

## March Quarterly Review of Activities

Prospect Resources Ltd (ASX: PSC) (Prospect, the Company) is pleased to report on another busy quarter of activities.

### Summary of Significant Announcements:

- 14 Feb           • Arcadia Lithium Project Update
- 14 Mar           • Significant Mineral Resource Upgrades - Arcadia Lithium
- 5 Apr            • Pre-Feasibility Study timing and New Website

Much of the quarter was spent on preparing the Pre-Feasibility Study (PFS) for the Company's Arcadia Lithium Project. Step out drilling is ongoing and we continue to intersect lithium bearing pegmatites and grow the resource base at Arcadia.

### Metallurgical Testwork:

The metallurgical testwork programs for the PFS are well advanced albeit at a slower pace than anticipated. This has resulted in a slight delay in the studies that are now targeted for completion in the June 2017 Quarter.

A total of 500kg of samples have been sourced from dedicated metallurgical diamond drill holes drilled from within the conceptual pit defined by the PFS. They have been submitted to independent laboratories in Johannesburg (FT Geolabs) and Perth (Nagrom) respectively to undertake testwork that includes comminution studies, heavy mineral separation, floatation as well as detailed mineralogy.

Discussions have been taking place and are ongoing with a number of potential off-take customers both in the downstream lithium chemical and glass/ceramics industries. An additional 580kg representative sample (diamond drill core) has been delivered to Nagrom in Perth in order to complete pilot scale processing based on the existing PFS flowsheet/process route. This will provide product samples for delivery and testing with potential off-take partners. Based on testwork completed to date, Prospect expects to produce spodumene and petalite concentrate within the below specifications:

Product	Specification	Market
Spodumene	+6% Li <sub>2</sub> O <0.8% Fe <sub>2</sub> O <sub>3</sub>	Chemical/Battery
Petalite	+4% Li <sub>2</sub> O < 0.05% Fe <sub>2</sub> O <sub>3</sub>	Glass/Ceramics/Battery

This is an important next step for potential off-take customers to be able to receive finished products so that they can be tested and 'qualified' to be used within a customer's existing process facility.

### Establishment of local laboratory:

The Company is in the process of establishing a dedicated laboratory fully equipped to handle all future Li, Ta and Fe assays as well as floatation testwork. The laboratory will be headed up by Jeremy Elliot, a renowned Zimbabwean chemist with more than 25 years' experience in minerals testing and processing. The laboratory is expected to be fully functional within 3 weeks and is being developed to achieve the following:

- Training of a team of competent technicians
- Access to rapid turn-around of all lithium assays for production forecasting and grade control
- Constant checks on the flotation process within the plant
- Production of laboratory scale lithium carbonate and lithium hydroxide samples

### Regional Exploration:

Exploration has continued, with a single RC rig active in testing the strike extent of the Arcadia pegmatites to the south west. These pegmatites have now been delineated for 3.5km of southwest-northeast strike. The (>0.2% Li<sub>2</sub>O cut-off) resource extends for 2.2km of this strike length.

In addition, three teams are carrying out geochemical soil sampling across the eastern strike extents of the mineralised pegmatites on the adjacent Lawfield and Vuta farms. Orientation work has proved that soil geochemistry is a very effective and efficient tool in defining pegmatites mineralised in lithium. Several well defined anomalies have been defined that will be drill tested during the next quarter.

A ground magnetics survey was conducted over the area defined by the conceptual pit. The results confirmed the presence of the previously interpreted major southwest-northeast and northwest-southeast fault sets, plus numerous lesser parallel structures.

