



Prospect Resources

70% increase in Ore Reserve

Conditional Offtake and Placement Agreement to Fully
Fund Construction of the Arcadia Lithium Mine

A New Government in Zimbabwe

December 2017



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The information in this announcement that relates to 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 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 JORC Code 2012 Edition. 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.

The information in this announcement that relates to Mineral Resources is based on information compiled by or under the supervision of Ms Gayle Hanssen of Digital Mining Services, Harare Zimbabwe. Ms Hanssen is registered as Professional Scientist with the South African Council for Professional Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO). Ms Hanssen is employed by DMS and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Ms Hanssen consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this study that relates to Ore Reserves is based on information compiled by or under the supervision of Mr David Miller, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Miller is Prospect Resources' Marketing Consultant. Mr Miller 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 JORC Code 2012 Edition. Mr Miller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this study that relates to the processing plant and infrastructure design as well as the financial analysis is based on information compiled by or under the supervision of Mr Lee W John of BioMetallurgical, Zimbabwe. Mr John is registered as a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy (FAusIMM CP) and is Fellow with The South African Institute of Mining and Metallurgy (FSAIMM) and is registered as a Professional Engineer with the Engineering Council of South Africa (Pr. Eng. ECSA). Mr John is the Principle Engineer of BioMetallurgical and has sufficient experience which is relevant to the mineral processing project under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Mr John consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Arcadia Lithium Project Summary



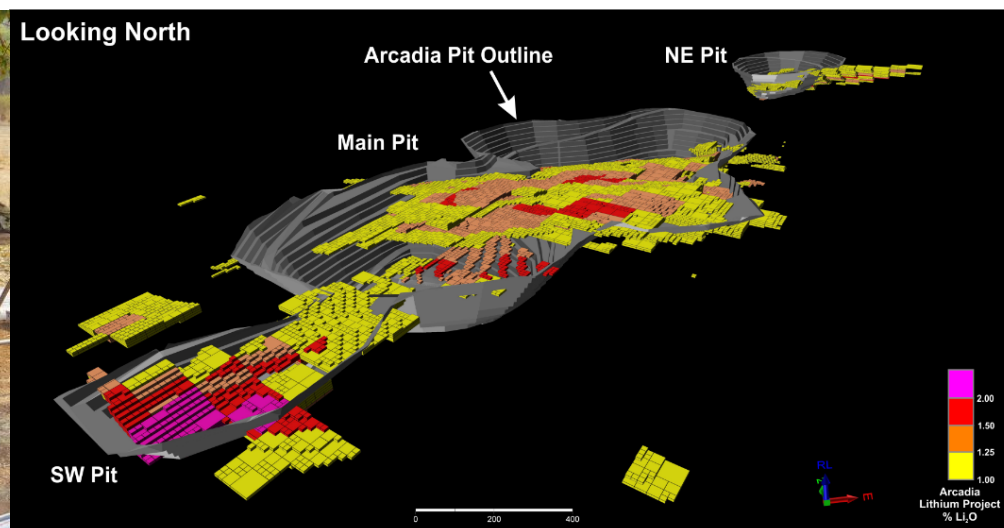
~808 000t
lithium oxide
(>2,000,000t lithium
carbonate
equivalent)

7 year Offtake for
100% of Phase 1
Production

Sinomine to Fully
Finance &
construct Mine &
Plant (under
Prospect's
supervision)

No repayment of
loan until plant is
operating at name
plate capacity and
product is shipped

Phase 1 Fully Financed: Subject to Prospect and Sinomine each obtaining necessary regulatory approvals (including National Development Reform Commission, the Ministry of Commerce and State Administration of Foreign Exchange and FIRB); and the parties negotiating and executing the Build and Transfer Contract and Facility Agreement



Prospect Resources Background



- Prospect Resources Limited (ASX:PSC) is a Lithium company based in Perth with operations in Zimbabwe.
- The Arcadia Lithium Project is one of the largest hard rock lithium resources in the world.
- Zimbabwe set for an economic boom under its new government
- 7 year offtake for 100% of Phase 1 Production with Sinomine
- Sinomine to fully finance the construction of the Mine and Plant, subject to conditions
- Sinomine to become a major shareholder in Prospect via a share investment of A\$10 million, subject to conditions
- Prospect Resources has a strong and experienced management team with a track record of building and operating mining projects in Zimbabwe
- Near term Spodumene and Petalite production - both lithium bearing minerals are converted to battery grade lithium carbonate and lithium hydroxide
- 99.5% battery grade lithium carbonate produced from Arcadia Petalite

Market Data

Shares outstanding <small>6 Dec 17</small>	1,594,128,296
Market Capitalisation (A\$) <small>6 Dec 17</small>	~92m
Current Share price (A\$c) <small>6 Dec 17</small>	5.8
Shares options outstanding <small>6 Dec 17</small>	255m
Cash (A\$) <small>30 Sept 17</small>	4.7m
Debt <small>30 Sept 17</small>	-

Major Shareholders at 6 Dec 17

Pershing Nominees	15.4%
MBM Capital Partners	8.9%
BNP Paribas	8.4%
Elliot Holdings Group	8.0%
Armoured Fox Capital	6.8%
Total	47.5%

