



QUARTERLY ACTIVITY REPORT THREE MONTHS ENDED 30 June 2020

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to report to shareholders its activities for the quarter ended 30 June 2020.

Key ASX Announcements released in the Quarter

3rd April	Share Rights Issue
6th April	Entitlement Issue Prospectus
15th April	Prospect Resources signs MOU with Sibelco
27th April	Prospect extends MOU with Uranium One
28th April	Extension of Rights Issue
13th May	Completion of Entitlement Issue
13th May	MD Address to Shareholders
30th June	Update to discussions with Sibelco

Subsequent announcements

6th July	Advisor appointment and closure of shortfall placement
24th July	Flotation testwork almost doubles petalite recovery

The June 2020 quarter was a productive quarter, polarised by a backdrop of uncertainty and confusion raised by COVID-19.

During the quarter, Prospect delivered progress by strengthening its balance sheet via a successful Rights Issue, signed an MOU with SCR-Sibelco N.V (“Sibelco”) regarding potential ultra-low iron petalite offtake, continued discussions with Uranium One Group JSC in relation to a spodumene offtake, investment and/or acquisition of Arcadia.

Memorandum of Understanding with Sibelco

Since signing the MOU with Sibelco on the 15th April, both parties have progressed discussions with the objective of signing a binding offtake agreement for Arcadia’s ultra-low iron petalite.

The discussions have progressed where both parties have settled the key commercial terms and are working on the contract. If an agreement is achieved, it would be the largest ultra-low iron petalite contract ever signed.

Sibelco are the largest distributor of petalite into Europe and have been distributing petalite for over 40 years. They are extensively integrated with the petalite consumers, and specialise in the product customisation, marketing, distribution and sales. Sibelco are a tier one partner for Prospect to secure global petalite sales.



Memorandum of Understanding with Uranium One & Appointment of Renaissance Capital

In December 2019, Prospect announced that it had entered into a Memorandum of Understanding (“MOU”) with Uranium One Group JSC (“Uranium One”).

The discussions with Uranium One are progressing well. In light of this, Prospect has now appointed Renaissance Securities (Cyprus) Limited (“Renaissance Capital”) as its exclusive financial advisor in relation to the potential sale, directly or indirectly, of the Company’s interest in the Arcadia Lithium Project or of Prospect itself to Uranium One or its affiliates.

Project Finance

Since appointing African Export-Import Bank (“Afreximbank”) to arrange and manage the primary syndication of a US\$143m project finance debt facility, Prospect has progressed within Afrximbank’s credit approval process and the Company will provide further updates to the market as they become available.

Petalite Flotation Testwork

On the 24th July, the Company announced the results from its lock cycle petalite flotation testwork program. The locked cycle flotation testwork indicates significant potential to increase petalite recovery from 31% to >60%, across all Arcadia Project ore bodies contained within the reserve.

With this substantial increase in petalite recovery, further work will now be undertaken to understand the full economic benefits resulting from this increase in recovery, particularly the increase in revenues from additional sales of premium priced ultra-low iron petalite.

The petalite flotation testwork delivered a product specification that is superior to that achieved from Dense Media Separation (“DMS”). Individual Flotation tests were able to achieve a higher lithia content of 4.5% Li₂O whilst also containing a lower iron oxide or Fe₂O₃ level of 0.02%, which is compared with DMS product below.

Process unit	Petalite grade (% Li ₂ O)	Fe ₂ O ₃ %
DMS	4.26	0.045
Flotation	4.50	0.02

The higher lithia and ultra-low iron oxide content of the petalite flotation product further increases the ease of use for glass and ceramics customers and achieves a lithia to iron ratio sought by the clear glass market.

Petalite is a preferred input material for ceramics and black glass ceramics due to its zero-thermal expansion, allowing glass to expand and contract without the crystalline structure failing. The potential exists for Prospect to be the first petalite producer and lithium mineral producer more broadly, to sell into the clear glass market that has traditionally been supplied by lithium carbonate due to the stringent lithia to iron ratio thresholds.



The premium pricing in the clear glass market is expected to be greater than the ceramics and black glass ceramic markets (already a premium priced product over battery grade spodumene) due to the higher lithia content, therefore potentially increasing the operating margins for the Arcadia Lithium Project.

CORPORATE

Prospect finished the Quarter with:

- a cash balance as at 30 June 2020 of A\$1.698m; and
- US\$10m funding commitment from offtake partner Sinomine on placement of ball mill.