### Arcadia Lithium Deposit updated Mineral Resource Estimate:

#### Highlights:

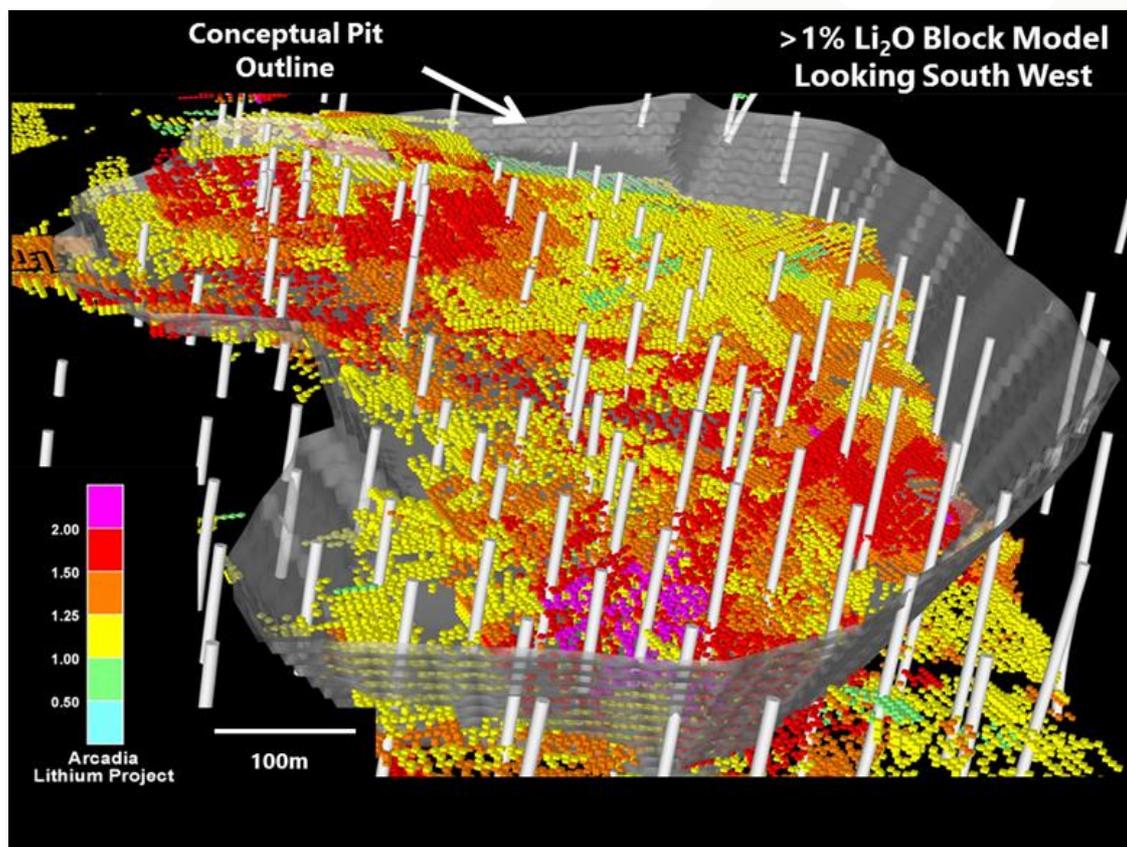
- 56% increase in high grade Mineral Resource estimate to:
  - **34.9Mt grading 1.42% Li<sub>2</sub>O (1% Li<sub>2</sub>O cut-off)**
- 60% increase in Global Mineral Resource estimate to:
  - **57.3Mt grading 1.12% Li<sub>2</sub>O (0.2% Li<sub>2</sub>O cut-off)**
- 136% increase in Measured Resources to:
  - **5.7Mt grading 1.48% Li<sub>2</sub>O (1% Li<sub>2</sub>O cut-off)**
- 27% increase in total Measure and Indicated Resources to:
  - **20.8Mt grading 1.41% Li<sub>2</sub>O (1% Li<sub>2</sub>O cut-off)**

Below is a summary of the update Mineral Resource estimate from the Company’s 16 March 2017 announcement.

**Table 1: Arcadia Lithium Deposit Mineral Resource estimate (1% Li<sub>2</sub>O cut-off)**

1% Li <sub>2</sub> O Cut-off					
Category	tonnes	Li <sub>2</sub> O %	Ta <sub>2</sub> O <sub>5</sub> ppm	Li <sub>2</sub> O Tonnes	Ta <sub>2</sub> O <sub>5</sub> lbs
Measured	5,700,000	1.48%	134	83,800	1,700,000
Indicated	15,100,000	1.38%	118	208,000	3,900,000
Inferred	14,100,000	1.44%	133	203,000	4,100,000
<b>GRAND TOTAL</b>	<b>34,900,000</b>	<b>1.42%</b>	<b>127</b>	<b>494,800</b>	<b>9,700,000</b>