Share Price Graph YTD



Summary of Conditional Placement & Off-take Agreement



- **Placement – Sinomine to invest A\$10,000,000 via a share placement in Prospect at A\$0.05 per share.**
 - Subject to regulatory approvals (including Chinese NDRC, and FIRB); and
 - the parties executing the Build and Transfer Contract and Facility Agreement before 7 February 2018
- **Offtake Agreement for Phase 1 Production– Prospect agrees to sell:**
 - **390,000 tonnes of Spodumene Concentrate (6% Li₂O); and**
 - **1,097,000 tonnes of Petalite Concentrate (4% Li₂O);**
- **Product Uses - Spodumene and Petalite** are both lithium bearing minerals which are converted to battery grade lithium carbonate and lithium hydroxide
- Possibly the largest Petalite offtake ever signed
- **Offtake Term for Phase 1 Production – 7 Years**
- **Pricing**
 - 6% Li₂O Spodumene, 4% Li₂O Petalite & 99.5% Battery Grade Lithium Carbonate priced using a market linked price which is referenced to Lithium Carbonate sold into China
 - US\$10/t discount in Price per 0.1% Li₂O reduction in grade from 6.0% Li₂O to 5.5% Li₂O Spodumene Concentrate
- **Lithium Carbonate Plant – ~6,500tpa**
 - Prospect has the option, at any time, to build a lithium carbonate plant and divert 50% of the Petalite Concentrate to this facility and supply Lithium Carbonate to Sinomine under the Offtake Agreement
- **Repayment of facility commences out of first product shipped to Sinomine under the Offtake Agreement**
- **Expansion – Offtake Agreement consumes only 1/3 of the current Mineral Resource estimate.**

About Sinomine



- Founded in 1999, Sinomine Resource Exploration Co., Ltd., (**Sinomine**) was spun out from China Nonferrous Metal Mining (Group) Co., Ltd and is now a modern integrated geo-tech services company with head offices in Beijing, China.
- The company is listed on the Shenzhen Stock Exchange (002738) since December 2014 with a market capitalisation of ~A\$1.1Billion.
- Sinomine has the technical and financial resources to help Prospect fast track the development of Arcadia.
- The company employs over 300 senior professional technicians and managers and its main business lines include solid mineral prospecting services, mining investment, resource evaluation services and international trade and logistics services.
- Sinomine has carried out exploration and mining activities in over 20 different countries around the world including Zimbabwe, Zambia, Congo (DRC) and has subsidiaries in each of these jurisdictions.
- Sinomine has participated in many international mining projects, including:
 - China's first successful "Going-out" project — Chambishi Copper Deposit in Zambia;
 - the landmark for Sino-Pakistan friendship — Duddar Lead and Zinc deposit and Sandak Copper Deposit;
 - Geological Exploration during Mine Construction for a nickel and cobalt deposit in Papua New Guinea;
 - the un-developed Aynak Copper Deposit in Afghanistan;
 - The Paksong Bauxite Deposit Exploration in Laos

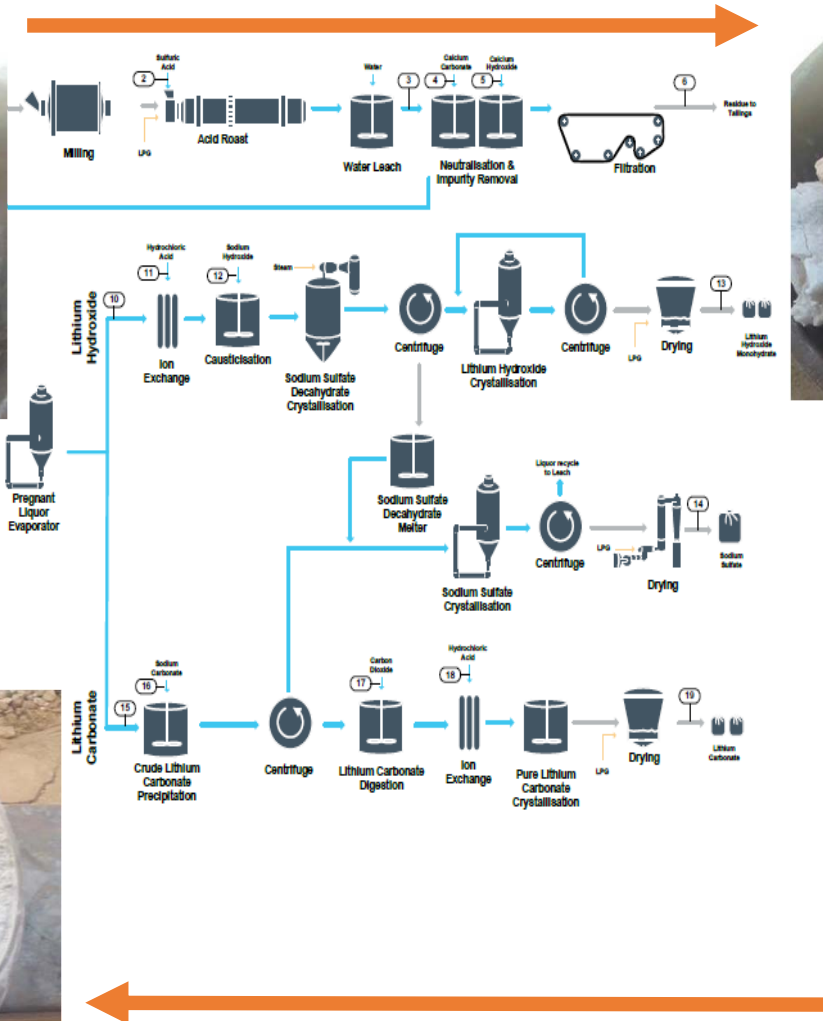
Conversion of Spodumene and Petalite to Battery Grade Lithium Carbonate



