PROSPECT RESOURCES LIMITED
(FORMERLY ETHAN MINERALS LIMITED)

ACN 124 354 329

ANNUAL REPORT
30 JUNE 2011

CORPORATE DIRECTORY

DIRECTORS	Jonathan Pager Michael Pollak Hugh Warner
SECRETARY	Andrew Whitten
PRINCIPAL OFFICE	Suite 6, 245 Churchill Ave Subiaco, WA 6008 Telephone: (08) 9217 3300 Facsimile: (08) 9338 3006
REGISTERED OFFICE	Suite 6, 245 Churchill Ave Subiaco, WA 6008
AUDITORS	Deloitte Touche Tohmatsu Woodside Plaza, Level 14 240 St Georges Terrace Perth WA 6000
ASX CODE	Shares – PSC (formerly ETH)
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Suite 1, Alexandra House, 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
LEGAL REPRESENTATIVES	Whittens Lawyers and Consultants Level 5, 137-139 Bathurst Street Sydney NSW 2000

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DIRECTORS' REPORT

The Directors of Prospect Resources Limited (formerly Ethan Minerals Limited) ("the Company") submit hereby the annual report of the company for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporation Act 2001, the Directors report as follows:

INFORMATION ABOUT DIRECTORS

The Directors at any time during or since the end of the year are:

Hugh Warner (appointed 3 January 2012)
Jonathan Pager (appointed 3 January 2012)
Michael Pollak (appointed 3 January 2012)
Kenneth Fitzgerald (Resigned 3 January 2012)
Julie Glanville (Resigned 3 January 2012)
Douglas William O'Neill (Appointed 14 October 2010 and resigned 1 July 2011)
Graham Anderson (Resigned 14 October 2010)
Nigel Ferguson (Resigned 12 July 2010)

Name	**Particulars**
Hugh David Warner (Appointed 3 January 2012)	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 more than 20 publicly listed companies involved in the mining, oil and gas, biotechnology and service industries. Mr Warner is currently Chairman of Modun Resources Ltd (appointed 22 November 2006), Chairman of TPL Corporation Ltd (appointed 17 May 2010), a director of PLD Corporation Ltd (appointed 23 November 2011) and a director of FRR Corporation Ltd,(appointed 28 November 2011) all of which are listed on the ASX.
Jonathan Geffrey Pager (Appointed 3 January 2012)	Mr Pager has over 18 years' experience as a management consultant across a wide rand of industries in Australia and overseas, and is currently Managing Director of Pager Partners Business Consultants and Pager Partners Corporate Advisory. Mr Pager has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Mr Pager has recapitalised several ASX Listed companies and is currently a director PLD Corporation Ltd (appointed 23 November 2011) and FRR Corporation Ltd (appointed 28 November 2011) both of which are listed on the ASX. Mr Pager was previously a director of both TPL Corporation Ltd (appointed 5 February 2008 and resigned on 15 June 2010) and Modun Resources Ltd (appointed 22 November 2006 and resigned on 25 September 2008).
Michael Benjamin Pollak (Appointed 3 January 2012)	Mr Pollak holds a bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Mr Pollak commenced his career at PricewaterhouseCoopers 15 years ago. Mr Pollak has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Mr Pollak has been involved in the recapitalisation of a number of ASX listed companies. Mr Pollak is currently a director of PLD Corporation Ltd (appointed 23 November 2011) and FRR Corporation Ltd (appointed 28 November 2011),both of which are listed on the ASX.
Kenneth Fitzgerald *Executive Director* (Resigned 3 January 2012)	Kenneth (Ken) Fitzgerald has worked for over 30 years in commercial business including mining, earth moving, transportation and agricultural industries. Ken has extensive experience in identifying and managing mineral resources in Western Australia including the Goldfields, Eastern and Northern Wheatbelt and Murchison areas. Furthermore Ken was a founding operator of gypsum resources in the Wheatbelt regions. Ken has acted as an agent in environmental and responsible mining negotiations with Government agencies involving environmental clearances and provision of gypsum and mineral clay product for the enhancement of arable land in the Wheatbelt regions. Ken is a founder of Ethan Resources Pty. Ltd. and a founding Director of Prospect Resources Limited (formerly Ethan Minerals Limited). Mr Fitzgerald is also a member of the Audit Committee, Nomination Committee and the Remuneration Committee for Prospect Resources Limited (formerly Ethan Minerals Limited). Mr Fitzgerald has not held any other listed company directorships within the last 3 years.

Julie Glanville

Executive Director

(Resigned 3 January 2012)

Julie Glanville has a Masters Degree in Educational Management and has 32 years' experience as an educator. During that time Julie was a Primary and a Special Education Principal for 20 years, a Special Education Consultant, a Primary and a Special Education Teacher and a Guest Lecturer at Tertiary Institutions and Professional Associations. Julie's professional career has developed both leadership and management skills of exceptional quality. Preceding her career in Education, Julie completed a Secretarial Diploma with Honours culminating in her appointment as a secretary to then Deputy Leader of the State Opposition at Parliament House, Sydney, New South Wales. Recently Julie has embarked on a new career path integrating her established skill set as Sole Trader of Ethan Park Contractors, former Managing Director of Ethan Resources Pty. Ltd. and a founding Director of Prospect Resources Limited (formerly Ethan Minerals Limited).

