



QUARTERLY ACTIVITY REPORT - 30 SEPTEMBER 2020

Prospect Resources Ltd (ASX: PSC, Prospect, the Company) is pleased to provide shareholders with its Quarterly Report for the period ending 30 September 2020.

During the quarter, Prospect delivered progress by:

- **Signing a 7 year offtake agreement with Sibelco for up to 700,000 dmt of Arcadia's high purity petalite product;**
- **Appointed Renaissance Capital as M&A Advisor in relation to the discussions with Uranium One Group;**
- **Progressed both metallurgical testwork and customers qualification; and**
- **Subsequent to the quarter, completed a transformational capital raise of A\$6M before costs and signed an option agreement for the sale of the Penhalonga Gold Project for US\$1M, to strengthen the Company's balance sheet and fast track the Arcadia Lithium Project.**

Petalite Offtake Agreement signed with Sibelco

On 17 August 2020, Prospect announced that it had secured a new long-term offtake partner for its high purity petalite at its Arcadia Lithium Project ("**Arcadia**") with Sibelco N.V ("**Sibelco**"), a global leader in industrial minerals.

The seven-year agreement is for up to 100,000 dmt per annum of high quality, ultra-low iron petalite concentrate ("**Product**"), resulting in a total of up to 700,000 dmt over the lifetime of the contract. The pricing formula for the agreement is linked to the end customer sales contracts with minimum pricing provisions. 100% of the Company's 2019 DFS petalite production for the first seven years is now covered by offtake agreements.

Sibelco is a global industrial minerals solutions company. Sibelco was founded in 1872, initially supplying silica sand from deposits in Flanders to Belgium's major glass producers. Sibelco is a privately owned family business, generating revenues over €3.5 billion, operating 174 production sites in more than 30 countries and with a team of over 8,500 people. Sibelco's main products are silica, high purity quartz and speciality minerals such as petalite. <https://www.sibelco.com/>

Appointment of Renaissance Capital as M&A advisor

The discussions with Uranium One are progressing well. In light of this, Prospect appointed Renaissance Securities (Cyprus) Limited ("**Renaissance Capital**") as its exclusive financial advisor in relation to the potential sale of the whole or part of the licence or the assets of Arcadia or of Prospect itself to Uranium One or its affiliates.



Petalite Flotation Testwork

On 24 July 2020, 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.

Product	Petalite grade (% Li ₂ O)	Fe ₂ O ₃ %	Lithia to Iron Ratio
DMS	4.26	0.045	95
Flotation	4.50	0.02	225

Table 1: Product ICP Results

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.

Corporate

Prospect finished the Quarter with:

- a cash balance as at 30 September 2020 of A\$1.388m; and
- US\$10m funding commitment from offtake partner Sinomine on placement of ball mill.

Appendix 5B - Related Party Payments

During the quarter, the Company made payments of \$145,000 to related parties and their associates. These payments relate to directors fees, superannuation and rent.

\$6m placement to fast track Arcadia Lithium Project

Subsequent to the September 2020 quarter, the Company completed a placement of A\$6m before fees to sophisticated and professional investors, with strong support from Australian and US institutional investors.

Viriathus Capital acted as sole Lead Manager and worked with Fresh Equities who assisted with cornerstone support of A\$5.5m. Funds raised from the placement will be used towards production of low iron spodumene and high purity petalite samples for downstream offtake and customers through the design, supply and operation of a flotation pilot plant; undertake a FEED for Prospect's Arcadia Lithium Project; project finance activities and working capital.



In accordance with section 708A(11) of the Corporations Act the Company issued a Cleansing Prospectus on 19 October 2020 for the purposes of removing any trading restrictions on the Shares issued under the placement. The placement shares (announced on 14 October 2020) were issued on 20 October 2020. The offer under the Cleansing Prospectus was then closed in accordance with the timetable, with no Shares being issued under the offer.

Update on non-core assets

Penhalonga Gold Project

In line with its strategy to extract value from non-core assets, on 23 October 2020 the Company entered into a binding term sheet with Luzich Resources (Africa) LLC, an affiliate of Luzich Partners LLC ("**Luzich**"), whereby Luzich has acquired an option to buy 100% of the Company's Penhalonga Gold Project ("**Transaction**") for US\$1m ("**Purchase Price**"), payable as follows:

- a) A non-refundable deposit of US\$200,000 to be paid within 45 days of the date of this agreement; and
- b) US\$800,000 within 180-days commencing from the payment of the non-refundable deposit.

The Penhalonga Gold Project is being sold on a debt free, cash free basis. Completion of the Transaction is subject to Luzich being satisfied with its due diligence investigations, Prospect obtaining all necessary regulatory consents and approvals and normal commercial terms and warranties associated with a transaction of this nature.

Chishanya (Phosphate & Rare Earth Elements)

The Chishanya Phosphate Project is one of 5 known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The project is a series of un-exploited phosphate bearing, apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland. The potential for Rare Earth Elements (REEs) has never previously been assessed.

Carbonatites are defined as intrusive igneous rocks that are composed of more than 50% carbonate minerals. Typically, they form circular plugs, with zoned variable alkalic rocks and associated cross cutting dykes and often extensive wall-rock alteration. Many of them host significant abundances of apatite, magnetite, barite and fluorite that may contain anomalous concentrations of phosphates, REEs, niobium, uranium, thorium, fluorite, barite, vermiculite and occasionally copper.

Prospect is evaluating strategic opportunities for Chishanya following interest for Rare Earth Element projects.

**Cost Management**

In April 2020 in line with the rights issue, the Board & Management partially underwrote the rights issue and also agreed to a company wide cost reduction program. The program has been implemented and has significantly reduces the Company's operating costs.

Most notably the Board & Management agreed to significant reduction to the staff count and a reduction in salaries of directors and the remaining staff of approximately 50%.

Summary of Activities Planned for the 31 December 2020 Quarter**Strategic objectives:**

- Commence procurement and development of pilot plant
- Award FEED contract.
- Strategic evaluation of Chishanya Phosphate & Rare Earth Elements Project
- Progress discussions with Uranium One
- Collaborate with customers on product qualification of the high purity samples generated from the pilot plant

2021 Milestones**H1 2021:**

- Target completion of Uranium One Group transaction.
- Complete Pilot Plant Project and ship first samples.
- Complete FEED for staged approach.
- Progress funding negotiations for staged approach.

H2 2021:

- Complete funding for stage 1.
- Final Investment Decision and commence development for stage 1.

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

ENDS

**For further information, please contact:**

Nicholas Rathjen
General Manager, Corporate Affairs
nrathjen@prospectresources.com.au

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%	-	-



Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
23473	Zimbabwe	Arcadia	PLZ	70%	-	-
SG6853	Zimbabwe	Mistress	PLZ	70%	-	-
37856	Zimbabwe	Moonstone	PLZ	70%	-	-
37857	Zimbabwe	Moonstone	PLZ	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%	-	-
12227	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
20560 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
10675	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
21795 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
13166 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18879	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18880	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18881	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
21748 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18666 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
12212	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
12213	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
19474 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
14135 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
10338	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
G3425	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
18582 BM	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-
G2335	Zimbabwe	Penhalonga	Coldawn	70% ⁽ⁱ⁾	-	-

- (i) Refer to announcement 23 October 2020, the Company has entered into a binding term sheet whereby Luzich has acquired an option to buy 100% of the Company's Penhalonga Gold Project.