Prospect Resources

ASX Announcement ASX Code: PSC

25 February 2014

Farm-in Agreement and Conditional Agreement to acquire Mining Claims

Highlights

- Secured rights to explore and acquire an almost contiguous block of claims covering approximately 25km^2 of the Gold bearing Gwanda Greenstone Belt
- Claims cover more than 9 historic gold mines, including:
    - Prestwood Mine (historic gold production of 499kg at 33.1g/t)
    - Sally Mine (historic gold production of 756kg at 6.9g/t)
    - Colleen Bawn Mine (historic gold production of 1,063 kg at 15.1g/t)
- Exploration head gear has been erected at the Prestwood shaft and dewatering has commenced
- Claims surround the producing Farvic gold mine
- Historic Mines are open deposits that were closed prematurely in the 1970's
- Artisanal miners are currently producing gold from surface confirming surface prospectivity
- Recently completed ground magnetic survey has identified multiple parallel structures adjacent to the Prestwood Mine. A number of these are being mined artisanally. The geological setting of this mine is the same as that of the Farvic Mine, 4km to the east.

Prospect Resources Limited (Prospect or the Company) is pleased to announce that Hawkmoth Mining and Exploration (Private) Limited (HME), a company which Prospect is in the process of acquiring a 70% interest in, has entered into the following agreements:

1. **The Greater Farvic Farm-in Agreement**, whereby HME can earn a 100% interest in certain mining claims by spending US$3m on exploration and associated activities over 3 years; and
2. **The Conditional Agreement to Acquire Additional Mining Claims**, whereby HME can acquire a 100% interest in certain mining claims in consideration of US$424,000.

The above agreements are subject to certain terms and conditions more fully described below.

The Greater Farvic Claims

Prestwood Mine (Historic Production of 499kg, or approx. 16,000oz of gold at 33.1g/t)
The Prestwood Mine consists of multiple veins in greenstones at the monzonite contact. The reef is open ended down dip below 250m. It is considered particularly prospective as it lies in the same geological setting as the Farvic Gold Mine.

Shaft Rehabilitation is underway and once complete, underground drilling for parallel reefs is planned. Evidence of parrallel reefs is supported by the ground magnetic survey completed in January.

The Company's maiden drilling programme to test down dip extension of main reef and surface anomalies is scheduled to commence shortly.

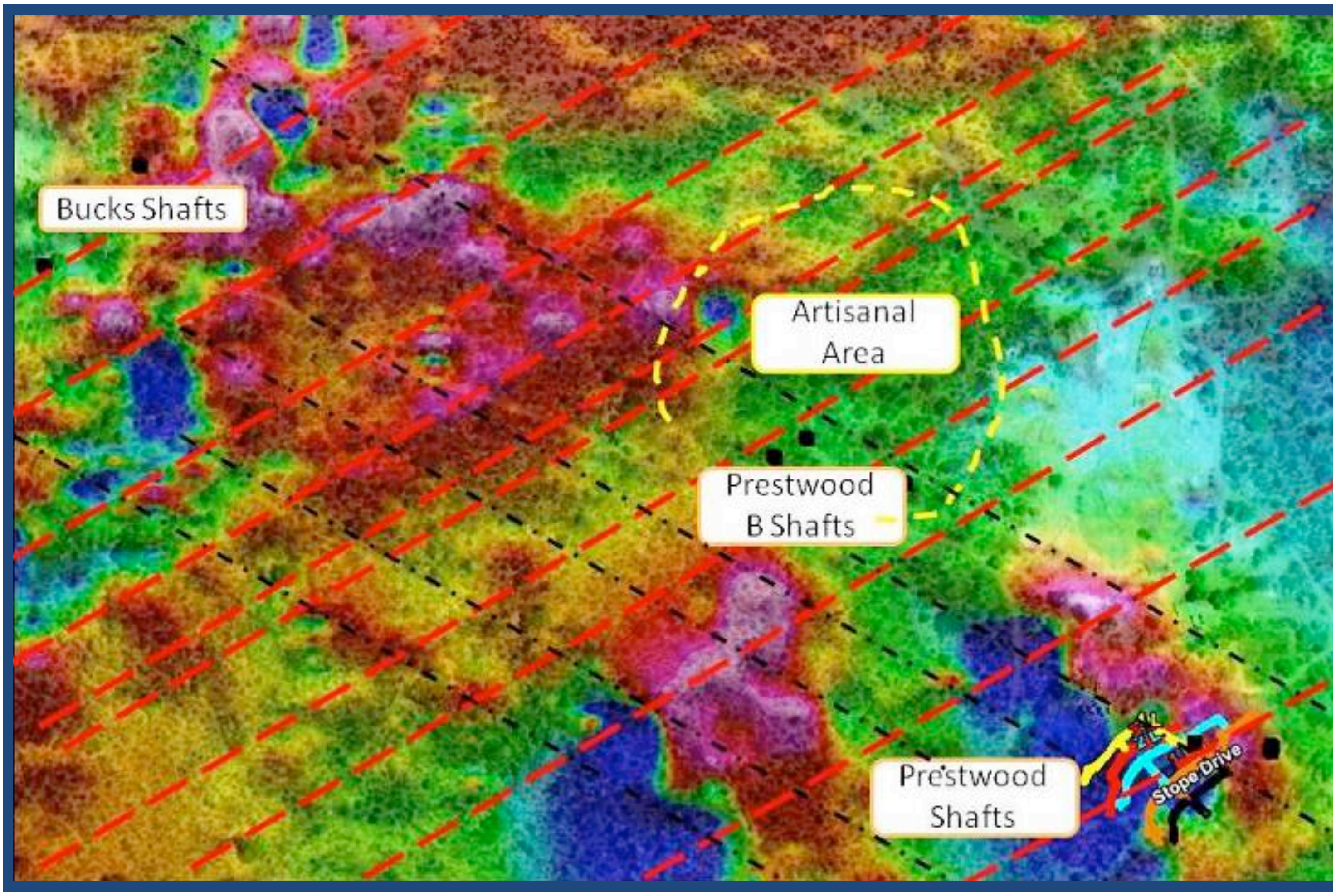
Sally Mine (Historic Production of 756kg of gold at 6.9g/t),
The Sally Mine consists of wide quartz stockwork (up to 4m) dipping north in granodiorite.