Ms Glanville was also a member of the Audit Committee, Nomination Committee and the Remuneration Committee for Prospect Resources Limited (formerly Ethan Minerals Limited), until her resignation.

Ms Glanville has not held any other listed company directorships within the last 3 years.

Douglas William O'Neill

Non Executive Director

(Appointed 14 October 2010 and resigned 1 July 2011)

Mr O'Neill has an extensive background in Investment Banking which spans 40 years. During this time he has worked for various financial institutions, including Citibank, Morgan Grenfell and the Hong Kong Shanghai Bank. He has completed numerous fund raisings; including debt facilities, structured funding, project financing and equity raisings via IPOs. Bill's experience also encompasses extensive specialisation in the area of mergers and acquisitions and takeover defence strategies. Bill has provided consulting services to Prospect Resources Limited (formerly Ethan Minerals Limited) since 2009.

Graham Anderson
BBus, CA

Chairman
(Resigned 14 October 2010)

Graham Anderson is a graduate of Curtin University and has over 20 years' commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practise, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was an audit partner at Horwath Perth. He is a Director and Company Secretary of a number of listed and unlisted public companies in both the resource and industrial sectors. He is the Chairman and Company Secretary of ASX listed APA Financial Services Limited, Director of Mako Energy Limited and Director and Company Secretary of Echo Resources Limited and Pegasus Metals Limited.

Mr Anderson is also a member of the Audit Committee, Nomination Committee and the Remuneration Committee for Prospect Resources Limited (formerly Ethan Minerals Limited), until his resignation.

Mr Anderson has not held any other listed company directorships within the last 3 years.

Nigel Ferguson
BSc, AusIMM

Non Executive Director

(Resigned 12 July 2010)

Nigel Ferguson is a geologist with over 22 years of experience in the exploration and definition of precious and base metal mineral resources. Nigel is also experienced at working in overseas locations having worked in Saudi Arabia, South East Asia, Central America and Africa in both generative and management roles. Nigel has held several senior technical management roles and was Ashanti Goldfield's country manager for Tanzania, being instrumental in assessing the now multi million ounce Geita Gold Project for acquisition by Ashanti. Nigel held the principal role of Chief Executive Officer for AIM listed mineral explorer Condor Resources plc, as well as being a non executive director for Burey Gold Ltd (ASX), African Metals Corp. (TSX_V), and Samba Minerals Limited (Unlisted ASX).

Ken Robson

Executive Chairman

(Appointed 3 May 2011 and resigned 27 June 2011)

Ken's background encompasses extensive experience as a Corporate Lawyer and Adviser, specialising in fundraising, market compliance and Mergers & Acquisitions. He has also been involved with a number of IPOs (very recently Potash WEST NL), many successful mergers, acquisitions and takeovers and the restructuring of high profile companies. Ken also has a background as a barrister in the High Court and Courts of Appeal. Ken brings a very strong ability to assist in fundraising and in promoting strong relationships with the capital markets and investment community. He also has experience as a board member, takeover coordinator and Managing Director of a number of mining companies. He has an excellent knowledge of international fundraising and compliance, having practiced in the US, Britain, Ontario, Switzerland, Singapore, New Zealand and Australia.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

As at the date of this report the relevant interest of each current Director in the shares and options of the Company are:

	Shares		Options	
	Direct	Indirect	Direct	Indirect
Hugh Warner	–	*61,300,000*	–	*16,000,000*
Jonathan Pager	-	*5,433,333*	–	*6,000,000*
Michael Pollak	-	*21,000,000*	–	*11,000,000*

PRINCIPAL ACTIVITY

The principal activity of the Company is exploration for mineral resources.

REVIEW OF OPERATIONS AND RESULTS

The Prospect Group's principal activities were the exploration for mineral resources.

Appointment of Administrators
The Company was suspended from trading on the ASX on 21 February 2011 at its request. This was to allow the Company to conclude on a possible acquisition that did not eventuate. The suspension then continued as the Company did not lodge its interim financial report within the specified deadlines. On the 1 July 2011, Bradley Tonks and John Vouris of Lawler Partners were appointed as Administrators ("the Administrators") of the Company and assumed control of the Company and its business, property and affairs.

Because of these events, assets have been written down to their realisable values in the consolidated statement of financial position and liabilities have been recorded at the amounts for which proofs of debt have been received by the Administrators.

Furthermore, as a condition of the DOCA, the shares in the Company's subsidiaries were transferred into the Creditors Trust at the point of effectuating the DOCA.