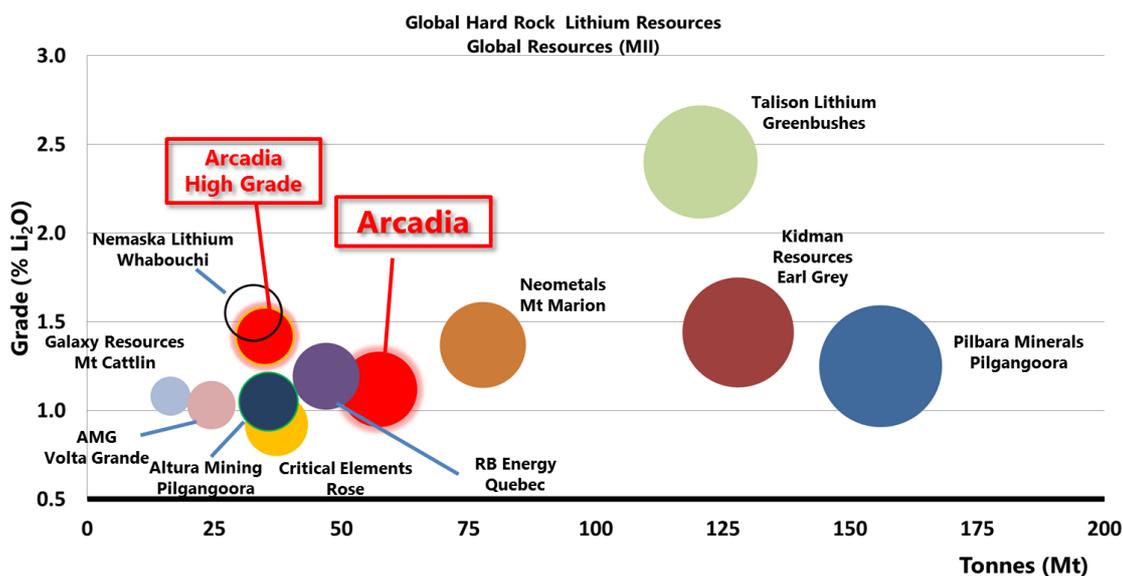
**Figure 1: 3D View of high grade (>1% Li<sub>2</sub>O) Mineral Resource block model**



**Table 2: Arcadia Lithium Deposit Mineral Resource estimate summary**

Global Resource - 0.2% Li <sub>2</sub> O Cut-off					
Category	Tonnes	Li <sub>2</sub> O %	Ta <sub>2</sub> O <sub>5</sub> ppm	Li <sub>2</sub> O Tonnes	Ta <sub>2</sub> O <sub>5</sub> lbs
Measured	9,000,000	1.17%	134	106,200	2,700,000
Indicated	24,200,000	1.10%	118	268,000	6,300,000
Inferred	24,100,000	1.11%	133	268,000	7,000,000
<b>GRAND TOTAL</b>	<b>57,300,000</b>	<b>1.12%</b>	<b>127</b>	<b>642,200</b>	<b>16,000,000</b>

**Figure 2: Arcadia – 5th largest hard rock Lithium Deposit Globally  
(Reported according to the JORC Code)**



## Other Activities

### Farming – Arcadia Surface Rights

Prospect's first maize crop covering some 80 hectares has continued to grow and is nearing harvest time. This project forms part of Prospect's ongoing commitment to local stakeholders and communities. These farming operations are expected to provide an additional source of employment within the region and a source of income to Prospect. We plan to approach other landholders relevant to Arcadia and offer to farm their land on standard leasing terms for the 2018 season.

### Gwanda East Gold Projects

During the quarter, the Sally Gold Mine shaft was dewatered, a headframe erected and rails installed. The mine is being cleaned out and the gold bearing sands recovered will be processed shortly.

A 70 m horizontal cross cut into the hanging wall has been blasted from the 7 level elevation where the old workings terminated in preparation for underground exploration drilling. This cross cut has advanced past the dolerite (waste) dyke and is back into the Granite host rock. As investors may remember from previous announcements, it is these sills and dykes that historically sounded the death knell for many of the small scale Gwanda gold miners. Modern production within the region has proved that the gold bearing reef normally continues below these sills/dykes. The purpose of the drilling is to establish the location of the reef package on the northern side of the dyke.

## Summary of Activities Planned for the Period to 30 June 2017

### Arcadia High Grade Lithium Project

- Completion of Pre-Feasibility Study (PFS)
- Drilling to continue to expand the resource inventory at Arcadia
- Regulatory Approvals for development of the Arcadia Mine
- Provision of specification product samples to potential off-take partners

### Gwanda East Gold Project

- Begin underground exploration drilling of the Sally Gold Mine
- Continue to sweep and vamp underground workings
- Process gold bearing sands removed from the underground workings

### Other Acquisitions

- Continue to investigate additional lithium and cobalt acquisitions

*Investors should note that the above activities may change as and when results are generated and as such they should simply be used as a guide to activities for the quarter ending 30 June 2017*

Prospect Resources Limited | ACN 124 354 329

Suite 6, 245 Churchill Ave. Subiaco WA 6008 | Phone: +61 8 9217 3300 | Fax: +61 8 9388 3006

W: [prospectresources.com.au](http://prospectresources.com.au)

**For further information, please contact:****Hugh Warner**

Prospect Resources  
Executive Chairman  
Ph: +61 413 621 652

**Harry Greaves**

Prospect Resources  
Executive Director  
Ph: +263 772 144 669

**Competent Person's Statement**

The information in this announcement that relates to Exploration Results, Exploration Targets and Mineral Resources and Ore Reserves 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 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.