

Update to Sinomine Placement and Framework Agreement

On 10 November 2017, Prospect Resources Limited ("Prospect") announced the signing of a conditional Placement and Framework Agreement with Sinomine Resources Exploration Co, Ltd and Sinomine International Exploration (Hong Kong) Co, Ltd (collectively "Sinomine"). Under the terms of this agreement, Sinomine was required to subscribe for A\$10,000,000 of Prospect shares by the close of business on 7 February 2018 ("Placement").

After market close on 6 February 2018, Prospect received a written request from Sinomine to extend the period for completion of the Placement to allow for further time to discuss:

- 1) the terms of the Definitive Build and Transfer Contract and the Definitive Facility Agreement; and
- 2) the potential acquisition of the Arcadia lithium project, via either:
 - a) an offer to acquire a minimum of 51% of Prospect; or
 - b) an offer to purchase 100% of the Arcadia lithium project directly.

The Directors have considered Sinomine's request and determined that it is in the best interests of shareholders to agree to extend the period to complete the Placement to 31 March 2018 and participate in such discussions as they may result in a better outcome for Prospect's shareholders. The Placement is subject to obtaining shareholder approval.

The Directors note that the Placement is one aspect of the broader transaction pursuant to which Sinomine has conditionally agreed to construct and finance the proposed mine and facility at Prospect's Arcadia lithium project. Aside from the variation of the terms of the Placement, the existing agreements in respect of this transaction remain in place pending the outcome of the further discussions.

The Directors note that the outcome of the discussions referred to in paragraph 2 above is not certain and there is no assurance that the negotiations will result in a bid for Prospect or purchase of the Arcadia lithium project. Prospect will keep shareholders updated with respect to any further developments.

As shareholders are aware, Prospect signed the conditional Placement and Framework Agreement in November 2017. At that time, the pool of potential financiers and off-take partners was limited. This dynamic changed on 24 November 2017, when the new Government of Zimbabwe was sworn in.

With the new Government of Zimbabwe and its promotion to the international community that it is 'open for business' Prospect has received numerous enquiries from investors, financiers, commodity traders and off-take partners. Prospect intends to pursue discussions with these parties in parallel with continuing negotiations with Sinomine.

For further information, please contact:

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