Australia
Northampton, Western Australia (including Mary Springs)
As at the date of signing this half-year financial report, the Company has 100% of one exploration licence ("the Mary Springs project"), an 80% interest in a further 3 exploration licences and 5 Mining Access Agreements to 6 Queen Victoria Crown Grants as well as two mining applications pending.

The Company's lead prospect is the historical Mary Springs project. As announced to the market on 25 October 2010, the Mary Springs project hosts a JORC compliant Indicated and Inferred Mineral Resource of 394,419 tonnes @ 6.5% Pb for approximately 25,637 tonnes of contained lead metal. The resource is open in all directions.

Zambia
Allegra Mining Zambia Limited
In a prior period, Prospect established a wholly owned subsidiary Allegra Mining Zambia Limited to enter into joint venture agreements in Zambia.

Indonesia
PT Ethan Mining Celebes
In a prior period, Prospect established a wholly owned Indonesian subsidiary, PT Ethan Mining Celebes, to identify and source advanced mining opportunities in Indonesia.

Results
The Group incurred an after tax operating loss of $6,958,738 (2010: Loss $4,907,929).

DIRECTORS' REPORT (continued)

INCOMPLETE RECORDS

The management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the Deed of Company Arrangement ("DOCA") was effectuated, being 28 March 2012.

The financial report was prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the periods presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the financial report, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrator for the period from their appointment on 1 July 2011.

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the company's financial position.

DIVIDENDS

No dividends were recommended or paid during the current year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has been no significant change in the state of affairs of the Company during the financial year apart from those discussed in the Review of Operations and Results section of this report and other parts of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

To the best of the Directors knowledge, no person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237.

DIRECTORS' REPORT (continued)

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Group will continue to explore and assess its mineral projects and will also consider new projects that could provide growth for shareholders.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 July 2011, Bradley Tonks and John Vouris of Lawler Partners were appointed as Administrators of the Company and assumed control of the Company and its business, property and affairs.

The Administrators subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties. A syndicate headed by Pager Partners (the Syndicate) put forward a recapitalisation proposal which was accepted at a meeting of the Company's creditors on 4 November 2011. The Deed of Company Arrangement ('DoCA') was signed on 25 November 2011.

Under the Proposal, it was agreed that $950,000 would be paid to the Deed Administrators for distribution under the DoCA via the Creditors' Trust. These funds were loaned to the Company by the Syndicate and the DoCA was fully effectuated on the 28 March 2012 and has therefore been terminated. A Creditors' Trust Deed has been established pursuant to the DoCA to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance to be distributed to creditors as full and final payment of the Company's outstanding debts. All trade and other payables at 30 June 2011 have been transferred to the Creditors' Trust.

On the 14 May 2012, the Company issued 100,000,000 ordinary shares and 60,000,000 options exercisable at $0.01, raising $251,500 before costs. On the 24 May 2012, the Company issued 190,000,000 ordinary shares raising $1,900,000 before costs. The Company used part of these funds to repay the $950,000 loan from the Syndicate, by either offsetting against securities applied for on 14 May 2012 and 24 May 2012, or via a cash payment on 5 June 2012.

The Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relation to the reinstatement of Prospect Resources Limited's (formerly Ethan Minerals Limited) securities for trading on the ASX.

On the 7 March 2012, the Company received a letter from the Department of Mines and Petroleum regarding the non compliance with the expenditure condition for tenements E66/53, E66/64 and E66/73 for the period prior to the appointment of the current directors. They advised that the department would impose penalties/fines totaling $13,351 as an alternative to the forfeiture of the above licenses. This amount has been paid.

MEETINGS OF DIRECTORS

Due to the appointment of the Administrators on 1 July 2011 to the Company, information on the attendance at Directors' meetings is not available.

COMMITTEES

The Company has established an Audit Committee, Nomination and Remuneration Committee that comprises the full Board of the Company. Due to the appointment of the Administrators on 1 July 2011 to the Company, information on if and when the Committees met during the year are not available.

ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds. The current directors are not aware of any instances of non-compliance during the year.

DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no Director has received, or become entitled to receive, (other than a remuneration benefit included in Note 16 to the financial statements), a benefit because of a contract that:

(a) the Director, or a firm of which the Director is a member, or an entity in which the Director has a substantial financial interest has made (during the year ended 30 June 2011, or at any other time) with the Company; or

(b) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2011 outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001(the Act) and its Regulations. This information has been audited as required by Section 308 (3C) of the Act.

Given the Company was suspended from trading on the ASX and Administrators were subsequently appointed to the Company on 1 July 2011, the Company's remuneration policies as set out below may or may not have been in place for some or all of the financial period.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Key Management Personnel Equity Holdings
D Other transactions and balances with non-executive Directors and key management personnel
E Service Agreements
F Share-based compensation
G Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive rewards satisfy the following key criteria for good reward governance practises:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency and capital management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards. Remuneration levels are not dependent upon any performance criteria as the nature of the Group's operation is exploration and they are not generating profits.