Colleen Bawn Mine (Historic Production of 1,063kg of gold at 15.1g/t)
The Collen Bawn Mines consists of a quartz reef in greenstone close to monzonite and thrusted limestone contacts. It was historically a sulphide rich, refractory ore that caused recovery problems. These issues can now be addressed using modern processing techniques such as fine grinding.

Valley Mine (Historic Production of 1,315kg of gold at 5g/t and 750kg of copper)
The Valeey Mine is a shallow dipping quartz vein stockwork with disseminated sulphides associated with copper in a felsic intrusion within normally barren country rock gneisses. It is believed that flooding caused the premature end to mining activity.

Other Mines
Other smaller but prospective old mines include; Bye & Bye, Act, Beaufort, Wilson and Ettrick.

Prospect Resources Limited | ACN 124 354 329
Suite 6, 245 Churchill Ave. Subiaco WA 6008 | Phone: +61 8 9217 3300 | Fax: +61 8 9388 3006
Website: prospectresources.com.au | Email: info@prospectresources.com.au



Provisional interpretation of recently completed ground magnetic survey around the Prestwood Mine. Higher magnetic zones shown in red- purple are interpreted as sub-outcropping monzonite. The pervasive southwest-northeast trending shearing is evident. The known Prestwood and Prestwood B mines all lie at close proximity to the greenstone – monzonite contact, and along major shears.

The Bucks Shaft to the north-west is being worked by a small operator. Prior to World War I, the Bucks Mine was Zimbabwe's richest producing mine. It consists of two parallel reefs at the contact between the greenstone and the monzonite intrusion. It was developed to 130m where the mineralisation continued to be open-ended.

