



QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 JUNE 2022

Prospect Resources Ltd (ASX: PSC, FRA:5E8) (**Prospect** or **the Company**) is pleased to report on activities undertaken during the June 2022 quarter.

Summary

- Arcadia transaction completed on 20 April 2022, with Prospect receiving net proceeds of approx. A\$466 million.
- Prospect to distribute approx. 95% of net transaction proceeds to shareholders via a cash distribution set at A\$0.96 per share (approx. A\$444 million).
- Cash distribution comprises unfranked dividend of A\$0.79 per share and capital reduction of A\$0.17 per share (the latter subject to shareholder approval at a General Meeting on 22 July 2022).
- Approximately A\$34 million cash to be retained to advance Prospect's strategy to be a battery and electrification metals explorer and developer focussed on sub-Saharan Africa.
- Ongoing assessment of pipeline of prospective battery and electrification metals targets in Zimbabwe and the broader sub-Saharan African region.
- RC drilling program commenced at Step Aside Lithium Project.

Prospect Managing Director and CEO, Sam Hosack, commented:

"We are pleased to have completed the Arcadia transaction. The transaction realised a significant return for shareholders with net cash proceeds received by Prospect of A\$466 million. After payment of transaction costs, Prospect is preparing to distribute almost 95% of the net proceeds from the transaction to its Shareholders, with approximately A\$34 million to be retained for future activities."

"The quarter was one of agility, as the team swiftly transitioned from Arcadia to new project generation. The success and publicity associated with the Arcadia transaction has resulted in an increase in opportunities being presented to Prospect, which our business development and exploration teams are evaluating. It was also a period of volatility in equity markets, something which provides further opportunity for Prospect given its strong financial position and extensive development expertise. We are seeking to grow value in Prospect 2.0 through the processing of identifying, assessing, investing and then advancing battery and electrification metals opportunities."

Project Development

Step Aside Lithium Project

The Step Aside Lithium Project is located 8km north of the Arcadia Project, and comprises claims rationalised to approximately 100 hectares within the Harare Greenstone Belt, west of the Mashonganyika Fault (see Figure 1).

The potential of the area has been confirmed by positive historical regional stream and soil sample geochemistry results. Four mineralised pegmatites have been mapped from east to west within a meta-dolerite host rock. These mineralised pegmatites are all roughly parallel to each other, lying in a north-south orientation and have dip angles of 40-45° to the west.



Figure 1: Locality Map of Step Aside, 8km north of Arcadia¹

The first step in this program is an initial Reverse Circulation (**RC**) drilling program. This approximately 15-hole, 1,100 metres program is targeted to determine the lateral/strike extent of potential mineralisation at Step Aside and identify key targets for planned follow-up diamond drilling (which will enable testing of the down-dip extent of the pegmatites).

This RC program commenced in early July and is expected to be completed within 4 weeks, with assay results expected to be returned during August.

¹ Full details of the mineral resource are set out in the announcement dated 11 October 2021 - Arcadia Staged Optimised Feasibility Study

Corporate

Sale of Arcadia Project to Huayou

On 20 April 2022, Prospect completed the sale of its 87% interest in the Arcadia Project to Huayou International Mining (Hong Kong) Limited, a subsidiary of Huayou. Prospect converted the funds into Australian dollars, receiving A\$465.6 million at an average AUD:USD conversion rate of 0.7365.

Distribution of Funds

The Prospect Board has determined to distribute the vast majority of the Arcadia transaction proceeds to shareholders via a A\$0.96 per share distribution. This planned distribution comprises an unfranked dividend component of A\$0.79 per share (**Special Dividend**) and, subject to shareholder approval, a capital reduction component of A\$0.17 per share (**Capital Reduction**).

The Company has called a General Meeting for 22 July 2022 in order for shareholders to approve the Capital Reduction. The Special Dividend does not require shareholder approval.

If the Capital Reduction is approved by shareholders, Eligible Shareholders at the Record Date of 5.00pm (Perth time) on Thursday 28 July 2022 will receive the A\$0.96 per share cash distribution (comprising the Special Dividend and Capital Reduction), which will be distributed on Thursday 4 August 2022.

Should the Capital Reduction not be approved by shareholders, the cash distribution will only include the Special Dividend of A\$0.79 per share, and the total amount of the Capital Reduction will be retained by the Company.

For effective delivery of the cash distribution, it is important that shareholders ensure that their banking details are up to date with Prospect's share registry, Automic. Instructions for shareholders to access the Automic investor portal and update their details are contained in the Notice of Meeting.

Project Generation

The Prospect exploration team continue to develop a pipeline of prospective battery and electrification mineral targets. The success and publicity associated with the Arcadia transaction has resulted in an increase in opportunities being presented to Prospect. Project generation activities are advancing well, and the Company is well capitalised to identify, assess, invest and advance projects that have the potential to meet scale and grade criteria.

Business development activities during the quarter comprised evaluation of a number of projects, spanning various jurisdictions, commodities and stages of development. Although the projects assessed presented potential opportunities, they did not meet Prospect's internal project assessment criteria. Prospect is in ongoing discussions with various parties and is focusing its resources on the highest potential and best value opportunities.

