lithium carbonate produced from Arcadia petalite    |
| 10 November | • Offtake and Placement and Framework Agreements                          |
| 13 November | • Board Changes   |
| 16 November | • Market Update   |
| 24 November | • Good Days Option Extension  |
| 6 December  | • Significant Increase in Ore Reserves – Arcadia                          |
| 11 December | • Presentation – Arcadia Lithium Project                                  |
| 18 December | • Prospect Produces Ultra-High Purity Lithium Carbonate                   |
| 17 January  | • New Zimbabwe Government gives Priority Status to Arcadia                |
| 31 January  | • Prospect Raises A\$10,000,000 via share placement                       |

We thought that the 31 December Quarter was pretty exciting with the announcement of the conditional Offtake and A\$10m Placement and Framework Agreements. Clearly this was surpassed with the peaceful transition of power in Zimbabwe.

On 24 November 2017, a new Government of Zimbabwe was formed. As a company, we have seen the positive and almost immediate effects of this new government. As announced on 17 January 2018, Arcadia has been identified as a priority project by the new Government. Various members of our team have already presented to the new President of Zimbabwe and the new Mines Minister and both have offered strong support for Prospect and Arcadia. Harry Greaves, Paul Chimbodza and I will be at Indaba, Cape Town promoting Prospect, Arcadia and the new business friendly environment of Zimbabwe. We think Prospect is one of the best positioned international companies to participate in the renewal of Zimbabwe. A recently released promotional video welcoming investors to Zimbabwe can be found at <http://www.prospectresources.com.au/zimbabwe>

The December Quarter focussed on infill drilling of the proposed Arcadia pit, bulk sampling and grade control, building our lithium carbonate laboratory and meeting potential offtake partners and potential financiers and investors culminating in the announcement of the conditional Offtake and A\$10m Placement and Framework Agreements with Sinomine Resources Exploration Co. Ltd. and Sinomine International Exploration (Hong Kong) Co. Ltd. (collectively “Sinomine”)

We finished the Quarter with:

- A conditional offtake and A\$10m placement in place;
- the Mineral Resource and Mineral Reserve upgraded;
- 99.5% battery grade lithium carbonate produced from petalite at our in-house laboratory; and
- Option over the Good Days Lithium Project being extended.

As we reported in the previous quarterly report, the production of 99.5% lithium carbonate is quite an achievement, particularly in such a short period of time.

The December Quarter drilling not only upgraded our Mineral Resource estimate but also our Ore Reserve estimate.

### **Conditional Offtake and A\$10m Placement and Framework Agreements**

As previously discussed, Prospect executed a conditional Placement and Framework Agreement with Sinomine Resources Exploration Co. Ltd. and Sinomine International Exploration (Hong Kong) Co. Ltd. (collectively “Sinomine”).

The conditional agreements include the following parts:

- 1) Placement and Framework Agreement – Sinomine to invest A\$10,000,000 via a share placement in Prospect at A\$0.05 per share.
- 2) Offtake Agreement – Prospect agrees to sell:
  - a) 390,000 tonnes of Spodumene Concentrate; and
  - b) 1,097,000 tonnes of Petalite Concentrate;
  - c) over a proposed 7 year period priced using a market linked price which is referenced to Lithium Carbonate sold into China
- 3) Lithium Carbonate Plant – Prospect can, at any time, build a lithium carbonate plant and divert 50% of the Petalite Concentrate to this facility and supply Lithium Carbonate to Sinomine under the Offtake contract

The parties have also agreed indicative terms for a Facility Agreement and a Build and Transfer Contract. These term sheets provide:

- Facility Agreement Term Sheet – Sinomine to fully finance the Build and Transfer Contract outlined below, including relevant working capital to take the mine to annualised production targets and Prospect will commence repayments of the facility upon shipment of first product under the Offtake Agreement.

- Build and Transfer Contract Term Sheet – Sinomine will:
  - Construct, build and commission the mine, tailings facilities, plant and equipment and all associated infrastructure for the Arcadia Lithium Project on a build and transfer basis;
  - Prospect will take ownership of the plant once the mine and plant have achieved 3 months of annualised production as per the above Offtake Agreement;

The Prospect and Sinomine teams are working closely together. Both teams are working towards completion of the placement, prior to 7 February 2018, shortly after which Chinese New Celebrations begin.

### **Farming – Arcadia Surface Rights**

Prospect's first maize crop covering some 80 hectares was harvested during the Quarter and a new crop of soya beans, corn and potato has been planted. This project forms part of Prospect's ongoing commitment to local stakeholders and communities. These farming operations are expected to provide an additional source of employment within the region and a small source of income to Prospect.

### **Option over Good Days Lithium Project**

During the Quarter, the option over the Good Days Lithium Project was extended. Exploration results to date have been encouraging, but further work is required. We continue to carry out low level exploration.

### **Share Placement to raise A\$10,000,000**

We are pleased to confirm that Prospect has received firm commitments to raise A\$10,000,000 via the issue of new shares at 6c per share. These funds were raised via clients of Hunter Capital. These additional funds will enable Prospect to accelerate the development of Arcadia, continue exploration work at the Good Days Lithium Project and contribute to working capital.

### **Summary of Activities Planned for the 31 March 2018 Quarter**

#### **Arcadia High Grade Lithium Project**

- Complete the conditional Offtake and A\$10m Placement and Framework Agreements
- Continue Mine Development planning
- Work with Zimbabwe Government Rapid Response Initiative to fast track Arcadia
- Continue talking to potential Lithium Carbonate Facility partners

#### **Other Acquisitions**

- Continue due diligence on the Good Days Lithium Project
- Continue to investigate additional lithium and cobalt acquisitions in the region

**Corporate Promotion**

The Company intends to participate in a number of investor and trade events over the 2018 year to promote Prospect, Arcadia and Zimbabwe. We will begin this programme by attending Indaba in Cape Town commencing 5 February. We expect to be attending Mines & Money Hong Kong, investor events in China and also promote to Europe, North America and Australia.

*Investors should note that the above activities may change as and when results are generated and as such they should simply be used as a guide to activities for the Quarter ending 31 March 2018*

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