Petalite & Spodumene Ore



Battery Grade lithium carbonate

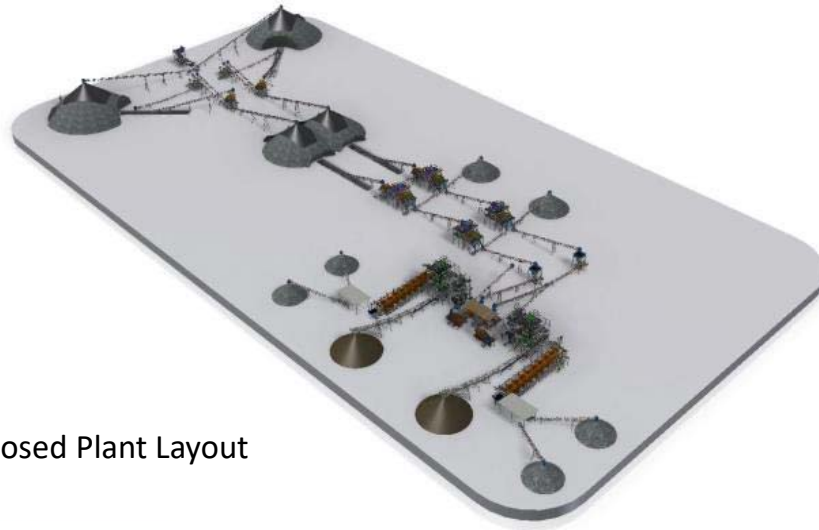


β-spodumene – post decrepitation of spodumene & petalite

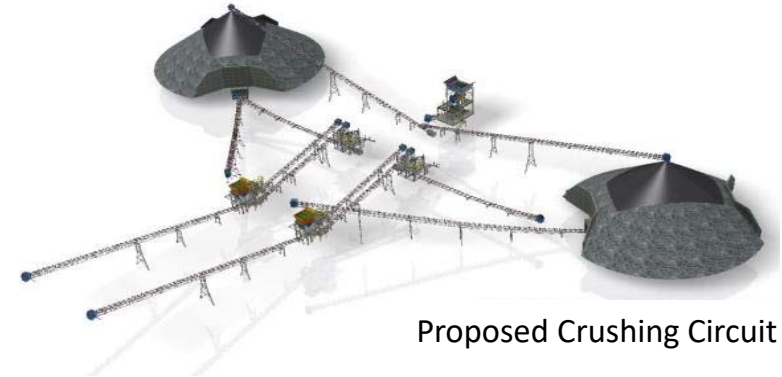


Milled β-spodumene

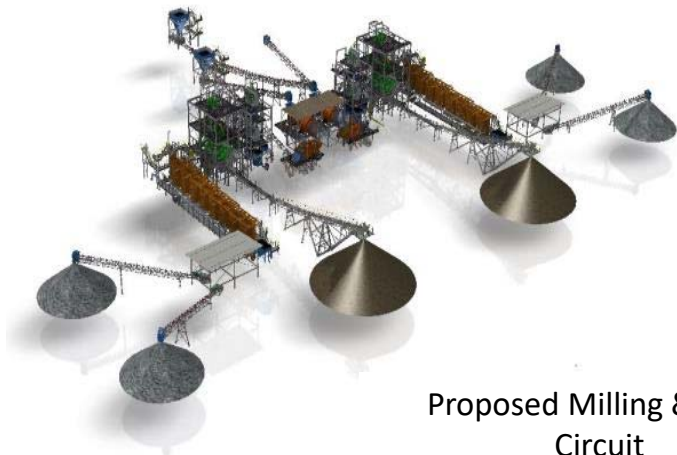
Plant Design - following a simple flow sheet