Non-executive directors
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees
The current base remuneration was last reviewed with effect from 9 October 2009. The Chairman's and other non-executive directors remuneration is inclusive of committee fees. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum.

DIRECTORS' REPORT (continued)

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors, the key management personnel of the Group and specified executives of the Group are set out in the following tables:

Directors & Highest Paid Executives Remuneration									
	SHORT TERM			POST EMPLOYMENT		EQUITY			TOTAL
Directors	Salary & Fees	Other services	Non-Monetary	Superannuation	Retirement Benefits	Options	Other benefits	Remuneration Consisting of Options	$
Graham Anderson – Non Executive Chairman									
2011	20,000 (i)	-	-	-	-	-	-	-	20,000
2010	35,000 (i)	-	-	-	-	-	-	-	35,000
Ken Fitzgerald - Executive Director									
2011	128,909 (iii)	-	-	-	-	-	-	-	128,909
2010	70,000 (iii)	260,000	-	-	-	-	-	-	330,000
Julie Glanville - Executive Director									
2011	99,364 (iv)	-	-	-	-	-	-	-	99,364
2010	70,000 (iv)	310,000	-	-	-	-	-	-	380,000
Nigel Ferguson - Non Executive Director									
2011	40,000 (v)	-	-	-	-	-	-	-	40,000
2010	16,667 (v)	127,333 (v)	-	-	-	-	-	-	144,000
Douglas William O'Neill – Non Executive Director									
2011	56,000 (vi)	-	-	-	-	-	-	-	56,000
2010	-	-	-	-	-	-	-	-	-
Leonard Math - Company Secretary									
2011	26,800(ii)	-	-	-	-	-	-	-	26,800
2010	60,500 (ii)	10,000	-	-	-	-	-	-	70,500
Total Remuneration Directors									
2011	371,073	-	-	-	-		-	-	371,073
2010	252,167	707,333	-	-	-		-	-	959,500

(i) *These payments are to Graham Anderson Pty Ltd, a company in which Graham Anderson is a Director.*
(ii) *These payments are to GDA Corporate, a company in which Graham Anderson is a Director and Leonard Math is an employee. The fees include accounting services and company secretarial services provided to Prospect Resources Limited (formerly Ethan Minerals Limited).*
(iii) *These payments are to Neening Park Contractors, a company in which Mr Ken Fitzgerald is a Director.*
(iv) *These payments are to Ethan Park Contractors, a company in which Ms Julie Glanville is a Director.*
(v) *These payments are to Ridgeback Holdings Pty Ltd, a company in which Mr Nigel Ferguson is a Director.*
(vi) *These payments are to Holesmore Pty Ltd, a company in which Mr Douglas William O'Neil is a Director.*
*** Messers Warner, Pager and Pollak (the current directors), nor Tonks and Vouris (the Administrators) did not receive any remuneration during the year ended 30 June 2011 as all of their appointments were post 30 June 2011.

DIRECTORS' REPORT (continued)

C Key Management Personnel Equity Holdings

The following table sets out each director's relevant interest in shares or options in shares of the Company as at the date of this report.

	Fully Paid Ordinary Shares	Share Options
Hugh Warner	61,300,000	16,000,000
Jonathan Pager	5,433,333	6,000,000
Michael Pollak	21,000,000	11,000,000

D Other transactions and balances with non-executive Directors and key management personnel

Cat Tech Limited
Cat Tech Limited, a company of which Mr Graham Anderson is a Director, provided computer softwares, hardware and support to Prospect Resources Limited (formerly Ethan Minerals Limited) during the year. The amount paid and payable for the year was $19,298 (2010:$42,082).

DIRECTORS' REPORT (continued)

E Service Agreements

The details of service agreements of the key management personnel of Prospect Resources Limited (formerly Ethan Minerals Limited) and the Group are as follow:

Mr Kenneth (Ken) Fitzgerald – Executive Director (Resigned 3 January 2012)

- Agreement between Neening Park Contractor and Prospect Resources Limited (formerly Ethan Minerals Limited);
- A remuneration of $120,000 per annum for Executive Director's fees for a period of 2 years from the date of listing on the Australian Securities Exchange;
- The Company may at its sole discretion terminate the Engagement by giving three (3) months written notice to the Consultant.
- Mr Fitzgerald is a Director and beneficiary of Neening Park Contractors.

Ms Julie Glanville – Executive Director (Resigned 3 January 2012)

- Agreement between Ethan Park Contractor and Prospect Resources Limited (formerly Ethan Minerals Limited);
- A remuneration of $120,000 per annum for Executive Director's fees for a period of 2 years from the date of listing on the Australian Securities Exchange;
- The Company may at its sole discretion terminate the Engagement by giving three (3) months written notice to the Consultant.
- Ms Glanville is a Director and beneficiary of Ethan Park Contractors.