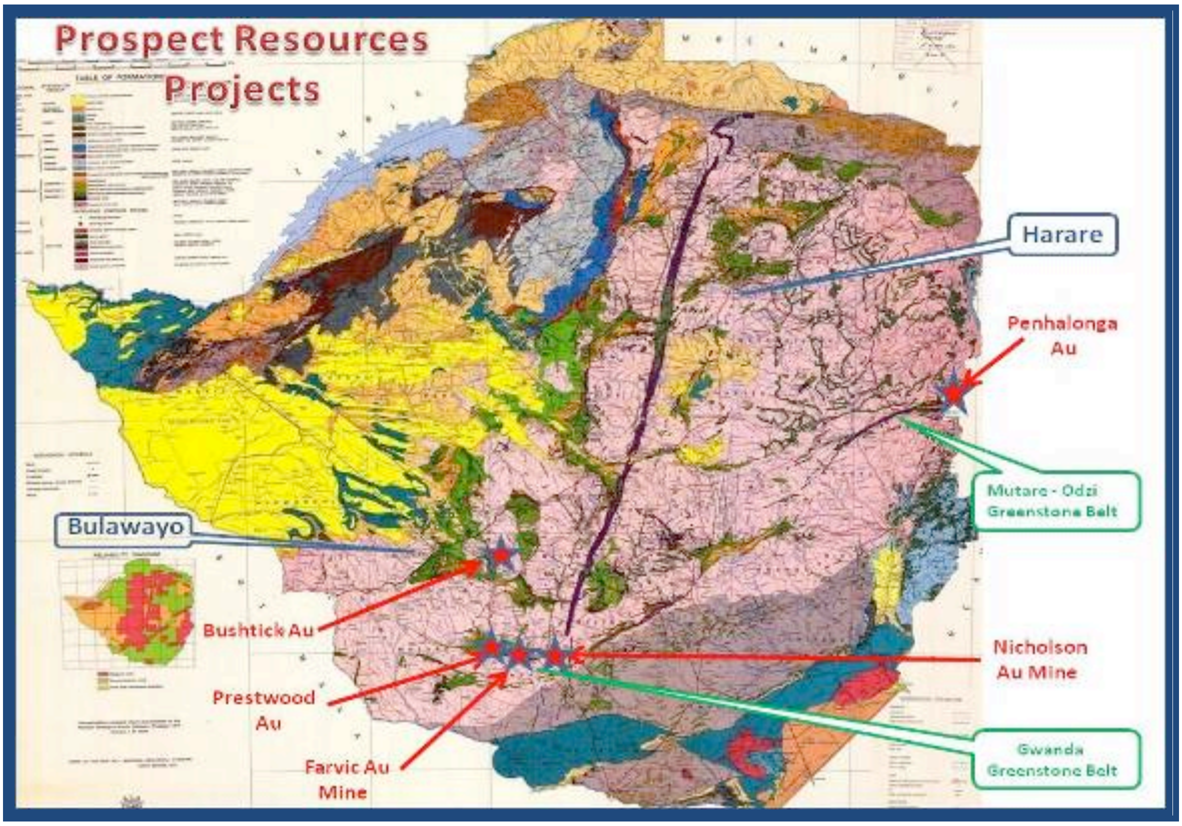
Induced polarisation surveys are planned to further define targets, prior to a planned aircore drilling programme in Q2.

Prospect Resources

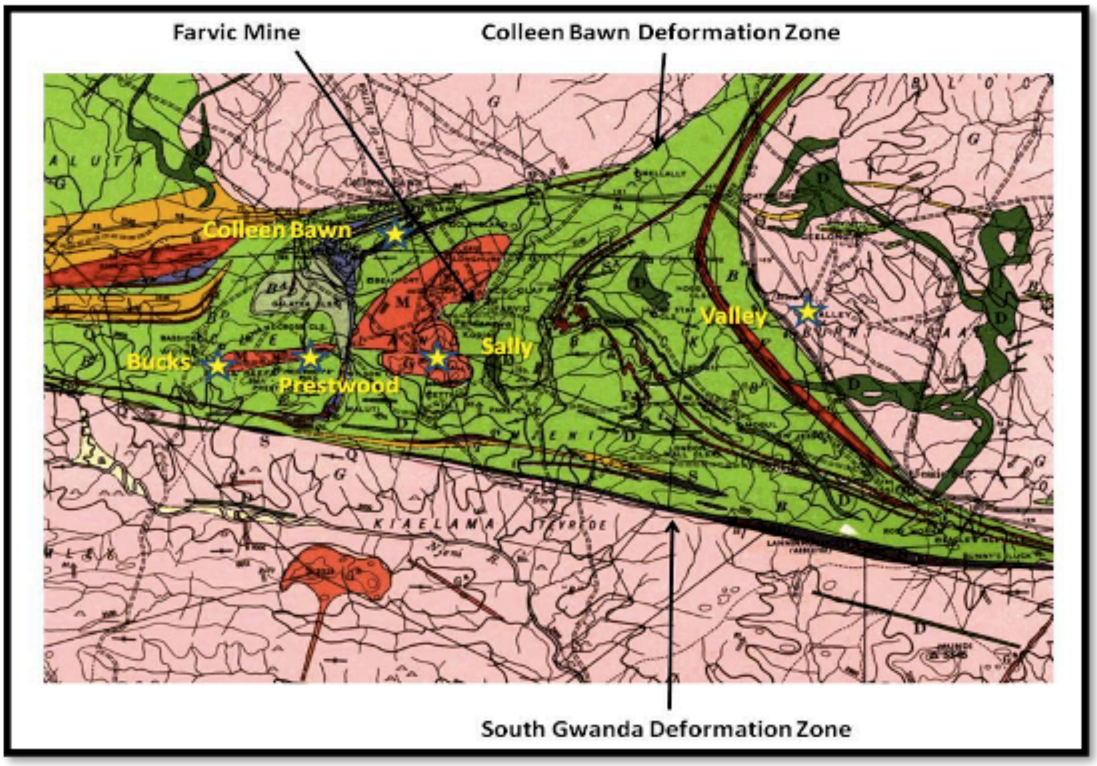
An exploration head frame has been erected above the Prestwood Mine Shaft, and dewatering commenced in preparation for re-entering the mine. The historic mine went down to 4 level and produced nearly half a tonne of gold. It is expected that exploration drilling will be carried out at surface and from underground in the first half of 2014. Notice the operating PPC limestone quarry in the background which supports one of the largest cement plants in southern Zimbabwe.