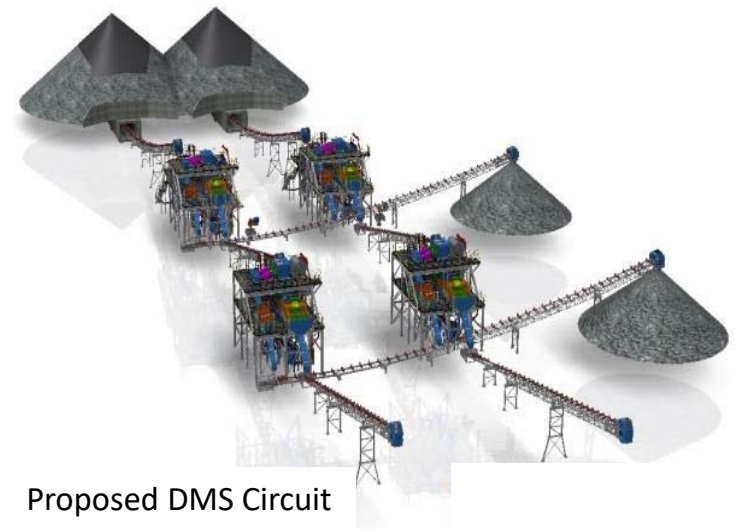
Proposed Plant Layout



Proposed Crushing Circuit



Proposed Milling & Float
Circuit

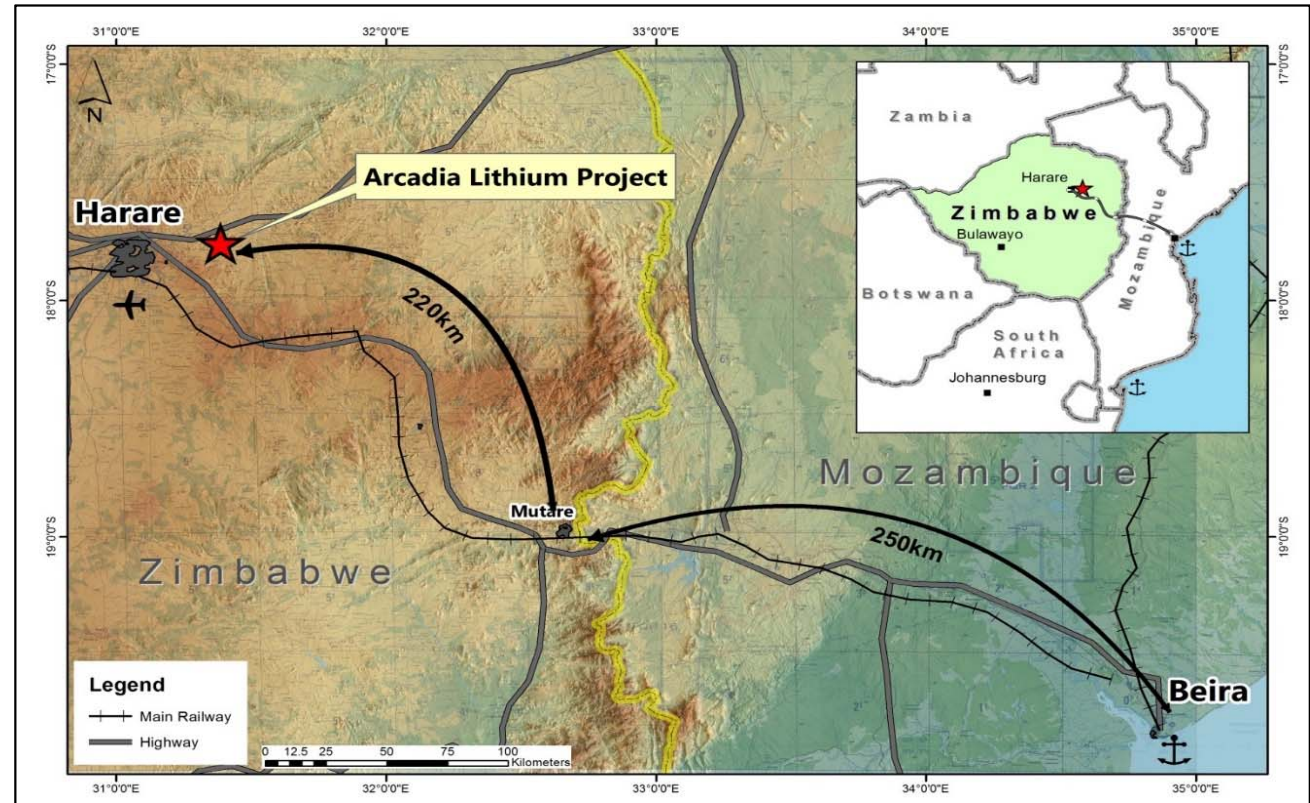


Proposed DMS Circuit

Arcadia Lithium Project Location, Infrastructure and Resources



- Arcadia is conveniently located and has excellent access to infrastructure and resources:
 - approximately 35 km East of Harare
 - less than 20 km gravel road to sealed highway
 - less than 20 km from railway to Beira, 450 km away
 - less than 3 km from 33 kVA mainline power grid
 - abundant groundwater available
 - access to skilled and semi skilled labour from Harare – an easy daily commute from the capital city.
- The mine claims area covers approximately 14km² and located within an unpopulated agricultural area
- Mining and Environmental Approvals in place
- Surface rights secured by Prospect and being utilised for agriculture
- Zimbabwe Government promoting inward foreign investment and the creation of new enterprises like the Arcadia Lithium Mine