No remuneration has been paid to the current Directors to date, however, subject to the reinstatement of the Company's Shares to Official Quotation on the ASX, the Company has agreed to pay to each of the Directors $60,000 p.a. for the year ending 30 June 2012, from the time of their appointment.

There are no other service agreements in place.

F Share-based compensation

Options granted to Directors' and officers' of the Company

There were no options granted to the Directors' or officers' of the Company during the period.

G Additional Information

Options outstanding

Unissued ordinary shares of Prospect Resources Limited (formerly Ethan Minerals Limited) under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of Options	Number under option
13 July 2010	30 July 2012	$0.23	2,000,000
18 October 2007	18 October 2012	$0.20	9,701,500*
5 November 2008	5 November 2013	$0.20	857,500
			12,559,000

**These options are held by Key Management Personnel. These options vest at grant date. 9,000,000 options were escrowed under the ASX Listing Rule. These 9,000,000 options will be released from escrow on the 3 December 2011.*

During the year, the following options have been exercised:

Options series	No of options exercised	No of ordinary shares issued of Prospect Resources Limited	Amount paid	Amount unpaid
5 November 2008	210,000	210,000	$42,000	Nil

DIRECTORS' REPORT (Continued)

INDEMNIFICATION

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

NON-AUDIT SERVICES

During the year Deloitte Touche Tohmatsu, the Company's Auditor, has not performed any other services in addition to their statutory duties. Auditors' remuneration is disclosed in Note 23.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40.

Signed in accordance with a resolution of the Directors

Hugh Warner
Director

Perth, Western Australia
Dated 28 June 2012

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Prospect Resources Limited (formerly Ethan Minerals Limited) ('the Company'):

   (a) as set out in note 2, although the Directors have prepared the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. As set out in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Hugh Warner
Director

Perth, Western Australia
Dated 28 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Interest received	3	37,261	32,077
Other Income	3	362,934	-
Depreciation and amortisation expenses		(32,891)	(30,827)
Corporate expenses		(509,307)	(455,585)
Exploration expenses	4	(4,880,523)	(2,906,447)
Impairment of property, plant and equipment		(131,574)	-
Impairment of receivables		(64,967)	-
Impairment of exploration and evaluation expenditure		(276,849)	-
Occupancy expenses		(73,459)	(63,252)
Marketing expenses		(51,206)	(53,355)
Employee and consultant expenses		(929,096)	(1,408,628)
Other expenses		(409,061)	(21,912)
Loss from ordinary activities before related income tax expense		(6,958,738)	(4,907,929)
Income tax expense	5	-	-
Loss after Income Tax		(6,958,738)	(4,907,929)
Other comprehensive income			
Exchange differences on translating foreign controlled entities		(44,563)	44,563
Other comprehensive income/(loss) for the year, net of tax		(44,563)	44,563
Total comprehensive loss for the year		(7,003,301)	(4,863,366)
Earnings/(loss) per share			
Basic (cents per share)	17	(8.84)	(10.36)
Diluted (cents per share)	17	(8.84)	(10.36)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		$	$
Current Assets			
Cash and cash equivalents	6	2,140	2,982,968
Trade and other receivables	7	8,222	174,143
Other financial assets	8	-	38,550
Total Current Assets		10,362	3,195,661
Non-Current Assets			
Plant and equipment	9	-	215,554
Exploration and evaluation expenditure	10	1,300,000	1,576,849
Total Non-Current Assets		1,300,000	1,792,403
Total Assets		1,310,362	4,988,064
Current Liabilities			
Trade and other payables	11	1,066,828	674,434
Total Current Liabilities		1,066,828	674,434
Total Liabilities		1,066,828	674,434
Net Assets		243,534	4,313,630
Equity			
Contributed equity	12	12,757,392	10,137,187
Accumulated losses	13	(13,412,008)	(6,453,270)
Reserve	14	898,150	629,713
Total Equity		243,534	4,313,630

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Notes	30-Jun-11 $	30-Jun-10 $
Cash flows from operating activities			
Payments to suppliers and employees		(978,174)	(2,641,128)
Payments for exploration expenditure		(4,388,866)	(1,515,399)
Other Income		9,510	-
Net cash flows from/(used in) operating activities		(5,357,753)	(4,156,527)
Cash flows from investing activities			
Interest received		37,261	35,661
Proceeds from sale of property, plant and equipment		137,216	-
Purchase of property, plant and equipment		(72,997)	(240,986)
Net cash flows from/(used in) investing activities		101,480	(205,325)
Cash flows from financing activities			
Proceeds from issue of shares		2,405,242	7,696,240
Capital raising costs		(105,037)	(427,980)
Net cash flows from/(used in) financing activities		2,300,205	7,268,260
Net increase/(decrease) in cash and cash equivalents		(2,955,845)	2,906,408
Effect of exchange rates on cash holdings in foreign currencies		(24,983)	44,563
Cash and cash equivalents at beginning of period		2,982,968	31,997
Cash and cash equivalents at end of period	6	2,140	2,982,968