Rights Issue

The Company received applications for shares totalling A\$2,017,238. The Entitlement Offer was strongly supported by Directors and Management who subscribed for a total of approx. A\$572,000.

Implemented Cost Reduction

In line with the recent Rights Issue, Prospect implemented a material cost cutting strategy to extend the Company's financial strength. This was achieved through a number of initiatives including salary reductions at all levels of the business and, unfortunately, redundancies which resulted in the Company having reduced its staff by 57 people in 2020.

Appendix 5B

The Company's Appendix 5B cash report has also been released today.

The payments to related parties of the entity and their associates in section 6 of the Appendix 5B includes payments including director fees, superannuation and rent.

EXPLORATION AND DIVESTMENT

Prospect did not undertake any material exploration activities during the quarter, because the Company is focussing on the Arcadia Lithium Project.

Sale of Gwanda East

Consistent with the Company's strategy of focusing on the development of the Arcadia Lithium Project, the Company sold its non-core Gwanda East claims and plant and equipment to Farvic Consolidated Mines (Pvt) Limited ("Farvic") for its written down value being US\$105,864.

Refer to Appendix A for tenement schedule.



Summary of Activities Planned for the 30 September 2020 Quarter

Strategic objectives:

- Afreximbank – progress due diligence and negotiation of final facility agreements
- Uranium One – progress due diligence and negotiation of equity investment and offtake
- Sibelco – Negotiation of a binding offtake agreement

This release was authorised by Mr Sam Hosack, Managing Director of Prospect Resources Ltd.

ENDS



African focused
ASX listed Lithium
Company



Well positioned
Lithium Resource
in regard to both
Scale and Grade



Strong Project
Economics
demonstrated in
DFS



Path forward to
Financing,
Development and
Production



Offtake Agreement
in place and
positioned to
capitalise on
Market Demand

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About Prospect Resources Limited (ASX: PSC)

Prospect Resources Limited (ASX:PSC, FSE:5E8) is an ASX listed lithium company based in Perth with operations in Zimbabwe, and exploration activities in Zimbabwe. Prospect’s flagship project is the Arcadia Lithium Project located on the outskirts of Harare in Zimbabwe. The Arcadia Lithium Project represents a globally significant hard rock lithium resource and is being rapidly developed by Prospect’s experienced team, focusing on near term production of petalite and spodumene concentrates.

About Lithium

Lithium is a soft silvery-white metal which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits (such as Arcadia) and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. Lithium has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries.



Caution Regarding Forward-Looking Information

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although the Company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. All references to dollars (\$) and cents in this announcement are in United States currency, unless otherwise stated.

Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.



APPENDIX A – PROSPECT RESOURCES LIMITED TENEMENT SCHEDULE

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 (“PLZ”)

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
ML 38	Zimbabwe	Arcadia	PLZ	70%	-	-
37680	Zimbabwe	Arcadia	PLZ	70%	-	-
ME284G	Zimbabwe	Arcadia	PLZ	70%	-	-
23189	Zimbabwe	Arcadia	PLZ	70%	-	-
23190	Zimbabwe	Arcadia	PLZ	70%	-	-
23233	Zimbabwe	Arcadia	PLZ	70%	-	-
32132	Zimbabwe	Arcadia	PLZ	70%	-	-
32133	Zimbabwe	Arcadia	PLZ	70%	-	-
32126	Zimbabwe	Arcadia	PLZ	70%	-	-
32733	Zimbabwe	Arcadia	PLZ	70%	-	-
23277	Zimbabwe	Arcadia	PLZ	70%	-	-
23278	Zimbabwe	Arcadia	PLZ	70%	-	-
23279	Zimbabwe	Arcadia	PLZ	70%	-	-
23276	Zimbabwe	Arcadia	PLZ	70%	-	-
23281	Zimbabwe	Arcadia	PLZ	70%	-	-
23474	Zimbabwe	Arcadia	PLZ	70%	-	-
23630	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%	-	-
SG6853	Zimbabwe	Mistress	PLZ	70%	-	-
37856	Zimbabwe	Moonstone	PLZ	70%	-	-
37857	Zimbabwe	Moonstone	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%	-	-

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
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%
36981	Zimbabwe	Greater Farvic	Hawkmoth	-	-	70%
36982	Zimbabwe	Greater Farvic	Hawkmoth	-	-	70%
36983	Zimbabwe	Greater Farvic	Hawkmoth	-	-	70%