



QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2022

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

Summary

- Expanded sub-Saharan presence by entering into an 'earn in' agreement for the acquisition of the highly prospective Omaruru Lithium Project in Namibia (see Prospect ASX release dated 29 September 2022).
- First pass drilling at Step Aside Lithium Project in Zimbabwe generated multiple intersections of high-grade spodumene mineralisation; follow-up drilling programme currently under design.
- An Extraordinary General Meeting (EGM) was held in late July 2022 to approve the capital return from the sale of Arcadia, which received overwhelmingly positive support.
- The total cash distribution, comprising an unfranked dividend of A\$0.79 per share and capital reduction of A\$0.17 per share, was completed on 4 August 2022. Pursuant to the distribution, Australian Tax Office (ATO) published a Class Ruling (CR 2022/83) confirming the A\$0.17 per share return of capital.
- As at 30 September, Prospect Resources had a closing cash balance of A\$39.3M, however A\$6.9M withholding tax (WHT) is required to be paid to the ATO as part of the distribution. Thus, there is net cash of \$32.4M available to support future growth activities anchored on its battery and electrification minerals strategy.
- Prospect fully completed the close-out of the Arcadia sale during the quarter including all deconsolidation accounting and tax work, and associated administration, to recognise the transaction.
- 2022 Annual Report to Shareholders issued in late September.

Prospect Managing Director and CEO, Sam Hosack, commented:

“We are in the very strong position of having closed the quarter with approximately A\$32.4 million in available cash, net of WHT, having completed the successful distribution. This quarter followed the previous quarter as a period of volatility in equity markets which has generated opportunity for Prospect given its strong financial position.”

“The recent earn-in agreement with Osino Resources for the Omaruru Lithium Project in Namibia is consistent with the Company’s broader strategic objective, which is to be a leading battery and electrification metal focused developer of near-term production opportunities. In the period subsequent to the quarter I had the opportunity to spend time in Namibia, strongly reinforcing its excellent status as a development jurisdiction with clear geological potential, high quality infrastructure, low operating costs, and cheap and readily available power.”

“I was very impressed with the Osino Resources team, being a well-established and well-respected Canadian exploration and development company focused on the Twin Hills gold project. Both parties are now very focussed on developing the Omaruru Project which offers a strong combination of great location, walk-up drill targets and clear potential to establish a quality lithium mineral resource quickly in a great operating environment. This is a high quality, advanced exploration play, on which we are looking forward to commencing drilling activities rapidly.”

“The high-grade spodumene mineralisation intersected in our maiden drilling programme at the 100%-owned Step Aside Lithium Project in Zimbabwe now means the Company has two exciting assets to rapidly delineate and advance in line with our strategic objectives.”

“We continue to focus on value creation through the process of identifying, assessing, investing in, and then advancing battery and electrification metals opportunities. The business is well-funded with significant cash reserves to advance these goals and acquire additional project interests in the period ahead.”

Project Development

Omaruru Lithium Project (Namibia)

The Omaruru Lithium Project, comprising a single Exploration Prospecting Licence EPL 5533 tenement, is centred on the village of Wilhelmstal, east of Karibib in Namibia and covers 175 square

kilometres currently held by Richwing Exploration (Pty) Ltd, a wholly owned subsidiary of Osino Resources Corp (Osino).

Osino is an established and well-respected gold exploration and development company, with a focus on developing its primary asset, being the Twin Hills Gold Project discovery, located approximately 20km northwest from the Omaruru Lithium Project

The Omaruru tenement is situated near a number of mining developments, including Lepidico's Karibib Lithium Project, located some 10 km to the southwest (Figure 1).

Namibia is a premier resource investment jurisdiction, with a long-standing history of exploration, mining and exportation of minerals, excellent infrastructure and support from both government and community.