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
Balance at 30 June 2009	1,314,162	303,150	-	(1,545,341)	71,971
Loss for the year	-	-	-	(4,907,929)	(4,907,929)
Other comprehensive income	-	-	44,563	-	44,563
Total comprehensive income for the year	-	-	44,563	(4,907,929)	(4,863,366)
Issue of share capital	9,333,740	-	-	-	9,333,740
Share capital raising costs	(510,715)	-	-	-	(510,715)
Share based payments	-	282,000	-	-	282,000
Balance at 30 June 2010	10,137,187	585,150	44,563	(6,453,270)	4,313,630
Loss for the year	-	-	-	(6,958,738)	(6,958,738)
Other comprehensive income	-	-	(44,563)	-	(44,563)
Total comprehensive income for the year	-	-	(44,563)	(6,958,738)	(7,003,301)
Issue of share capital	2,725,242	-	-	-	2,725,242
Share capital raising costs	(105,037)	-	-	-	(105,037)
Share based payments	-	313,000	-	-	313,000
Balance at 30 June 2011	12,757,392	898,150	-	(13,412,008)	243,534

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

The financial report of Prospect Resources Limited (formerly Ethan Minerals Limited) ("the Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 28 June 2012.

Prospect Resources Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. These shares are currently suspended from trading.

The principal activity of the Company is exploration for mineral resources.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this report have been set out below.

a) Basis of Preparation

Incomplete records
The management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the DOCA was effectuated, being 28 March 2012.

The financial report was prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the periods presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the financial report, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrators for the period from their appointment on 1 July 2011.

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the company's financial position.

The financial report is a general purpose financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian Dollars unless otherwise noted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Going Concern

The consolidated entity incurred a net loss of $6,958,738 (2010: Loss $4,907,929) and experienced total cash outflows from operating activities of $5,382,513 (2010: outflows of $4,156,527) for the period ended 30 June 2011 and, as at that date, had net current deficiency of $1,056,466 (30 June 2010: net current assets $2,521,227).

The Directors note the following events took place:

- On 21 February 2011, the Company was suspended from trading on the ASX at its request. On 1 July 2011, Bradley Tonks and John Vouris of Lawler Partners were appointed administrators of the Company and assumed control of the Company and its business, property and affairs.
- A syndicate headed by Pager Partners (the Syndicate), were successful in winning a bid to recapitalise the company which was accepted at a meeting of the Company's creditors on 4 November 2011. The Deed of Company Arrangement (DOCA) was signed on 25 November 2011.
- Under the Proposal, it was agreed that $950,000 would be paid to the Deed Administrators for distribution under the DoCA via the Creditors' Trust. These funds were loaned to the Company by the Syndicate and the DoCA was fully effectuated on the 28 March 2012 and has therefore been terminated. . A Creditors' Trust Deed has been established pursuant to the DoCA to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance to be distributed to creditors as full and final payment of the Company's outstanding debts. All trade and other payables at 30 June 2011 have been transferred to the Creditors' Trust.
- On the 14 May 2012, the Company issued 100,000,000 ordinary shares and 60,000,000 options exercisable at $0.01, raising $251,500 before costs. On the 24 May 2012, the Company issued 190,000,000 ordinary shares raising $1,900,000 before costs. The Company used part of these funds to repay the $950,000 loan from the Syndicate, by either offsetting against securities applied for on 14 May 2012 and 24 May 2012, or via a cash payment on 5 June 2012.

The cash flow forecast indicates that based on the completion of the DoCA and the equity raising described above, the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for a period of at least 12 months from the date of signing this financial report. Accordingly, the directors are satisfied that the going concern basis of preparation is appropriate.

The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

c) Adoption *of new and revised Accounting Standards*

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

d) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 *Financial Instruments*, AASB 2009-11 and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*	1 January 2013	30 June 2014
• AASB 124 *Related Party Disclosures (2009)*, AASB 2009-12 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
• AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*	1 January 2011	30 June 2012
• AASB 2010-5 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
• AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*	1 July 2011	30 June 2012
• AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*	1 January 2012	30 June 2013
• AASB 1054 *Australian Additional Disclosures*	1 July 2011	30 June 2012
• AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*	1 July 2011	30 June 2012

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

(d) Standards and Interpretations in issue not yet adopted (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*	1 July 2011	30 June 2012
• AASB 10 *Consolidated Financial Statements*	1 January 2013	30 June 2014
• AASB 11 *Joint Arrangements*	1 January 2013	30 June 2014
• AASB 12 *Disclosure of Involvement with Other Entities*	1 January 2013	30 June 2014
• AASB 13 *Fair Value Measurement*	1 January 2013	30 June 2014
• AASB 119 *Employee Benefits*	1 January 2013	30 June 2014
• AASB 127 *Separate Financial Statements (2011)*	1 January 2013	30 June 2014
• AASB 128 *Investments in Associates and Joint Ventures*	1 January 2013	30 June 2014
• AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*	1 January 2013	30 June 2014
• AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*	1 January 2013	30 June 2014
• AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*	1 July 2012	30 June 2013
• AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*	1 January 2013	30 June 2014

