



QUARTERLY ACTIVITY REPORT – 30 June 2021

Prospect Resources Ltd (ASX: PSC) (**Prospect** or the **Company**) is leveraging its world class asset, the Arcadia Lithium Project (**Arcadia Project**), to develop a sustainable, low cost, large scale lithium business. Prospect is pleased to report on activities undertaken in the June 2021 quarter and its financial position at the end of the period.

Project Development

- Arcadia Pilot Plant constructed and commenced production.
- Pilot Plant officially opened by guest of honour, the Minister of Mines & Mining Development, Hon. Winston Chitando.
- Arcadia Optimised Feasibility Study progressing well and on track for completion in Q3 CY2021.
- Subsequent to quarter end, petalite concentrate and spodumene samples are being produced for distribution to customers and strategic groups .

Financial & Corporate

- As at 30 June 2021, Prospect was debt free with a cash balance of A\$7.9M.
- Subsequent to quarter end, Prospect completed the transaction to increase its interest in the Arcadia Lithium Project to 87%.

Managing Director, Sam Hosack, commented: *“The June 2021 quarter was one of significant milestones for Prospect and the Arcadia Project. Successful construction and commissioning of the Arcadia Pilot Plant, with first output produced during the quarter, has demonstrated the execution abilities of the in-country team. We are also dispatching lab-prepared spodumene concentrate samples to a range of strategic groups across Japan, China, and Europe. In July, we completed the Farvic transaction, increasing Prospect’s ownership in Arcadia to 87%.”*

“Through 2021, we have been focused on defining and delivering on a clear pathway to becoming a near term high purity lithium producer. To date we have achieved our milestones and our focus is now resolutely on achieving qualification with customers, completion of the Optimised Feasibility Study and development of the Arcadia Lithium Project”.

Arcadia Pilot Plant and Technical Petalite Sample Production

On 25 June 2021, Prospect announced the completion of construction and commissioning, and the commencement of production, at the Arcadia Pilot Plant. The construction and operation of the Pilot Plant is purposed to the production of high purity petalite concentrate samples for Prospect's long-term technical petalite customer base.



Figure 1 – Dense Media Separation (DMS) unit

Company personnel have successfully delivered the Pilot Plant through design, construction, commissioning, and into production, both on schedule and on budget.

Throughout the technical development of Arcadia, Prospect Resources has undertaken extensive metallurgical testwork to optimise Dense Media Separation (DMS) recovery, efficiency, and product quality. A key outcome of the testwork supported a split DMS concept in which coarse and fines fractions are handled separately using a two-stage DMS consisting of 'rougher' and 'cleaner' steps with the coarse fraction targeted at producing high purity technical grade petalite product.

The Arcadia Pilot Plant design accordingly embraced these design outcomes and implemented a 2 stage crushing plant and a single stage DMS unit (Figure 1) that would operate in batch mode, first as a rougher and second as a cleaner in order to produce technical grade petalite.

Operating the pilot plant has allowed for substantial operational learnings from blast and haul techniques (Figure 2) through to material handling to minimise contamination and increase productivity. Technical learnings have been derived from a broad adaptation of the operating conditions, allowing the team to characterise metallurgical behaviour across permutations of plant operating conditions.



Figure 2 – Arcadia open pit being utilised for the pilot plant

Arcadia's pilot plant (Figure 3) proximity to Harare, where there are suppliers of spares and service providers, produced very short equipment turnaround time and indeed showcased the unique advantage of the site location. This was vital in securing critical components that needed to be replaced during the pilot plant commissioning phase with minimal delays.