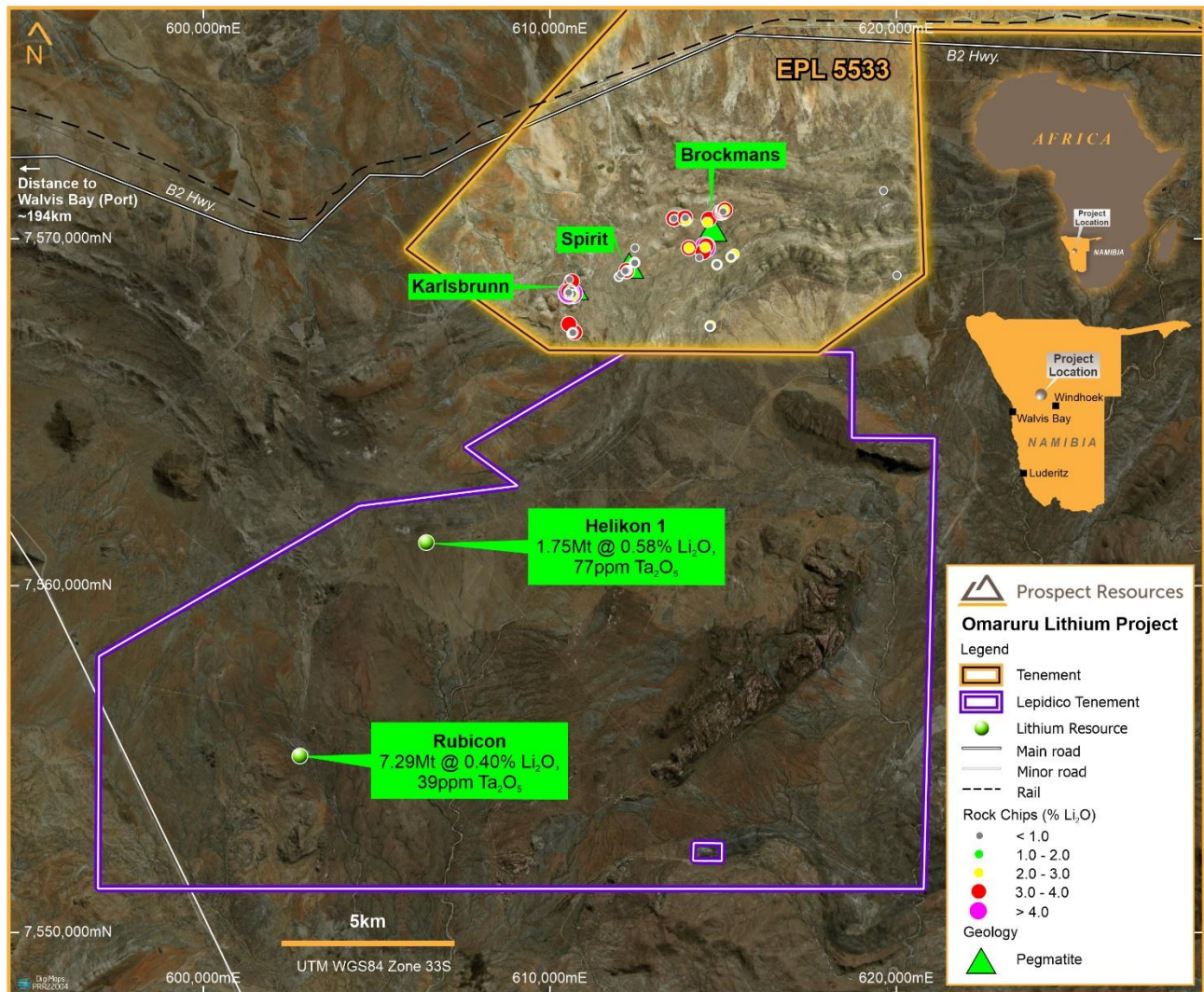


Figure 1: Location of the Omaruru Lithium Project in central Namibia

Past exploration in the Omaruru Project area largely focused on the gold potential. However, work completed by Osino in 2020 outlined the lithium prospectivity of this region, particularly adjacent to historical artisanal mines worked for gemstones in pegmatites. Early surface soil geochemistry identified two main surface anomalies, which covered the historically mined Karlsbrunn and Spirit deposits.