** - These standards are not expected to have a significant impact*

e) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Prospect Resources Limited (formerly Ethan Minerals Limited) at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered of left the Group during the year, the financial performance of these entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Plant and equipment is depreciated on the straight-line method at the rate of 25% - 40%.
Motor vehicles are depreciated on the straight-line method at the rate of 20%.
Office furniture is depreciated on the straight-line method at the rate of 5% - 10%.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

g) Exploration and Evaluation Expenditure

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, claassified as tangible or intangible and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred. A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge to the profit and loss.

The recoverable amount of each area of interest is determined on an annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

h) Recoverable Amount of Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the asset does not generate cash inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

h). Recoverable Amount of Assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Investments and Other Financial Assets
All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognized on trade date which is the date on which the Company commits to purchase or sell the asset.

Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for Trading
Investments held for trading are measured at fair value with gains or losses recognised in the income statement. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge.

Investments held for trading are classified as current assets on the balance sheet.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category, and are classified as non-current assets. After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of equity (available-for-sale investments revaluation reserve). Where losses have been recognised in equity and there is objective evidence that the asset is impaired, the cumulative loss, being the difference between the acquisition cost and current fair value less any impairment loss previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through the statement of comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through the statement of comprehensive income where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in the statement of comprehensive income.

Loans and receivables
Non-current loans and receivables include loans due from related parties repayable no earlier than 365 days of balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is credited to the income statement immediately and amortised using the effective interest method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

j) Financial Instruments Issued by the Company

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

k) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

m) Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

n) Revenue

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

o) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

In principle, deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

o) Income Tax (continued)

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

p) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of balance sheet date are recognised in respect of employees' services rendered up to balance sheet date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the balance sheet date using the projected unit credit method.
Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at balance sheet date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Profit-sharing and Bonus Plans

The Group recognises an expense and a liability for bonuses and profit-sharing when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

Retirement Benefit Obligations

The Group has a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

q) Share-based Payments

The Group provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options is recognised as an expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the holder become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Prospect ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the income statement. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

r) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

s) Significant accounting judgments, estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a black and scholes model, using the assumptions detailed below. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a black and scholes formula taking into account the terms and conditions upon which the instruments were granted.

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

t) Contributed Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

u) Comparatives figures

Comparative figures have been restated when necessary.

v) Foreign currency translations

The functional and presentation currency of Prospect is Australian dollars (A$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement, except for differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

2. Summary of significant accounting policies (continued)

w) Interest in Joint Ventures

The consolidated Group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements. Details of the consolidated Group's interests are shown at Note 21.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group however will recognize the full amount of any loss when the contribution results in a reduction in the net realizable value of current assets or an impairment loss.

x) Critical Accounting Judgement and Key Sources of Uncertainty

In the application of the Group's accounting policies which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affect only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

y) Key Estimates - Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Other than the capitalised Exploration and Evaluation Expenditure, all assets have been impaired as a result of the appointment of the Administrators to the Company. Assets have been written down to the amounts recovered by the Administrators.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated 2011 $	Consolidated 2010 $
NOTE 3. REVENUE		
Interest	37,261	32,077
Sundry Income	9,510	-
Profit on sale of asset	13,130	-
Foreign exchange gain realised	340,294	-
	400,195	32,077
NOTE 4. EXPLORATION AND EVALUATION EXPENDITURE		
Exploration/evaluation expenditure expensed as incurred	4,880,523	2,906,447
	4,880,523	2,906,447

NOTE 5. INCOME TAX

There is no income tax expense recognised in the statement of comprehensive income for the reasons set out in note 2(b).

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	Consolidated 2010 $
Cash at bank	2,140	2,482,968
Term deposit	-	500,000
	2,140	2,982,968

RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

	2011	2010
Operating (loss) after tax	(6,958,738)	(4,907,929)
Non-cash items		
Depreciation and amortisation	32,891	30,827
Share based payment expense	313,000	282,000
Gain on sale of property, plant and equipment	(13,130)	-
Foreign exchange	(44,563)	-
Interest received	(37,261)	(32,077)
Impairment of exploration and evaluation expenditure	276,849	-
Impairment of property, plant and equipment	131,574	-
Impairment of receivable	64,967	-
Changes in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in receivables	139,504	(157,084)
(Decrease)/increase in payables	712,394	627,736
Net cash flows (used in) operating activities	**(5,382,513)**	**(4,156,527)**

NOTE 7. TRADE AND OTHER RECEIVABLES

	2011	2010
Other Receivables	3,883	46,430
Prepayments	-	34,053
GST receivable	4,339	93,660
	8,222	174,143