Roger Tyler, Chief Geologist (centre) looking out towards the PPC limestone quarry, explaining the parallel structures to Harry Greaves, Director (left) and Tendai Chikonodanga, Geologist. (right)

Artisanal gold workings on the claims, demonstrate the prospectivity of the parallel structures identified by ground magnetic survey. Notice the operating PPC limestone quarry in the background



Location of Prospect Resources Zimbabwe Gold Assets, concentrated within the Gwanda, Bulawayo and Odzi-Mutare Greenstone belts.



The claims recently acquired by the Greater Farvic Farm-in, form an approximately 25 sq km area, within the highly prospective eastern portion of the Gwanda Greenstone Belt. Two of the most significant former producers; the Bucks & Prestwood Mines lie at the same southern greenstone-monzonite contact as the producing Farvic Mine.

Contract Terms and Conditions

Farm-in Agreement

Farm-in agreement between HME and Farvic Consolidated Mines (Pvt) Limited (Farvic) whereby HME may earn a 51% interest in certain mining claims by spending U$1.5m within 24 months of all conditions being satisfied (First Vesting Date). HME may earn up to 100% of the mining claims by spending a further US$1.5m within 12 months from the First Vesting Date.

The Farm-in Agreement is subject to certain conditions, including:

1. Farvic obtaining all consents under the laws of Zimbabwe;
2. HME and Farvic obtaining land access rights from any party owning surface rights to the claims;
3. ASX and ASIC approval, if required;
4. Prospect shareholder approval to the issue of the below mention shares; and
5. Zimbabwe Investment Authority Approval for HME to acquire an interest in the claims.

This Farm-in Agreement is subject to the Placement Exclusivity Agreement: Zimbabwe Projects, dated July 2013 and referred to in the Company's Notice of General Meeting of Shareholders, held on 23 September 2013. Accordingly, a performance fee is payable to Continental Minerals Limited. In line with the previous performance fee paid, the Company has agreed, subject to shareholder approval, to issue 60 million shares for no consideration to Continental Minerals Limited.

Conditional Agreement to Acquire Additional Mining Claims

HME has entered into a conditional agreement to acquire certain mining claims from Mixnote Investments (Pvt) Limited (Mixnote) in consideration for US$400,000. HME has acquired an exclusive 6 month option to acquire the claims in consideration for US$24,000. HME may extend the options for a further 3 months by the payment of US$12,000.

During this exclusivity period, the Company may carry out mineral exploration and associated activities on the claims, including exploration in and around the historic Prestwood Mine.

This agreement is subject to certain conditions, including:

1. HME having sufficient funds to acquire the claims and exercise the option as determined by the discretion of Prospect's Board of Directors.;
2. Farvic obtaining all consents under the laws of Zimbabwe;
3. ASX and ASIC approval, if required;
4. Prospect shareholder approval (if required); and
5. Zimbabwe Investment Authority Approval approving HME's acquisition of the claims.

Related Party Disclosures

As previously disclosed in the Company's Notice of General Meeting of Shareholders, held on 23 September 2013, Farvic is a related party of two directors of the Company: Harry Greaves and Zed Rusike. Continental Minerals Limited is a related party of a director: Harry Greaves.

Whilst Mixnote Investments (Pvt) Limited is a subsidiary of Farvic, the Conditional Agreement to Acquire Additional Mining Claims is, in the opinion of the non-related directors, Mr Gerry Fahey and Mr Hugh Warner a transaction being undertaken on arms-length commercial terms. During November 2013, Mixnote acquired the mining claims for a third party vendor, in consideration for US$400,000 and borrowed funds to settle the purchase. The Company has conditionally agreed to acquire the claims for the same purchase price, plus the interest charge.

Prospect Resources Limited | ACN 124 354 329

Suite 6, 245 Churchill Ave. Subiaco WA 6008 | Phone: +61 8 9217 3300 | Fax: +61 8 9388 3006

Website: prospectresources.com.au | Email: info@prospectresources.com.au

Contact Details

For further information, please contact:

Hugh Warner
Executive Chairman
Ph: +61 413 621 652

Harry Greaves
Non-Executive Director
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.