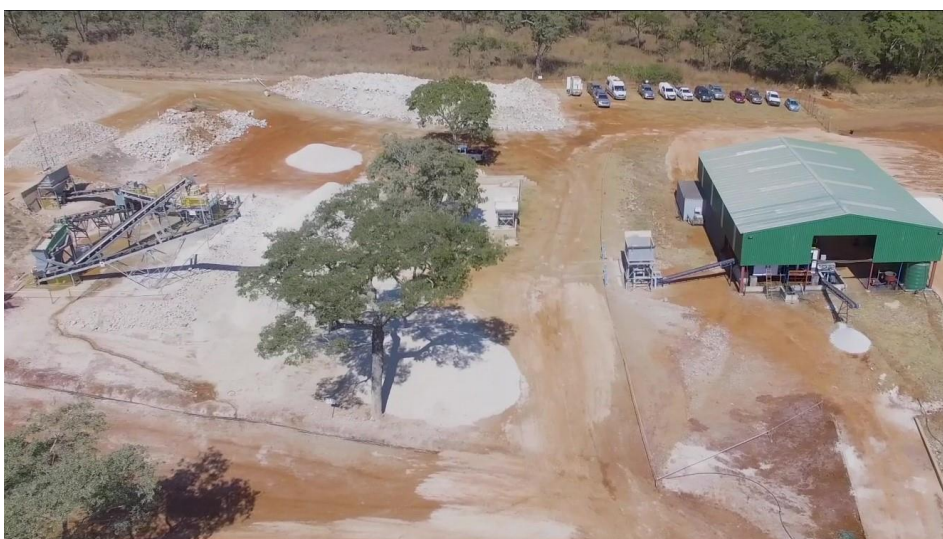


Figure 3 – Arcadia Pilot Plant site



The pilot plant optimisation has now been successfully completed and a 270 kg sample of technical grade petalite has been produced that has met specification as confirmed by a renowned independent metallurgical testing company in South Africa.

Prospect is now set to produce and ship sizeable volumes of technical grade petalite concentrate product to both Sibelco and Sinomine for on-delivery to customers across Europe and Asia. These parties are planning to use the samples in their respective production runs to undertake product qualification processes through the second half of 2021.

Optimised Feasibility Study

Work on the Optimised Feasibility Study (**OFS**) for the Arcadia Project continued during the quarter, led by external study manager, Lycopodium Minerals.

The OFS is being advanced, and is set to be completed, on a dual-track basis. Two development pathways for the Arcadia Project are being evaluated and are set to be presented in the OFS:

- The current case, single-stage development to a 2.4 Mtpa throughput operation. This approach provides the greatest development efficiencies and highest aggregate returns, and is planned to be pursued should market conditions and funding activities allow it.
- Two-stage development to 2.4 Mtpa throughput, via 1.2 Mtpa modules staged within the first 5 years. This approach provides a lower upfront capital pathway to production and allows project and market risks to be managed progressively.

The OFS process is seeking to optimise the flowsheet and design of the process plant and associated infrastructure to a +/-15% level of accuracy for both development cases, building on the technical assessments undertaken in the Arcadia Feasibility Study (2019).

The OFS remains on track for completion in Q3 CY2021.



Value Accretive Farvic Transaction Completed

Post quarter end, Prospect completed the transaction to increase its ownership in the Arcadia Project by 17% to 87%. Following receipt of requisite approvals (including Prospect shareholder approval), completion of this transaction resulted in the issue of 9,497,680 new fully paid Prospect ordinary shares and the payment of A\$1,187,210 cash to Farvic Consolidated Mines Pvt Ltd (**Farvic**).

The shares issued to Farvic are subject to a voluntary escrow, with 25% of the shares set to be released every 6 months.

Spodumene concentrate samples produced

Post quarter end, Prospect announced that it had lab-produced 25kg of spodumene concentrate from core samples collected from the Arcadia Project.

Sample assays have confirmed the high purity nature of the spodumene concentrate produced from the Arcadia Project (see ASX release dated 20 July 2021). Table 1 outlines the average sample composition, including a plus-6% Li₂O concentrate grade.

Product	Li ₂ O	Fe ₂ O ₃
Spodumene concentrate	6.08%	0.46%

Table 1: Spodumene Concentrate (SC6) Product

Representative samples of the lower main pegmatite (**LMP**) drill core were extracted from inventory for spodumene sample production. LMP contributes a significant portion of the Arcadia ore feed for the first 5 years of operation and constitutes greater than 63% of the total Arcadia ore body.

The spodumene concentrate product samples have been produced for supply to, and potential qualification with, strategic groups across Japan, China, and Europe. Prospect has been progressing engagement with a range of these groups that have an interest in spodumene concentrate offtake and assisting with development of the Arcadia Project. The shipment of these samples is being coordinated over the next few weeks.

