

COMPLETION OF A\$10,000,000 PLACEMENT TO SINOMINE AND US\$10,000,000 PRE-PAYMENT ON US\$557MILLION OFFTAKE WITH SINOMINE

Highlights:

- **Completion of placement to Sinomine of A\$10,000,000 at 6c per share**
- **Amended US\$557 million offtake agreement signed with Sinomine Resource for approx. 70% of Phase 1 production over 7 years¹**
- **Repricing of spodumene and petalite formula resulting in a projected US\$61m increase in Project NPV to US\$401m**
- **Sinomine Resource to make an additional US\$10,000,000 prepayment under offtake agreement**
- **Prospect takes back control of build and finance timetable**

On 10 November 2017, Prospect Resources Ltd (**Prospect**) announced a conditional placement and framework agreement with Sinomine Resources Exploration Co. Ltd and Sinomine International Exploration (Hong Kong) Co. Ltd (collectively **Sinomine**) and offtake agreement with Sinomine Resource (Hong Kong) International Trading Co., Limited (**Sinomine Resource**).

On 12 February 2018, Prospect announced an extension of time to complete the transaction to 31 March 2018.

Following receipt of shareholder approval to complete the share placement to Sinomine on 29 March 2018, Prospect is pleased to announce the receipt of A\$10,000,000 from Sinomine and completion of the share placement to Sinomine of 166,666,667 fully paid ordinary shares in Prospect at 6c per share (a premium to the original placing price of 5c per share).

In addition to completion of the placement, Prospect is pleased to announce that certain terms under the conditional offtake agreement between Prospect and its Zimbabwean subsidiary, Examix Investments (Pvt) Limited (the **Seller**) and Sinomine Resource have been favourably renegotiated in respect of the spodumene and petalite pricing formula such that the NPV of the Arcadia Lithium Project located in Zimbabwe (the **Project**) has increased by US\$61m, from US\$340m to US\$401.5m. The spodumene and petalite pricing formula, consistent with other industry contracts, is linked to the lithium carbonate price. (Please refer to ASX announcement dated 19 March 2018 for basis of calculation of US\$340m NPV, which has now increased to US\$401.5m).

¹ Calculated by reference to pricing assumptions used in ASX announcement 'Significant value upgrade following updated PFS – Arcadia' dated 19 March 2018

4 April 2018

Further amendments have included the requirement for Sinomine Resource to prepay US\$10,000,000 under the offtake agreement with these funds being payable upon installation of the ball mill at the Project.

Prospect has also reduced the offtake volumes to be supplied to Sinomine Resource to approximately 70% of earlier agreed volumes. Offtake volumes are now classified as tonnes of spodumene, petalite and lithia units, giving Prospect the flexibility to alter supply quantities of spodumene and petalite provided the total lithia units supplied are satisfied. The surplus is expected to give Prospect flexibility to negotiate offtake terms with other lithium downstream customers and enable Prospect to divert additional spodumene and petalite volumes to a proposed company owned, lithium carbonate facility.

The key terms of the revised offtake agreement are attached as Schedule A.

Prospect is pleased to confirm that it has cancelled the build and finance component of the original transaction. Cancellation of the build contract for the process facility, mine and associated infrastructure on site enables Prospect to dictate the build timetable and process. We believe that taking control of the build process for the process facility and mine will enable Prospect to commence construction of the mine and process facility in a shorter period of time and potentially bring forward revenues. Prospect has all necessary mining licences and environmental approvals to commence construction of the mine, process facility and tailings dam.

Prospect intends to enter into first engineering contracts and pioneer mine strip and tailings dam construction contracts during April 2018. Importantly, by taking control of the build process, Prospect can ensure a greater local Zimbabwean input with respect to suppliers and workers. We are committed to building Africa's largest lithium mine with, where possible, a Zimbabwe sourced workforce.

Completion of the mine finance is expected to occur during Q2 of 2018. With the re-engagement of Zimbabwe with the world, Prospect is confident that we can finance the build on more favourable terms than previously offered. Prospect currently has over A\$20,000,000 in cash, no debt and a future prepayment of US\$10,000,000 from Sinomine Resource to contribute to construction and commissioning of the mine and processing facilities. We are in receipt of a number of additional indicative financing proposals to finance the balance of the estimated US\$52.5m total build cost.

Harry Greaves and Hugh Warner will be attending Hong Kong Mines & Money to continue discussions with potential offtakers and financiers.

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Schedule A

Key terms of the Revised Offtake Agreement

The key terms of the revised Spodumene and Petalite Definitive Offtake Agreement (**Offtake Agreement**) between Prospect and Prospect's Zimbabwean subsidiary, Examix Investments (Pvt) Limited (the **Seller**) and Sinomine Resource (Hong Kong) International Trading Co., Limited (the **Buyer**) are summarised below:

- The Offtake Agreement and the Seller's obligation to supply product will only commence once:
 - (a) the Seller has obtained all relevant approvals or consents;
 - (b) the Seller has commenced the construction and commissioning of the lithium processing facility and construction of the mine and associated infrastructure for the Arcadia Lithium Project located in Zimbabwe (the **Project**); and
 - (c) the Project achieves a quarter of the annualised production rates over a period of a calendar quarter.
- The Offtake Agreement has a term of seven years delivering 280,000 tonnes 6% Li₂O (lithia) spodumene concentrate and 784,000 tonnes 4% Li₂O petalite concentrate (Petalite)
- The Seller is entitled to increase the quantities of Spodumene and decrease the quantities of Petalite, provided the lithia units of the combined Spodumene and Petalite do not change.
- The Buyer has agreed to make an advance payment to the Seller of US\$10,000,000 following the ball mill being delivered and bolt installed at the Project.
- Pricing is based on a reference to a rolling import price for lithium carbonate imported into the Chinese market and is calculated on a FOB Incoterms® 2010 basis at the loading port of Beira, Mozambique.
- Delivery and payment obligations are suspended for typical force majeure events which are outside the control of the parties.
- If the Seller constructs a proposed lithium chemicals plant at the Project, the Offtake Agreement allows the Seller to divert 50% of Petalite to the proposed lithium chemicals plant for conversion into lithium carbonate.
- If either party elects to walk away from the Offtake Agreement, it must pay agreed liquidated damages to the other party.