

ASX Announcement
15 July 2013

ASX Code: PSC

Prospect acquires 70% stake in Zimbabwe gold exploration company which owns 100% of one gold project and has the right to explore and mine a previously operating Gold mine and raises \$4.5m with strategic investors

Highlights:

- Two Zimbabwe gold projects (Bushtick Gold Project and Penhalonga Gold Project) were historical producers of high-grade gold:
 - Bushtick produced approximately 470,000oz gold at 5.4g/t cut-off until closure in 1950
 - Penhalonga produced approximately 185,000oz of gold at 11g/t cut-off until closure in 1943
- Opportunity to fast-track projects using historical data with potential to generate cash flows early
- 70% ownership structure is approved by the Zimbabwe Investment Authority and is compliant with Zimbabwe Indigenisation Legislation
- Financing brings key strategic relationships including Blumont of Singapore
- Subscription agreements signed to raise A\$4.5million, conditional on shareholder approval
- Appointment of Harry Greaves and Gerry Fahey to the board of Prospect

Mineral explorer Prospect Resources Limited (**ASX: PSC**) (**Prospect** or the **Company**) is pleased to announce that it's 100% owned UK subsidiary (**Prospect UK**) has subscribed for new shares to the value of US\$50,000 representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited (**HME**).

HME has entered into a senior exploration and mining agreement, providing HME the right to explore and mine the historic Bushtick Gold Mine and surrounding acreage including tailings dumps. The right to explore outside of the tailings dumps is subject to receipt of a special mining grant (special mining grant has been lodged for approval by the relevant government department). In consideration for these rights, HME has agreed to pay an upfront fee of US\$50,000, and a 5% royalty of net gold revenues. HME must fund a feasibility study and reach a decision to mine within 5 years and pay an annual prospecting fee of \$50,000 until royalties become payable.

HME has also acquired 100% of the share capital of Coldawn Investments (Pvt) Limited (**Coldawn**), which owns 100% of the tenements comprising the Penhalonga Gold Project, in consideration for US\$20,000 and a commitment (up to 5 years) to fund exploration up to completion of a feasibility study to produce 25,000 oz of gold per annum for a period of 10 years.

Prospect and Farvic Consolidated Mines (Pvt) Ltd (**Farvic**), who owns the remaining 30% of HME, have entered into a shareholders agreement which governs the operation of HME. Key terms of the shareholders agreement are:

- Prospect shall appoint the initial directors of HME;
- A quorum for a meeting of shareholders is 60%;
- Prospect will fund HME via shareholder loans; and
- Both parties have pre-emptive rights in the event of a sale of shares in HME.

Details of the Projects

The **Bushtick Gold Project** is a dormant mine situated 8km NNE of Esigodini in the Esigodini Greenstone belt, in the grounds of Falcon College (the grantor of the rights to HME). The mine was historically a major producer as testified by the large tailings dumps. The surrounding ground of approximately 25km² is also very prospective and has not been the subject of any modern prospecting.

The deposit which strikes 120°, dips 80° north, is formed by the silicification, carbonatisation and brecciation of mafic volcanics along a wide shear zone near the edge of the Essexvale Tonalite. Greenstones of intermediate to basic composition are the predominant rock type, underlain by granodiorites.

Historical production from four shafts; down to 12 level or approx 300m was 15,000 kg (+- 470,000 oz Au. with a cut-off grade of 5.4 g/t.)

The **Penhalonga Gold Project** consists of a number of shear and vein hosted gold deposits along the southern side of the Penhalonga Valley covering an area of approximately 1.8km², including the historic Battersea Gold Mine and the dormant Penhalonga Gold Mine, 5km north of Mutare. It is situated in the Mutare Greenstone Belt which extends eastward into Mozambique.

In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km² is one of the richest belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes.

Coldawn owns a number of lead tenements within the Mutare Greenstone Belt all of which have been acquired by Prospect.

Zimbabwe Investment Authority Approval and Indigenisation Certification

Under the laws of Zimbabwe, all operating companies must be either 51% owned by indigenous parties or have the capability to be 51% owned.

The Zimbabwe Investment Authority has approved Prospect's application to own a 70% equity interest (via Prospect UK) in HME on the following conditions:

- Prospect funds all exploration costs and upon commencement of production, funds development costs;
- Funding to be arranged via secured loans to the subsidiaries carrying a commercial rate of interest having regard to operating risks of the company;
- All loans have priority for repayment in front of any payments of dividends;
- After repayment of all loan funds, dividends may be payable;
- Farvic has the right to claw back a 21% equity interest in HME via the purchase of shares from Prospect. Funds to be used for the purchase of these shares must be from dividend payments from HME and the valuation per share shall be 'market value' or a valuation calculated as 5xEBIT (whichever is the higher).

About the Zimbabwe Team:

Farvic, who owns the remaining 30% of HME, is part of a private group involved in gold mining, exploration and project development in Zimbabwe. Farvic currently own operating gold mines and a number of currently non-operational gold mines, and parcels of ground which are prospective for Rare Earth Elements, phosphates and base metals, including lead and chrome.

The Farvic team are aligned to Prospect's success via their proposed shareholding in Prospect (see below for details) and via their direct shareholding in HME. Members of the Farvic team who will take operational roles in Prospect are described below.

Duncan (Harry) Greaves, (48) – Managing Director Zimbabwe

Harry is a fourth generation Zimbabwean. He holds a B.Sc (agriculture) from University of Natal (in South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe all of which he brought back into production over the last 10 years including the design and construction of two milling facilities. He

was also the driving force behind the acquisition of the Penhalonga Gold Project and the Bushtick Gold Project. He is a well respected and well known member of the Zimbabwe mining fraternity.