Arcadia Lithium Project Highlights

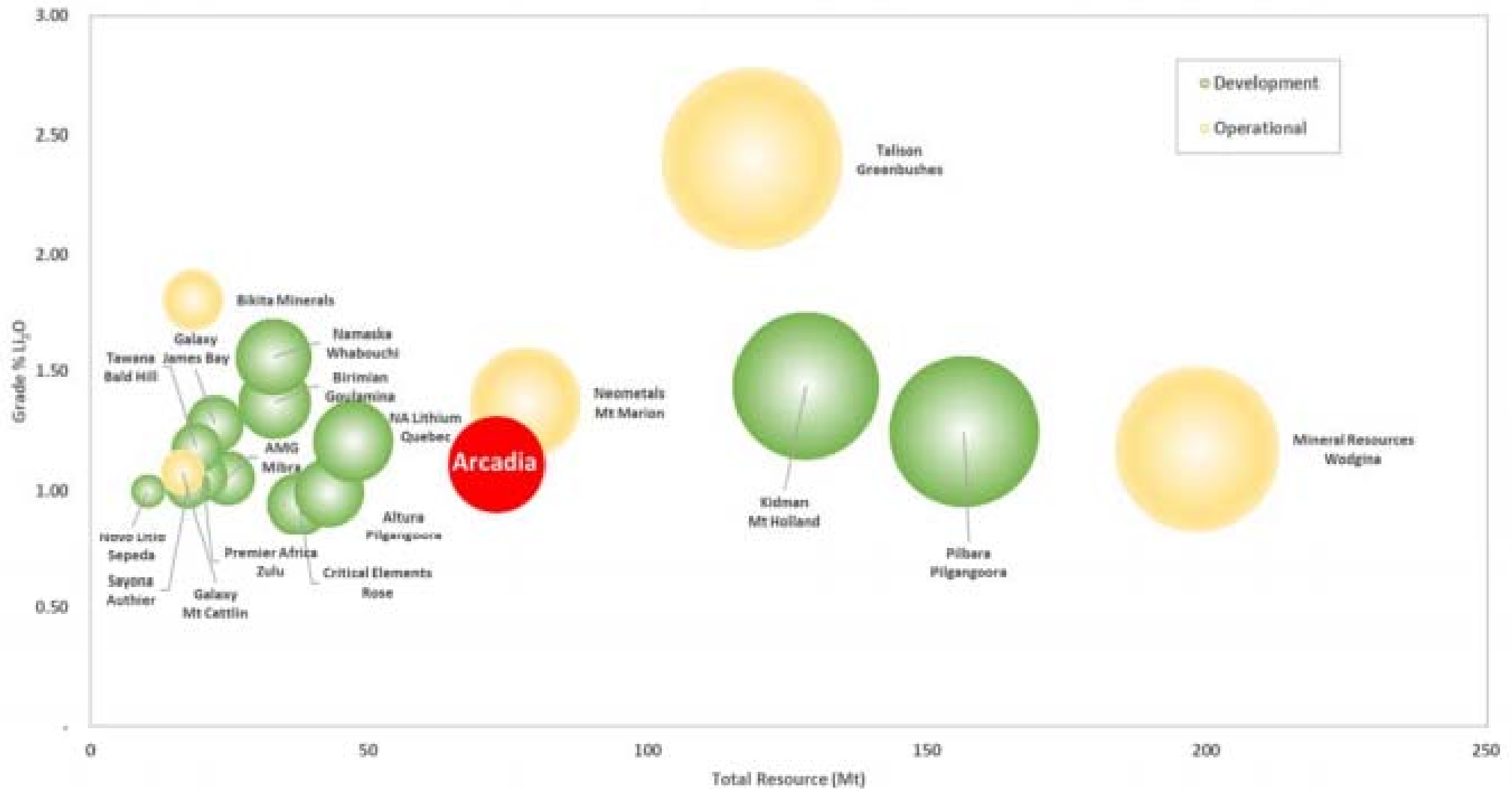


Description	Result/ Output
Mineral Resource at 1% Li ₂ O Cutoff*	43.2 Mt @ 1.41 % Li₂O
Ore Reserve*	26.9 Mt @ 1.31 % Li₂O & 128 ppm Ta₂O₅
Plant Throughput	1,200,000 tpa
Life of Mine (LoM)	+20 years
Li ₂ O Recovery DMS, Spirals and Flotation	71 % Li ₂ O
LoM Strip Ratio	3.1:1 waste to ore
Spodumene Production (6% Li₂O) avg. LoM	75,000 tpa
Petalite Production (4.1% Li₂O) avg. LoM	155,000 tpa
Total Lithium Carbonate Equivalent (LCE) avg. LoM	26,000 tpa

*Based on Updated Ore Reserve published on 6 December 2017, Mineral Resource estimate published 25 October 2017, data from PFS published on 3 July 2017 and pricing formula in conditional off-take agreement.



Global Hard Rock Lithium Resources



Note: Hard Rock refers to all pegmatite hosted Li deposits only. Mineral Resource estimates for Projects other than Arcadia have been sourced from Company Public Domain sources. These estimates have been prepared under differing estimation methodologies and cut offs and therefore may not be directly comparable. Readers should therefore treat and rely on this information accordingly

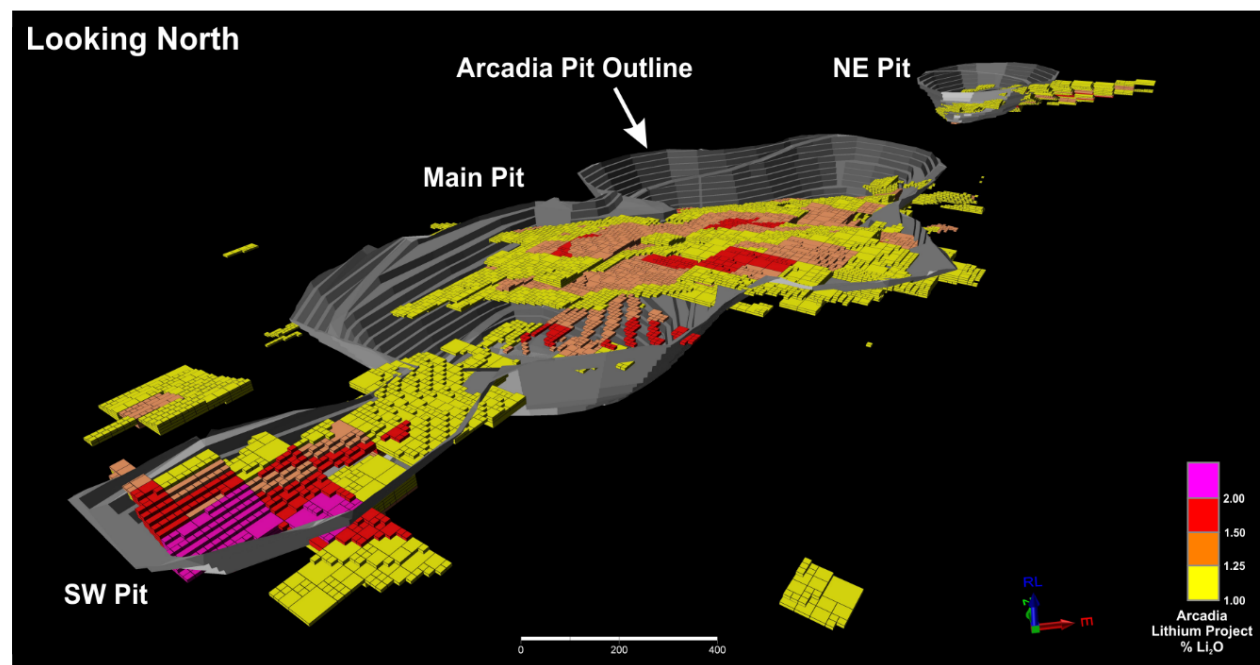
Arcadia Ore Reserve



Arcadia Lithium Deposit Ore Reserve Estimate*

Category	Tonnes	Li ₂ O (%)	Ta ₂ O ₅ (ppm)	Li ₂ O (t)	Ta ₂ O ₅ (Mlbs)	Fe ₂ O ₃ (%)
Proved	8,000,000	1.36	128	109,000	2.2	0.93
Probable	18,900,000	1.28	127	242,000	5.3	1.25
TOTAL	26,900,000	1.31	128	351,000	7.6	1.15

- Ore Reserve represents more than 20 years of production
- Contains ~868,000 tonnes of Lithium Carbonate Equivalent (LCE)
- 70% increase in Ore Reserve compared to Pre Feasibility Study
- Upgrade reduces risks associated with grade control and orebody knowledge



