



Prospect Resources Share Rights Issue & Cost Cutting Programme

Summary

- **One-for-four Non-Renounceable Rights Issue to raise up to A\$3.1m;**
- **Priced at A\$0.05 per share, a discount of 50% to the last traded price, 64% discount to the 30 day VWAP and 74% discount to the 90 day VWAP;**
- **Directors and management to invest A\$572,000;**
- **Annual operating costs targeted to reduce by 57%;**
- **Ability for shareholders to apply for shortfall; and**
- **Share trading suspension until completion of the capital raising**

African lithium developer, Prospect Resources Ltd (ASX: PSC, FRA:5E8) (“**Prospect**” or “**the Company**”) announces that it proposes to launch a Non-Renounceable Share Rights Issue to raise up to A\$3.1m, with a minimum raising of A\$1.2 million.

The Executive Chairman, Hugh Warner said *“The Company’s access to equity markets has radically changed due to the dramatic upheaval in global markets over the last few weeks.*

“Our recent strategy has been to raise small amounts to minimise dilution while the Company progresses its discussions with Afreximbank, Uranium One Group and potential off-takers. It is my belief that this was a sound strategy and that we were receiving shareholder and investor support. However, with the global markets changing so quickly, we can no longer rely on this approach.

“Given these market conditions, the Company has a present need for funds to meet its ongoing obligations and continue as a going concern. I am pleased to note that Directors and management have agreed to invest A\$572,000 into the share rights issue and take up their share allocation and more. The Directors believe that a rights issue to shareholders is the fairest and most sensible strategy for raising new funds because it offers all shareholders the opportunity to avoid dilution by taking up their rights. It is being priced at a 50% discount to the last traded price, which is clearly a massive discount to the last two share issues at 20c and 15c, to encourage all shareholders to participate. Clearly, not everyone will be in a position to invest. The Board and management will be investing significant funds in the share rights issue.

“At this same time, we are dramatically cutting the costs of the business. This is being achieved through a number of initiatives including salary reductions at all levels of the business and, unfortunately, redundancies which will result in the Company having reduced its staff by 57 people in 2020. This will result in a business more capable of enduring the current global crisis whilst continuing to progress Arcadia.



"I think it is important to remember that we own one of the largest hard rock lithium deposits in the world (approx. 7th largest). We are one of the largest hard rock deposits with off-take capacity to supply into Western and Eastern Europe. We are very attractive to new European players in the market looking for large, long term product supply of both ultra-low iron petalite and spodumene. This is evidenced by the continuing negotiations with regards to off-take of the Company's ultra-low iron petalite and also the Memorandum of Understanding with the Uranium One Group. I trust shareholders can take confidence when companies the size of Uranium One Group, express an interest in investing and securing more than 51% of the Company's lithium production.

"Given the Company's current financial position and need for capital, trading in the Company's shares will remain suspended until completion of the share rights issue and the raising of the minimum subscription of A\$1.2 million."

Share Rights Issue

The Non-Renounceable Rights Issue will be offered on a one-for-four basis at A\$0.05 per fully paid ordinary share to raise up to approximately A\$3.1m.

The board proposes to participate in the offer and partially underwrite it to A\$504,000 and management has committed to invest \$68,000. The board has canvassed major shareholders and believes it has broad support for the offer.

The Company has an estimated working capital deficiency of A\$337,000 as at 31 March 2020. Funds raised will be used as follows:

Item	Proceeds of the Offer	Minimum Subscription (A\$)	%	Full Subscription (A\$)	%
1.	Project development	200,000	17	1,680,000	55
2.	Progression of due diligence with Afreximbank	560,000	47	560,000	18
3.	Progress of on-going off-take discussions	120,000	10	120,000	4
4.	Expenses of the Offer ¹	54,575	4	54,575	2
5.	Working capital	265,425	22	655,322	21
	Total	1,200,000	100	3,069,897	100

It is expected that the Minimum Subscription will provide the Company with 6 months funding to continue work on the debt financing, offtake negotiations and discussions with Uranium One



Group. Whereas the Full Subscription will provide the Company with 12 months to continue building the business.

The Non-Renounceable Rights Issue provides shareholders with a registered address in Australia, New Zealand, Peoples Republic of China, Hong Kong, United Arab Emirates and the United Kingdom with the opportunity to take up new shares proportional to their shareholding and avoid dilution.

A prospectus for the offer and a personalised entitlement and acceptance form will be sent to eligible shareholders in accordance with the below timetable. Shareholders should consider the prospectus in deciding whether to acquire the securities. Eligible shareholder wishing to participate will need to complete the application form that will accompany the prospectus

The indicative timetable for the Non-Renounceable Rights Issue is as follows:

Company Announces New Offer	3 April 2020
Lodgement of Prospectus with ASIC and ASX together with Appendix 3B	6 April 2020
"Ex" date	9 April 2020
Record Date for determining Entitlements	14 April 2020
Dispatch Prospectus to eligible Shareholders & Company announces this has been completed	17 April 2020
Opening Date	17 April 2020
Last day to extend the Closing Date of the Offer	29 April 2020
Closing Date	4 May 2020
Shares quoted on a deferred settlement basis	5 May 2020
Announcement of results of the Offer	7 May 2020
Issue date/Securities entered into Shareholders' security holdings/ Lodgement of Appendix 2A with ASX	11 May 2020
Last Date to allot shortfall	3 months after Closing Date

The above timetable is indicative and may change, subject to the Corporations Act and Listing Rules.

Cost Cutting

The Company has undertaken a material cost reduction strategy so that funds raised meet the Company's requirement for an extended period considering the current global conditions developing related to COVID-19. The strategy targets a reduction of operating costs of 57% and will include:

- Reduction in staff count;
- Reduction in salaries of directors and the remaining staff of approximately 50%;
- Reduction of costs that are not directly related to the current corporate activities.



Shareholders should note that further staff cuts may be implemented, depending on the funds raised from the share rights issue. In such circumstances, the Company will be slowed in its development of Arcadia.

Incentives

The Company is investigating whether and to what extent it may be eligible to participate in any of the assistance packages announced by the Federal Government.

Trading Halt

The Board considers that, given the circumstances outlined above, the continued trading of the Company's shares on ASX prior to completion of the rights issue is likely to be materially prejudicial to its ability to complete the rights issue, which is critical to its continued financial viability. Therefore, trading in the shares of the Company shall remain suspended until 7 May 2020 or such earlier time as the Directors determine, to enable the share rights issue to be completed and the Uranium One Group Exclusivity Period to end and when the results of those negotiations with regards to equity investment and off-take can be disclosed to the market.

Should shareholders have any enquiries relating to the rights issue please contact our General Manager of Corporate Affairs, Nicholas Rathjen, at nrathjen@prospectresources.com.au or Hugh Warner, Chairman, on 0413 621 652.

This release was authorised by Mr Hugh Warner, Executive Chairman of Prospect Resources Ltd.

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Africa's leading
battery mineral
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

For further information, please contact:

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

**About Prospect Resources Limited (ASX:PSC, FRA:5E8)**

Prospect Resources Limited (ASX:PSC, FRA:5E8) is an ASX listed lithium company based in Perth with operations 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.