Figure 2: Karlsbrunn lithium pegmatite deposit at the Omaruru Project

These deposits became the focus of a 16-hole RC scout exploration drilling programme by Osino in 2020, producing significant intersections of lithium mineralisation (in the form of lepidolite), with results from the Karlsbrunn deposit particularly encouraging and remaining open along strike and at depth (see Figure 2).

The historical drilling by Osino was detailed in the Prospect ASX release dated 29 September 2022. Prospect can progressively acquire up to a 51% holding, and potentially up to an 85% interest, in Omaruru.

The Company proposes expanding the initial exploratory RC drilling programme completed by Osino. An initial program of approximately 2,000m RC drilling and 1,000m diamond drilling has been budgeted by Prospect and will be focused on the Karlsbrunn, Brockmans and Spirit targets.

Prospect exploration teams are now focused on fast tracking the planned drilling programme to commence during the current quarter.

Step Aside Lithium Project (Zimbabwe)

Subsequent to the end of the quarter, Prospect announced drilling results from the first exploratory drilling campaign at its Step Aside Lithium Project in Zimbabwe (refer Prospect ASX release dated 20 October 2022).

The Step Aside Lithium Project is located 8km north of the Arcadia Project and comprises a single claim of approximately 100 hectares in area, within the Harare Greenstone Belt, west of the Mashonganyika Fault (see Figure 3). The claim is 100% owned by Prospect.

The lithium potential of this area was confirmed by positive historical regional stream and soil sample geochemistry results. Six mineralised pegmatites (Pegmatites A to F) have been mapped on the eastern side of the tenement, within a meta-dolerite host rock. These pegmatites are parallel to each other, lying in a north-south orientation and have dip angles averaging 40-45° to the west, as mapped at the surface.



Figure 3: Locality Map of Step Aside, 8km north of Arcadia

Prospect commenced an initial reverse circulation and diamond drilling programme at Step Aside in early July 2022. The programme comprised 30 holes for 1,635.6 metres of drilling, with drill activities completing on 12 October. The drilling programme targeted the lateral, depth and strike extents of the outcropping, surface pegmatites mapped and identified at Step Aside. The key objective of this program was to delineate the geometry and grade of the pegmatites and the nature of the lithium mineralisation.

Figure 4 shows the collar location plan for the recently completed drilling programme.