*As described in ASX Announcement 6 December 2017

Arcadia Mineral Resource Estimates



High Grade Zone - 1% Li ₂ O Cut-off*					
Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ Mlbs
Measured	10,200,000	1.45%	132	148,100	3.0
Indicated	27,200,000	1.39%	119	378,400	7.1
Inferred	5,800,000	1.45%	97	84,000	1.2
GRAND TOTAL	43,200,000	1.41%	119	610,500	11.3

Global Resource - 0.2% Li ₂ O Cut-off*					
Category	Tonnes Mt	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ Mlbs
Measured	15,900,000	1.17%	121	184,900	4.2
Indicated	45,400,000	1.10%	121	501,500	12.1
Inferred	11,400,000	1.06%	111	121,400	2.8
GRAND TOTAL	72,700,000	1.11%	119	807,800	19.1

*As described in ASX Announcement 25 October 2017

Approximately 2,000,000 tonnes of Lithium Carbonate Equivalent (LCE)

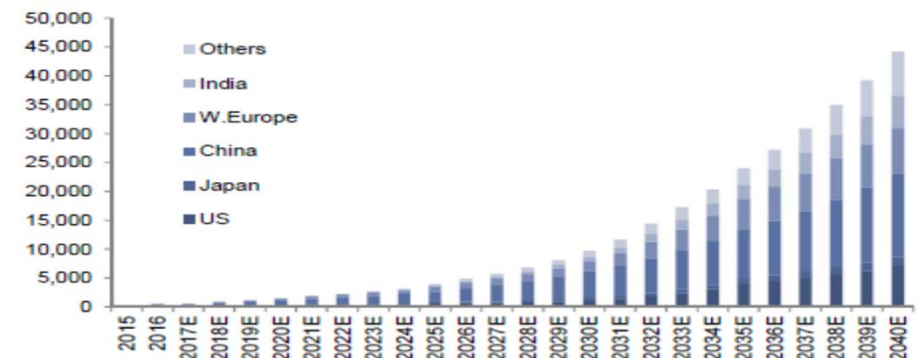
Case For Lithium



- Electric Vehicles (“EVs”) are about to reach tipping point in penetration, and as a result investment in battery technology and production is rising rapidly
 - China target 2025 20% of vehicle production to be EV
 - Britain 2040 deadline all vehicle sales to be EV and by 2050 all cars zero emissions
 - France 2040 deadline all vehicle sales EV / hybrid
- This is driving demand for underlying battery raw materials including lithium (battery lithium demand overtaken non battery lithium demand)
- Industry investment in battery production and its value chain is increasing
- Supply of lithium is a near / medium term bottleneck that requires investment
- Brine based producers traditionally dominated lithium supply now under threat from hard rock resources that are quicker to discover, delineate and develop to commercial production

What if....Lithium is the new gasoline!!

EV sales of main countries ('000 units)



BATTERIES MARKET PICKING UP

136x

While auto battery capacity was a mere 17GWh in 2015, we estimate it will increase 136x to 2,319GWh by 2040.

LITHIUM SUPPLY/DEMAND LIKELY TO TIGHTEN

2x

Lithium price doubled from US\$5/kg in 2015 to US\$12/kg in 2017. Lithium prices is around 5-10% of battery production cost.

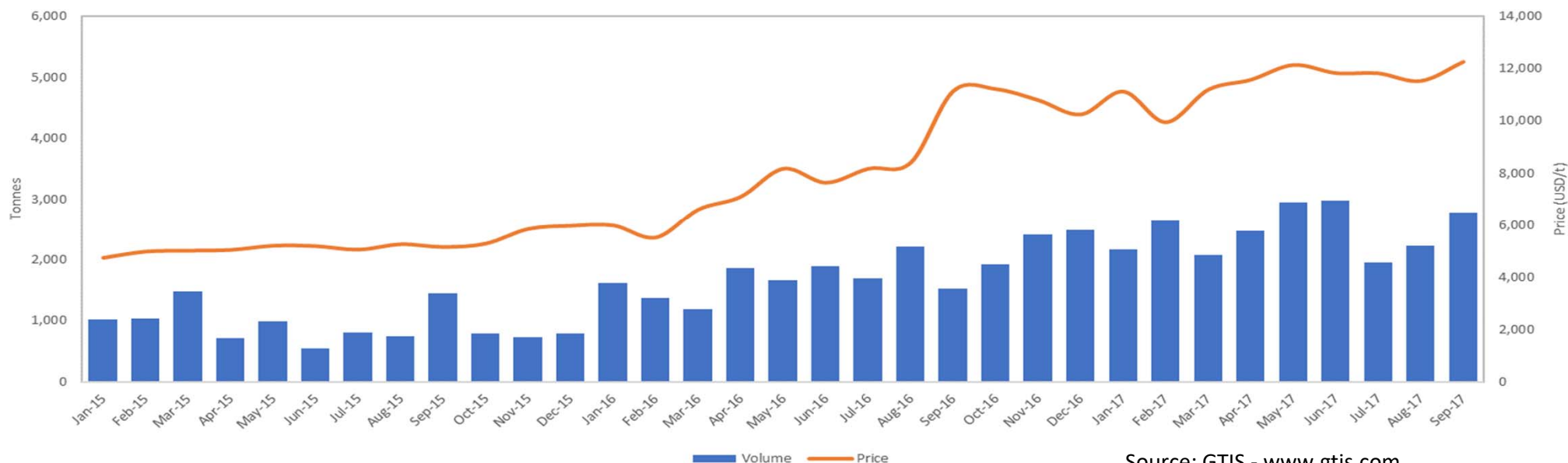
Above extracts from Goldman Sachs Report - Electric Vehicle Boom - 7 September 2017

Lithium Demand has Outpaced Supply



Resulting in significant increase in lithium prices

Chinese Li_2CO_3 Imports



Source: GTIS - www.gtis.com

6% Li_2O Spodumene Concentrate Prices

- 2014 Greenbushes
- 2015 Greenbushes

USD390/t CIF China (est)

