



Completion of Sale of Arcadia Project

HIGHLIGHTS:

- The sale of Prospect's interest in the Arcadia Project to a subsidiary of Zhejiang Huayou Cobalt Co., Limited (Huayou) completed on 20 April 2022
- Net proceeds of US\$342.9 million received (after payment of CGT in Zimbabwe and an amount due to Sinomine)
- Expected cash distribution of A\$440 million to A\$450 million (equating to approx. A\$0.94 - \$0.96 per share¹)

Prospect Resources Limited (**Prospect** or **the Company**) is pleased to advise that the sale of the Prospect group's 87% interest in the Arcadia Lithium Project (**Arcadia Project**) to a subsidiary of new energy lithium-ion battery material producer, Zhejiang Huayou Cobalt Co., Limited (**Huayou**) (**Transaction**)² completed on 20 April 2022.

As announced by Prospect on 23 December 2021, the Transaction was for a cash consideration of approximately US\$377.8 million. Following payment of US\$26.8 million in Zimbabwean capital gains tax and US\$8 million to Sinomine in relation to the termination of the offtake agreement between Prospect and Sinomine³, US\$342.9m was received on completion of the Transaction.

Prospect's Managing Director and CEO, Sam Hosack commented:

"We are extremely delighted to have successfully completed the Transaction with Huayou. I would like to take this opportunity to express a sincere thanks to the Government of Zimbabwe. Without their strong support and vision we simply would not have been able to complete this Transaction, confirming indeed, that Zimbabwe is open for business and is a premier jurisdiction for the burgeoning lithium industry."

"We would like to thank Huayou for their professionalism throughout the Arcadia transaction. Huayou's pedigree as a leading electric vehicle battery precursor producer opens up opportunities in Zimbabwe and supports our strategy both in Zimbabwe and the broader sub-Saharan region."

"The Transaction, being the culmination of years of effort progressing and developing the Arcadia Project to this point is a testament to the skills and expertise of the Prospect team, who are now"

¹ Calculated based on fully diluted shares on issue of 467,293,677, subject to transaction cost & exchange rate.

² See ASX release dated 23 December 2021 for further information in relation to the Transaction.

³ See ASX release dated 18 January 2022 for further information in relation to the arrangements with Sinomine under the Termination Deed.

firmly focussed on the path ahead, to build the next iteration of Prospect, a developer of lithium and battery and electrification metals projects.

“I would also like to thank our financial and legal advisers for their continued hard work and diligence over the course of the year. Lastly, I would like to thank our shareholders for your on-going support throughout the journey, and hope to enjoy your continued support as we embark on the next phase.”

Distribution of Funds

As previously announced, Prospect intends to distribute a substantial portion of the net proceeds from the Transaction to its shareholders:

- the distribution will be a cash distribution, which will likely include a capital reduction component and an unfranked dividend component;
- Prospect is applying for an ATO ruling which will set out the Australian tax treatment of the distribution for the main classes of Prospect’s shareholders;
- the capital reduction component of the distribution will require shareholder approval and a shareholder meeting is expected to be convened to seek that approval;
- the payment of the proposed distribution is expected to occur not long after 30 June 2022;
- with existing cash and net transaction proceeds, Prospect expects to distribute A\$440 million to A\$450 million to its shareholders (equating to approx. A\$0.94 - \$0.96 per share⁴, including up to a \$0.20 capital reduction); and
- Prospect intends to retain a cash balance of between A\$30-\$40 million to progress battery and electrification metals projects with a primary focus in Zimbabwe, and secondary focus on the broader sub-Saharan African region.

This release was authorised by Sam Hosack, Managing Director.

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⁴ Calculated based on fully diluted shares on issue of 467,293,677, subject to transaction cost & exchange rate.

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 metals, in Zimbabwe and the broader sub-Saharan African region.

About Lithium

Lithium is a soft silvery-white metal which is highly reactive and does not occur in nature in its elemental form. In nature it occurs as compounds within hard rock deposits and salt brines. Lithium and its chemical compounds have a wide range of industrial applications resulting in numerous chemical and technical uses. Lithium has the highest electrochemical potential of all metals, a key property in its role in lithium-ion batteries.

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.

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