Corporate/Finance

Prospect finished the quarter with a cash balance as at 30 June 2021 of A\$7.9M

In addition, Prospect has a US\$10m funding commitment from offtake partner Sinomine, which is triggered when the ball mill for Arcadia has been delivered and bolt installed.

Major spend items during the June quarter were costs relating to the Pilot Plant and Optimised Feasibility Study.



Chishanya Rare Earth Project

In line with the Company's strategy, Prospect continues to seek opportunities to generate value out of its non-core assets.

In February 2021, the Company's subsidiary, Hawkmoth Mining & Exploration (Pvt) Ltd (**Hawkmoth**), agreed an option to purchase the Chishanya tenements from the Meikle Mining Syndicate (**Meikle**) for US\$30,000 payable in two instalments comprising a non-refundable deposit of US\$15,000, which was paid on signing, and a final instalment of US\$15,000 payable on completion.

The Meikle tenements are adjoining Prospect's existing tenements. The Company undertook a soil sampling program across both Prospect's tenements and Meikle's tenements and the assay results received are currently being analysed.

Prospect currently owns 70% of Hawkmoth. The remaining 30% is currently owned by Farvic Consolidated Mines (Private) Limited.

Penhalonga Gold Project

On 8 December 2020, Prospect announced that Luzich Partners LLC (**Luzich**) paid the non-refundable deposit of US\$200,000 in accordance with its option to purchase the Penhalonga Gold Project (as announced on 23 October 2020).

Under the option agreement, both parties have agreed to extend the option for a further non-refundable consideration of US\$50,000. Luzich are continuing due diligence and will pay further consideration of US\$750,000 if it elects to exercise the option. The due diligence period now expires on the 3 September 2021.

Remuneration Update

In the early stages of the COVID-19 pandemic, the Company announced a Share Rights Issue (**Offer**) to raise capital where the Prospect Board and management invested and partially underwrote the Offer (see ASX release dated 3 April 2020). In addition to the capital raise, cost saving initiatives and redundancies were enacted in order to prudently manage capital in what was a time of great uncertainty. In line with commitments from the Board and management, salaries of Directors and remaining staff were reduced by up to 50%.

Following the General Meeting held on 25 June 2021 (see ASX release dated 25 May 2021, *Notice of General Meeting*), salaries of the management team and executive directors were restored to their full rate, effective 1 July 2021.

**Appendix 5B – Related Party Payments**

During the quarter, the Company made payments of A\$108,632 to related parties and their associates. These payments relate to director fees and superannuation.

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

ENDS

For further information, please contact:

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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%	-	-



Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
23473	Zimbabwe	Arcadia	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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

PROSPECT RESOURCES LIMITED

ABN

30 124 354 329

Quarter ended ("current quarter")

30 JUNE 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		13
1.2	Payments for		
	(a) exploration & evaluation (if expensed)		
	(b) development		(85)
	(c) production		
	(d) staff costs	(272)	(989)
	(e) administration and corporate costs	(466)	(1,437)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		55
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(740)	(2,445)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		(13)
	(c) property, plant and equipment	(49)	(88)
	(d) exploration & evaluation (if capitalised)	(18)	(91)
	development expenditure	(1,757)	(3,456)
	(e) investments		
	(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	58	335
	(b) tenements		
	(c) property, plant and equipment		15
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
	Net proceeds from assets held for sale		266
	Cash flows for loans to minority interest		(27)
	Interest received	2	4
2.6	Net cash from / (used in) investing activities	(1,764)	(3,055)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,497	12,500
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(317)	(801)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(13)	(13)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	6,167	11,686

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,182	1,698
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740)	(2,445)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,764)	(3,055)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,167	11,686
4.5	Effect of movement in exchange rates on cash held	32	(7)
4.6	Cash and cash equivalents at end of period	7,877	7,877

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,509	77
5.2	Call deposits		2,363
5.3	Bank overdrafts		
5.4	Other (provide details)		
	US dollars at bank	290	1,711
	Zimbabwe dollars at bank	63	2
	Petty cash	15	28
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,877	4,181

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments include director fees and superannuation.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(740)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,775)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,515)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7,877
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	7,877
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.13
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/a	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 JULY 2021

Authorised by: Sam Hosack
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.