USD425/t CIF China (est)

Current Contracts

- Nov 16 Galaxy Resources 120,000t for 2017 delivery
- Apr 17 Tawana Resources 2018 & 2019 deliveries
- Jul 17 Neometals 2017 H2 deliveries
- Jul 17 Altura Mining First 3 years' production
- Nov 2017 Prospect 7yrs Production

USD905/t FOB Esperance

USD880/t FOB Esperance

USD841/t CFR China

Indexed to Li_2CO_3 prices min **USD550/t** max **USD950/t**

Indexed to Li_2CO_3 prices – no min or max pricing

Source: Various Company Announcements



APPENDIX I

Profiles of Board Members, Key Management and Consultants

Profiles – Board Members



Prospect Resources board of directors, management and technical consultants have extensive experience and demonstrated capacities in the commercialisation of mineral ores in Zimbabwe and across Africa.

Hugh Warner (Executive Chairman)	Mr Warner holds a Bachelor of Economics from the University of Western Australia. He has broad experience as a public company director, having been a director of a number of publicly listed companies involved in the mining, oil and gas, biotechnology and service industries.
Duncan (Harry) Greaves (Executive Director)	Mr Greaves holds a B.Sc (Agriculture) from University of Natal (in South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf and Farvic gold mines in southern Zimbabwe. Mr Greaves is a well respected and well known member of the Zimbabwe mining fraternity.
Gerry Fahey (Non Executive Director)	Mr Fahey has over 35 years experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of the Eureka, Chaka, Globe and Phoenix gold mines and the following Australian gold projects: Kanowna Belle, Golden Feather, Sunrise and Wallaby.
Zed Rusike (Non Executive Director)	Mr Rusike is a qualified accountant. He was previously the Managing Director of United Builders Merchant before being promoted to Group Managing Director for Radar Holdings Limited, a large quoted company on the Zimbabwe Stock Exchange. Mr Rusike is a former President of and current Chairman of the board of the Confederation of Zimbabwe Industries.
Manana Nhlanhla (Non Executive Director)	Ms Nhlanhla is Chairperson of Mion Limited, the parent company of Armoured Fox Capital (Pty) Ltd, one of Prospect Resources major shareholders. Mion Limited is a 100% black owned South African based diversified investment company.
Mr HeNian Chen (Non Executive Director)	Mr Chen has served as the Chairman of Changshu Yuhua Property Co. Ltd since 2003, and has served as the Deputy Chairman of Afore New Energy Technology (Shanghai) Co. Ltd since 2007.

Profiles – Key Management



Chris Hilbrands (Group CFO)	Mr Hilbrands has worked as CFO for a number of public companies listed on the ASX and AIM, primarily resources focused. Mr Hilbrands has been responsible for the day to day financial and administrative operations together with the statutory reporting and compliance obligations of these organizations. Mr Hilbrands has a B.Com and is a Chartered Accountant.
Lee John (General Manager Operations)	Mr John is a Minerals Processing Engineer. He has more than 25 year's experience in mining and minerals processing and more than 18 years in management roles, including COO, CEO. Lee's African experience includes operating mining projects within Congo (DRC), Mozambique, Zambia, Botswana, Kenya, Tanzania and Zimbabwe.
Roger Tyler (Chief Geologist)	Mr Tyler is a British geologist, who after almost 30 years working experience in Africa, is now Technical Director for Farvic. He has an Honours degree in Mining Geology from the Royal School of Mines and a Master of Engineering in Mineral Resource Estimation from Witwatersrand University. Roger worked for 15 years as a geologist in various African countries and later as a Senior Resource Analyst for Anglo American Corporation. Most recently however, he was Anvil Mining's DRC exploration manager and led the programme which resulted in the development of the Kinsevere mine. He is a shareholder in Farvic Consolidated Mines and Prospect Resources.
Gavin Stephens (Africa CFO)	Mr Stephens is a registered Chartered Accountant (Zimbabwe) since 1991. He has served as Financial Director to IMF Holdings (Pvt) Ltd and PPC Zimbabwe (Ltd), in each case for ten years, as well as the Business Development Director for PPC Zimbabwe Ltd for a further five years. In this capacity is was involved with exploration, project development and finance. His skill set includes strategic planning, risk management and corporate governance, as well as the financial and general management skills associated with 25 years of experience in the Zimbabwe economy.
Mike Kitney (Metallurgist)	Mr Kitney is a practising Metallurgist with over 46 years with experience in mineral processing ranging from R&D, operations management. Also lately project design, construction and commissioning. Minerals exposure includes alumina, phosphate, gold, copper, tin and lithium. In the latter case Mr Kitney has specific experience in spodumene beneficiation and downstream lithium carbonate plant design, construction and commissioning. He also holds an MSc degree in Mineral Economics.

Profiles –Technical Consultants



David Miller (Mining Engineer)