Zivanayi (Zed) Rusike (55) – Director HME

Zed was Managing Director of United Builders Merchants before being promoted to Group MD for Radar Holdings Limited, a large quoted company on The Zimbabwe Stock Exchange. He retired from the Radar Group of companies to pursue his personal interests and sits on the boards of Cairns Holdings, TSL Limited, Dulux Paints Limited and Halsted Brothers (Pvt) Limited amongst others. Zed is a former President of The Confederation of Zimbabwe Industries and is currently a shareholder and Chairman of Farvic Consolidated Mines (Pvt) Ltd .

Roger Tyler (49) – Chief Geologist

Roger is a British geologist, who after almost 25 years working experience in Africa, is now Technical Director for HME. He has an Honours degree in Mining Geology from the Royal School of Mines and a Masters of Engineering in Mineral Resource Estimation from Witwatersrand University. Roger worked for 15 years as a geologist in various African countries and later as a Senior Resource Analyst for Anglo American Corporation. Most recently however, he was Anvil Mining's DRC exploration manager and led the programme which resulted in the development of the new Kinsevere mine.

Chris Rees (44) – Chief Operating Officer

Chris is a Zimbabwean based Project Manager and Engineer with experience in building and operating mines in the Southern African region, especially Zimbabwe. He has worked with large corporates like IAMGold, New Dawn Mining and Pretoria Portland Cement. He holds a BSc Eng from Natal University. He was the principal engineer behind the design, procurement and construction of the Farvic Gold Mine Expansion in 2012, the Nicholson Gold Mine in 2011, the Farvic Gold Mine in 2010 and African Chrome Fields plant in 2009.

Appointment and Resignation of Directors

Mr Harry Greaves and Gerry Fahey have been appointed to the board of directors as non-executive directors and Messrs Pager and Pollak have agreed to resign.

Details on Harry Greaves have been mentioned above.

Mr Gerry Fahey has over 35 years experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and

training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of the Eureka, Chaka, Globe and Phoenix gold mines and the following Australian gold projects: Kanowna Belle, Golden Feather, Sunrise and Wallaby. Gerry is currently a Director of CSA Global Pty Ltd, Focus Minerals Ltd, Modun Resources Limited and a member of the Joint Ore Reserve Committee (JORC).

Hugh Warner remains an executive director and Chairman of the Company.

It is proposed to appoint an additional 3 people to the board of Prospect as and when suitable candidates are identified.

Exclusivity Agreement

As part of the above transaction, Prospect has entered into an Exclusivity Agreement with Continental Minerals Ltd representing Harry Greaves, Roger Tyler and Chris Rees, each of whom are expected to play a significant role in the development of Prospect.

Prospect intends, subject to shareholder approval, to issue 60,000,000 fully paid ordinary shares to Continental Minerals Ltd (or its nominees) as consideration for the Exclusivity Agreement.

The Exclusivity Agreement is for a period of 3 years whereby the above parties will present all Zimbabwe mining opportunities that they become aware of to Prospect for acquisition and/or investment. If Prospect decides not to participate in these opportunities, then the parties shall be free to exploit the opportunity themselves. If certain specified opportunities result in an acquisition by Prospect, a performance fee will be payable subject to shareholder approval.

Conditional Share Placement

The Company has received firm commitments to subscribe for \$4,500,000 in new equity through the subscription of 375m ordinary shares at 1.2c per share, subject to shareholder approval.

These funds are planned to be used as follows:

- Bushtick:
 - Re-enter underground workings and commence a drilling programme
 - Complete sampling of historic tailings dumps
 - Commence airborne survey of above ground targets
 - Penhalonga:

- Commence in-fill drill programme to generate first JORC reportable Mineral Resource
- Northampton
 - Gold exploration programme based upon historical gold mineralisation both within the closed mines and new areas based on the regional geochemical database.
 - Continue base metal exploration, primarily around the known mineralisation at Mary Springs and Northampton, focusing on gold and base metals mineralization.
- General working capital

Strategic Investors

\$3,900,000 of the Conditional Share Placement has been subscribed for by a Singapore-based consortium including Blumont Group Ltd. (Hong Kong-based mining executive Alexander Molyneux and Singapore based financial and investing firm Pacific Advisers). Blumont will own not less than 60% of the consortium vehicle. Blumont is a Singapore-based company, listed on the Singapore Exchange under the ticker BLUM. Its current market capitalization exceeds S\$2 billion. It has undertaken investments in iron ore (Indonesia) and coking coal (Kyrgyz Republic).

Blumont sees tremendous opportunity for the revival of a robust mining sector in Zimbabwe. It plans to enter into a strategic alliance with Prospect to accelerate both companies' investment activities in the country.

A further \$500,000 of the Conditional Share Placement has been subscribed for by a large Africa based investment company, widely considered an emerging markets and particularly Africa specialist investor and financial institution.

Director and Management Options

Prospect proposes, subject to shareholder approval, to issue 80,000,000 options exercisable at 1.5c each and expiring on 30 June 2015 to directors and management, details of which shall be provided in the proposed notice of meeting.

Shareholder Approval and Timetable

Please note that the transactions contemplated pursuant to this announcement are subject to the approval of Prospect shareholders in General Meeting. A notice of meeting of shareholders will be issued in the coming weeks.

For further information, please contact Hugh Warner on 0413 621 652.

Yours faithfully
Prospect Resources Limited



Hugh Warner
Chairman

Competent Person Statement

The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Roger Tyler. Mr Tyler has been appointed Chief Geologist to Prospect Resources.

Mr Tyler is a member of the Australasian Institute of Mining and Metallurgy. He 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 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tyler consents to the inclusion of the matters based on his information in the form and context in which it appears.