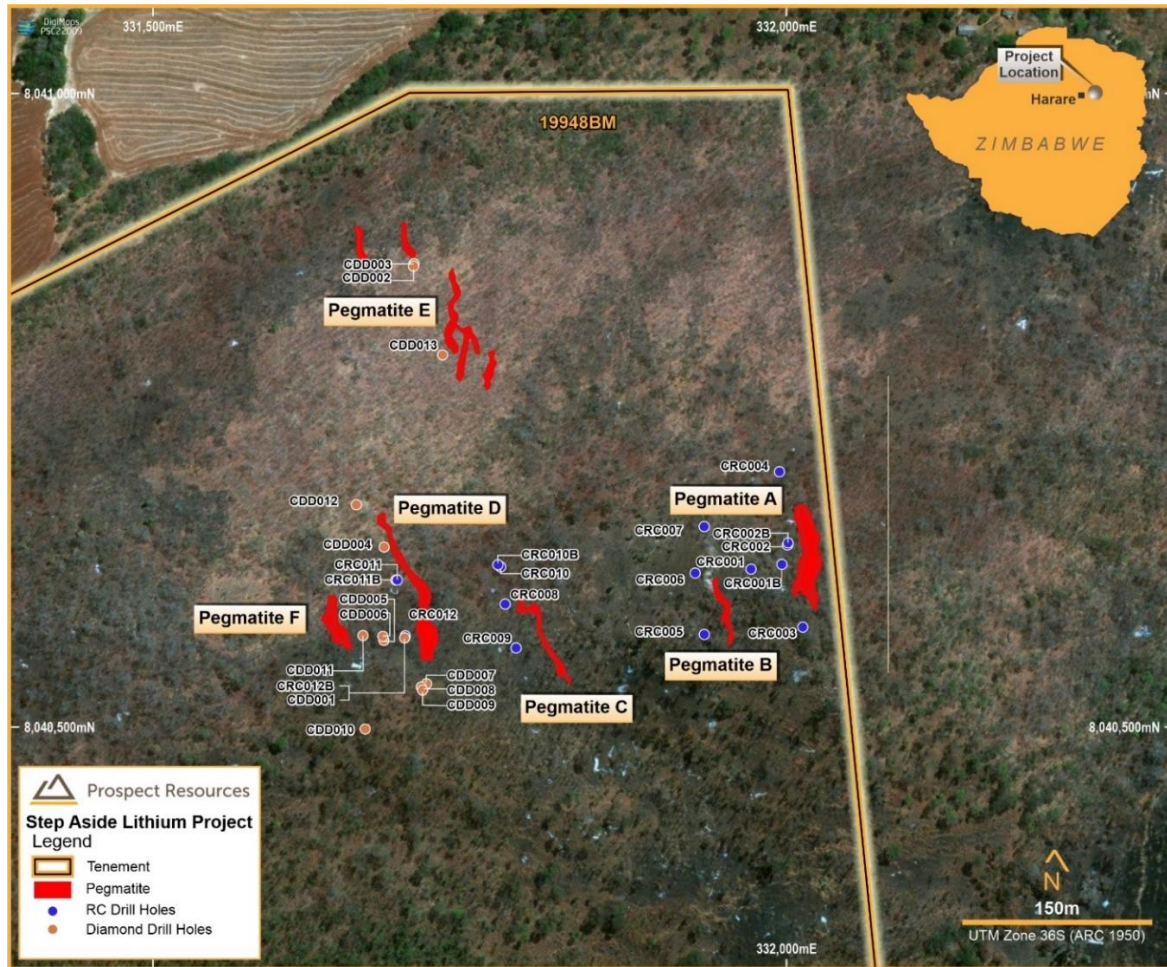


Figure 4: Drill hole collar plan for Step Aside Lithium Project with pegmatite outcrop

Very encouraging grades and widths of high-grade lithium mineralisation (primarily as spodumene) were returned from this programme, with three of the targeted pegmatites indicating potential economic lithia grades including:

- 7.4m @ 1.28% Li_2O from 43.6m (CDD013) - Pegmatite E
- 6.1m @ 1.49% Li_2O from 82.2m (CDD011) - Pegmatite D
- 4.4m @ 1.43% Li_2O from 52.6m (CDD006) - Pegmatite D
- 4.3m @ 1.15% Li_2O from 19.2m (CDD013) - Pegmatite E
- 9.0m @ 1.02% Li_2O from 38.0m (CRC011B) - Pegmatite D
- 8.0m @ 1.09% Li_2O from 53.9m (CDD001) - Pegmatite D
- 6.0m @ 1.05% Li_2O from 17.0m (CDD007) - Pegmatite D
- 7.0m @ 0.82% Li_2O from 24.0m (CRC001B) - Pegmatite A

Based on the continuity of lithium mineralisation noted on the wider pegmatites A, D and E, additional drilling is currently being designed to target strike and down dip extents of those ore systems.

Corporate

Sale of Arcadia Project to Huayou

Prospect completed the close-out of the sale of its 87% interest in the Arcadia Project to Huayou International Mining (Hong Kong) Limited, a subsidiary of Huayou Cobalt during the quarter. The deconsolidation accounting work has also been fully executed with the assistance of BDO Corporate.

Distribution of Funds

On 4 August 2022, Prospect made a cash distribution of A\$0.96 per share to its shareholders comprising of an unfranked dividend component of A\$0.79 per share (special dividend) and a capital reduction component of A\$0.17 per share. The Australian Tax Office (ATO) accordingly published a Class Ruling (CR 2022/83) confirming the A\$0.17 per share return of capital.