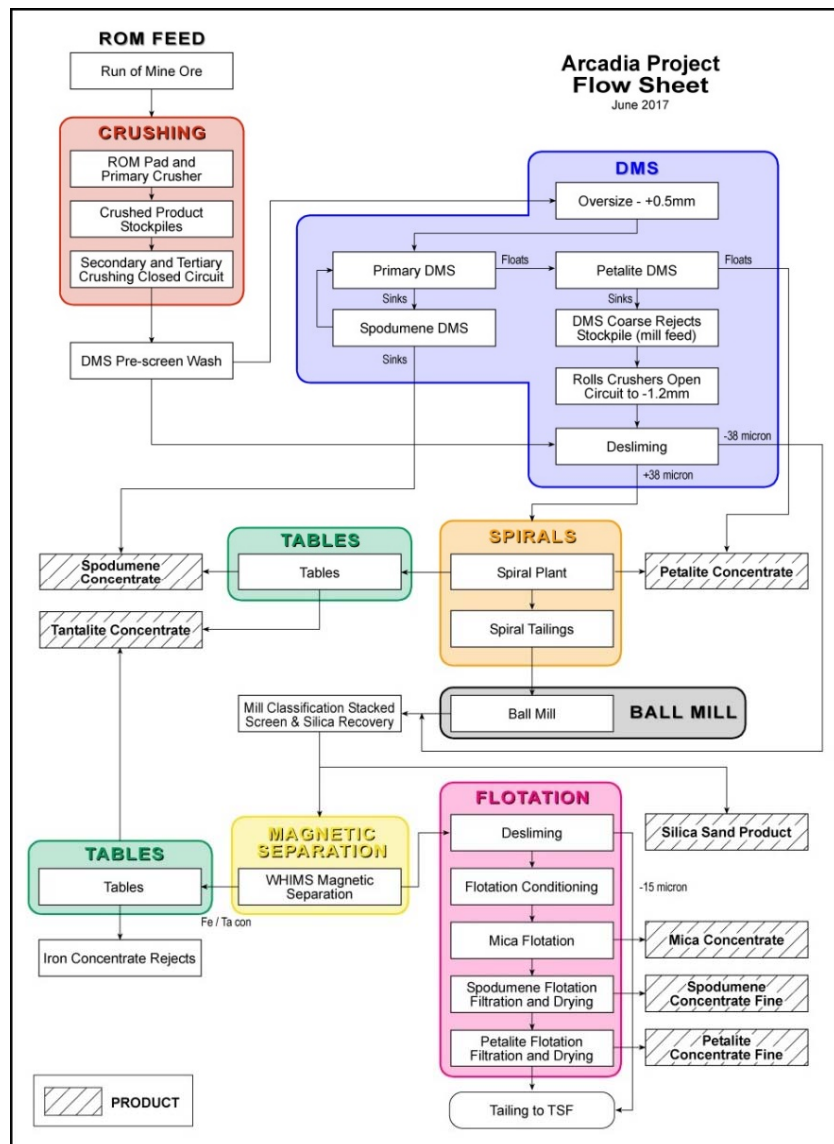
Mr Miller is a mining engineer with 33 years' experience in the mineral resource industry. In the last ten years he has held in a number of senior business development roles including the assessment, development and product marketing of lithium, tin and tantalum projects.



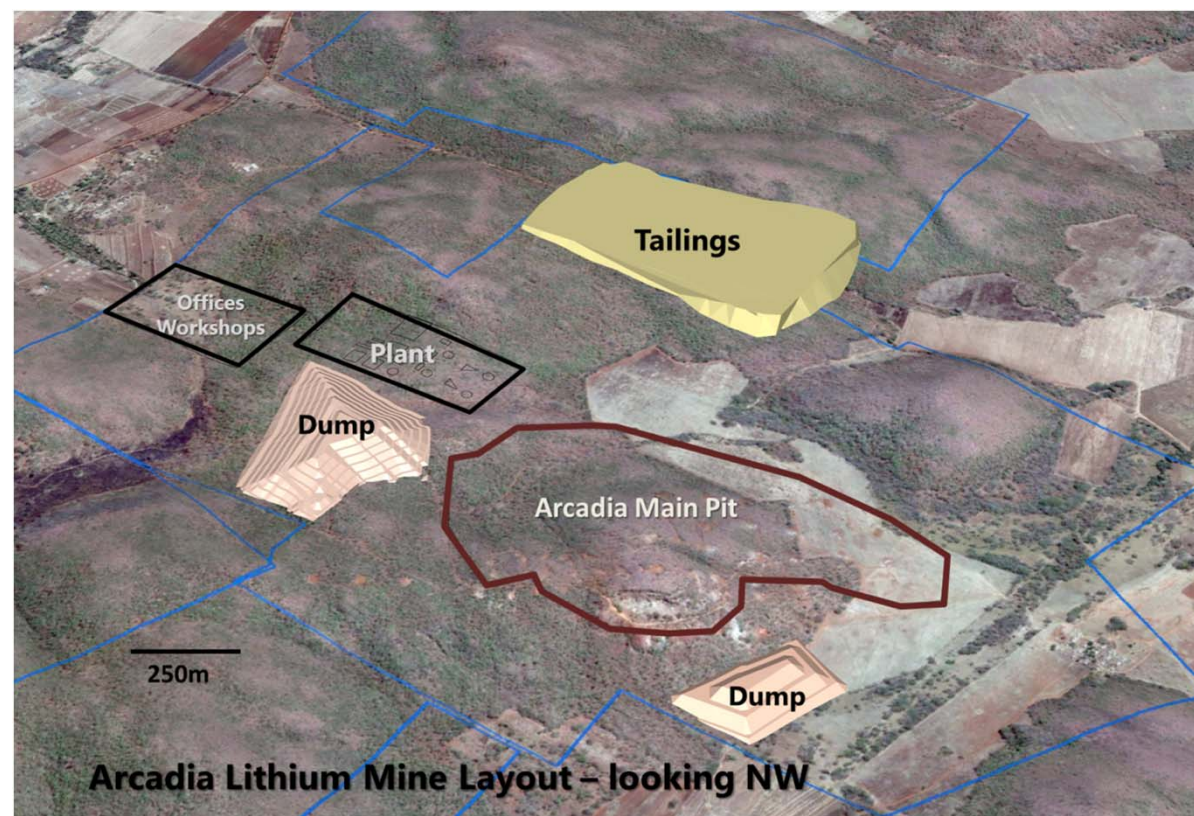
APPENDIX IV

Arcadia Lithium Mine – Processing and Logistics

Arcadia Lithium Project - Processing & Logistics



- Extensive metallurgical testwork completed
- Total recoveries 71%, process optimisation continues
- Simple open pit, and short haul to communiton and process plant
- Sufficient ground and surface water with grid power <3km away





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