Prospect's business strategy is to be a battery and electrification minerals focused explorer and developer. With the Arcadia transaction now complete, business development and new project generation are our top priorities. The Board believes that, with approximately A\$34 million of available cash, zero debt and continuity of the current management team, that Prospect is very well placed to deliver on this strategy.

Cash Balance

Prospect finished the quarter with a cash balance of approximately A\$474.3 million and zero debt (excluding typical creditors).

Issued Capital

The Company confirms as at the date of this release it has 462,259,462 ordinary shares on issue and zero options outstanding.²

Appendix 5B – Related Party Payments

During the quarter, the Company made payments of A\$184,779 to related parties and their associates. These payments relate to director fees and superannuation.

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

For further information, please contact:

Sam Hosack
Managing Director
shosack@prospectresources.com.au

Nicholas Rathjen
Head of Corporate Development
nrathjen@prospectresources.com.au

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

Prospect Resources Limited (ASX: PSC, FRA:5E8) is an ASX listed company focussed on the exploration and development of mining projects, specifically battery and electrification metals, in Zimbabwe and the broader sub-Saharan African region.

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 Australian currency, unless otherwise stated.

Investors should make and rely upon their own enquiries before deciding to acquire or deal in the Company's securities.

² See ASX announcement dated 6 July 2022 (Application for quotation of securities)

APPENDIX A: PROSPECT TENEMENT SCHEDULE

As at 30 June 2022, Prospect Resources Limited has interests in tenements via the following companies:

- 1) Hawkmouth Mining and Exploration (Private) Limited (“Hawkmouth”) – Chishanya Project
- 2) Promin Resource Holdings (Pte) Ltd (“Promin”) – Step Aside Project

Tenement Type & Number	Tenement Name	Country	Project	Registered Company Name	% Held at End of Quarter	% Acquired During Quarter	% Disposed During Quarter
ML 38	Arcadia Lease	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME96BM	Arcadia JV	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME97BM	Arcadia TK	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME203BM	Arcadia B2	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME205BM	Arcadia B4	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME219BM	Thapelo	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME220BM	Thapelo A	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME221BM	Thapelo B	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME222BM	Thapelo C	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME223BM	Thapelo D	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME224BM	Thapelo E	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME1245BM	Dudolphia	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32126	Arcadia 52	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32127	Arcadia 53	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32128	Arcadia 54	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32129	Arcadia 55	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32130	Arcadia 56	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32131	Arcadia 57	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32132	Arcadia 58	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
32133	Arcadia 59	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME284G	Best	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME823BM	Pros	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME106BM	Arcadia 2V	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME434G	Kamba	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME145	Old Timer 30	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME146	Old Timer 31	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME84	Old Timer 11	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME 139 G	Arcadia 139	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME 140 G	Arcadia 140	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)

ME96BM	Arcadia JV	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME97BM	Arcadia TK	Zimbabwe	Arcadia	PLZ	0% (i)		87% (i)
ME19948BM	Step Aside	Zimbabwe	Step Aside	Promin	100%		
M2873 BM	Penga 9	Zimbabwe	Chishanya	Hawkmoth	70%		
M2874 BM	Penga 10	Zimbabwe	Chishanya	Hawkmoth	70%		
M2875 BM	Penga 11	Zimbabwe	Chishanya	Hawkmoth	70%		
M2876 BM	Penga 12	Zimbabwe	Chishanya	Hawkmoth	70%		

- (i) Refer to announcement on 20 April 2022 where the Company has completed the sale of its interest in PLZ and the Arcadia Lithium 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 2022

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	140	677
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	0	(362)
	(b) development	0	0
	(c) production	0	0
	(d) staff costs	(465)	(2,190)
	(e) administration and corporate costs	(1,502)	(4,353)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	306	315
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(1,521)	(5,913)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		0
	(b) tenements		(158)
	(c) property, plant and equipment	(67)	(225)
	(d) exploration & evaluation (if capitalised) development expenditure	(395)	(4,969)
	(e) investments	0	(1,187)
	(f) other non-current assets	0	0

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	458,062	459,103
	(b) tenements	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
	Net proceeds from assets held for sale		
	Cash flows for loans to minority interest		
	Interest received		
2.6	Net cash from / (used in) investing activities	457,600	452,580

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	18,000
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	2,490	2,556
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(825)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	2,490	19,731

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,708	7,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,521)	(5,913)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	457,600	452,580

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)	2,490	19,731
4.5	Effect of movement in exchange rates on cash held	12	14
4.6	Cash and cash equivalents at end of period	474,288	474,288

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	2,837	15,464
5.2	Call deposits	465,292	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		
	US dollars at bank	6,156	241
	Zimbabwe dollars at bank	0	0
	Petty cash	3	3
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	474,288	15,708

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**

185

0

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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
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)	1,521
8.2	Capitalised exploration & evaluation (Item 2.1(d))	395
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	1,917
8.4	Cash and cash equivalents at quarter end (Item 4.6)	474,288
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	474,288
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	247
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: N/a	
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: N/a	

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: 22 July 2022

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.