Management Team Changes

With Prospect's continued expansion and focus on African based battery mineral opportunities, the Company is pleased to announce the appointment of James Winch as Sub-Saharan Exploration Manager, commencing on 1 November 2022. Mr Winch is a geologist with 16 years of experience in the management of large-scale exploration and strategic resource development drilling programmes (including budgeting, design and execution). He was most recently employed by Anglo American Platinum in South Africa for more than a decade.

James is a strong addition to Prospect's technical team, where he will manage and drive all aspects of exploration field programmes and new mineral project generation in Africa and strongly support the Harare-based Corporate Office personnel, under Chief Geologist, Roger Tyler.

Prospect also advises that Mr Nick Rathjen, the Company's Head of Corporate Development, resigned during the quarter to pursue other interests in the resources sector. Mr Rathjen commenced with Prospect in 2018 as Investor Relations Manager. He subsequently played a significant role in the advancement and development of the Arcadia Lithium Project through both the financing process and marketing of the key products to be mined and processed at Arcadia (spodumene and petalite), ultimately leading to the sale of this world-class asset. The Company wants to thank Nick for his service and wishes him good luck with his future endeavours.

Project Generation

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

To date, several early and advanced exploration targets have been presented to the Prospect exploration and business development teams, with initial assessments and due diligence of those opportunities now in progress.

Cash Balance

Prospect finished the quarter with a cash balance of approximately A\$39.3 million and zero debt (excluding typical creditors). Prospect is required to pay approximately A\$6.9 million in October to the ATO in respect of WHT on the dividend paid, leaving a net balance of \$32.4M available for operations.

Issued Capital

The Company confirms it currently has 462,259,462 ordinary shares on issue and zero options outstanding.

Appendix 5B – Related Party Payments

During the quarter, the Company made payments of A\$706,000 to related parties and their associates. These payments relate to director fees and superannuation and included additional payments to Ms Sun, Mr Greaves and Mr Rusike which were disclosed in the Annual Report and accrued at 30 June 2022 but paid during the quarter.

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

For further information, please contact:

Sam Hosack
Managing Director
shosack@prospectresources.com.au

Ian Goldberg
Chief Financial Officer
igoldberg@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 minerals, in Zimbabwe and the broader sub-Saharan African region.

Competent Persons Statements

The information in this announcement that relates to Exploration Targets and Exploration Results, 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 Consultant 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.

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 TENEMENT SCHEDULE

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

1) 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
ME19948BM	Step Aside	Zimbabwe	Step Aside	Promin (1)	100%		

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 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for	0	0
	(a) exploration & evaluation (if expensed)	(29)	(29)
	(b) development	0	0
	(c) production	0	0
	(d) staff costs	(1,060)	(1,060)
	(e) administration and corporate costs	(279)	(279)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	156	156
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	(1,212)	(1,212)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	0	0
	(b) tenements	0	0
	(c) property, plant and equipment	(47)	(47)
	(d) exploration & evaluation (if capitalised)	(555)	(555)
	development expenditure	0	0
	(e) investments	0	0
	(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	0	0
	(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	0	0
	Cash flows for loans to minority interest	0	0
	Interest received	0	0
2.6	Net cash from / (used in) investing activities	(602)	(602)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	3,405	3,405
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
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	(436,883)	(436,883)
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	(433,477)	(433,477)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	474,288	474,288
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,212)	(1,212)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(602)	(602)

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 (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(433,477)	(433,477)
4.5	Effect of movement in exchange rates on cash held	307	307
4.6	Cash and cash equivalents at end of period	39,304	39,304

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	947	2,837
5.2	Call deposits	32,760	465,292
5.3	Bank overdrafts	0	0
5.4	Other (provide details)		
	US dollars at bank	5,531	6,156
	Zimbabwe dollars at bank	3	0
	Petty cash	63	3
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	39,304	474,288

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**

(706)

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

In addition to the standard quarterly payments for directors' fees and associated superannuation, current quarter payments includes amounts paid to directors as fee in consideration for consultancy services rendered and special exertions made in contribution to corporate transactions during the year to 30 June 2022.

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)	(1,212)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(555)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,767)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	39,034
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	39,034
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	22.10
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: 27 October 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.