Receivables

These amounts generally arise from transactions during usual operating activities of the consolidated entity and are non-interest bearing. These amounts do not contain any impaired receivables, and are not considered overdue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 8. OTHER FINANCIAL ASSETS

	Consolidated 2011 $	2010 $
Option payments for project acquisition	-	38,550
	-	38,550

NOTE 9. PLANT AND EQUIPMENT

CONSOLIDATED	Computer Equipment at cost $	Motor Vehicle at cost $	Plant & Equipment at cost $	Total $
Gross carrying amount				
Balance at 1 July 2009	**10,576**	**-**	**3,500**	**14,076**
Additions	28,809	187,704	24,472	240,985
Balance at 30 June 2010	**39,385**	**187,704**	**27,972**	**255,061**
Additions	5,725	56,520	10,341	72,586
Write off / impairment	(45,110)	(76,992)	(38,313)	(160,415)
Sale	-	(167,232)	-	(167,232)
Balance at 30 June 2011	**-**	**-**	**-**	**-**
Accumulated depreciation/recognised and impairment				
Balance at 1 July 2009	**(7,106)**	**-**	**(1,575)**	**(8,681)**
Depreciation expense	(8,141)	(20,960)	(1,726)	(30,827)
Balance at 30 June 2010	**(15,247)**	**(20,960)**	**(3,301)**	**(39,508)**
Depreciation expense	(4,421)	(25,936)	(2,533)	(32,890)
Write off / impairment	19,668	46,896	5,834	72,398
Balance at 30 June 2011	**-**	**-**	**-**	**-**
Net book value				
As at 30 June 2010	24,138	166,744	24,671	215,553
As at 30 June 2011	**-**	**-**	**-**	**-**

The Administrators sold all plant and equipment of value. Plant and equipment has been impaired to its recovered amount with the balance impaired

	Consolidated 2011 $	2010 $
NOTE 10. EXPLORATION, EVALUATION AND DEVELOPEMENT		
Opening balance	1,576,849	100,000
Tenement acquisition cost	-	1,476,849
Impairment provision	(276,849)	-
Closing balance	1,300,000	1,576,849

The Board of Directors undertook an impairment review of the Group's exploration and evaluation assets as at 30 June 2011 resulting in an impairment charge for the current year of $276,849 (2010: $Nil). The impairment charge relates to costs capitalised on mineral licences held in the company's subsidiaries that have been deemed unrecoverable.

NOTE 11. TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	633,644	334,201
Accruals	416,872	12,000
Debt settlement payable	-	320,000
Other payables	16,312	8,233
	1,066,828	674,434

The average credit period on purchase of goods is within 30 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 12. CONTRIBUTED EQUITY

Issued Capital	**No. Shares**	**$**
82,593,287 fully paid ordinary shares (2010: 69,260,250)	82,593,287	12,757,392
Balance at 1 July 2009	24,706,250	1,314,162
Share issue – at $0.10 each	3,725,000	372,500
Initial public offering – at $0.20 each	25,000,000	5,000,000
Share issue – Vendors deemed at $0.20 each	6,500,000	1,300,000
Share issue – consultant deemed at $0.20 each	1,000,000	200,000
Share issue – consultant deemed at $0.195 each	500,000	97,500
Conversion of unlisted options exercised at $0.20 each	731,000	146,200
Conversion of unlisted options exercised at $0.23 each	598,000	137,540
Share issue – placement at $0.32 each	6,500,000	2,080,000
Cost of capital raising	-	(510,715)
Balance at 30 June 2010	69,260,250	10,137,187
Conversion of unlisted options exercised at $0.20 each	210,000	42,000
Share issue - Directors deemed at $0.20 each	1,600,000	320,000
Share issue – consultant deemed at $0.35 each	750,000	262,500
Share issue – placement at $0.195 each	10,773,037	2,100,742
Cost of capital raising	-	(105,037)
Balance at 30 June 2011	**82,593,287**	**12,757,392**

Unlisted Options

At 30 June 2011, the Company had on issue 14,961,000 unlisted options. The options carry no rights to dividend and no voting rights. The details of the unlisted options are:

9,701,500	options exercisable at $0.20 expiring 18 October 2012
857,500	options exercisable at $0.20 expiring 5 November 2013
1,000,000	options exercisable at $0.23 expiring 3 December 2011
1,402,000	options exercisable at $0.23 expiring 8 December 2011
2,000,000	options exercisable at $0.23 expiring 30 July 2012

Movements in unlisted share options	**No. Options**
Balance at beginning of financial year	**13,171,000**
Issued to consultants during the year (exercise price of $0.23 expiring 30 July 2012)	2,000,000
Options Exercised at $0.20 each	(210,000)
Balance at 30 June 2011	**14,961,000**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011	2010
	$	$
NOTE 13. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(6,453,270)	(1,545,341)
Net loss	(6,958,738)	(4,907,929)
Accumulated losses at end of year	**(13,412,008)**	**(6,453,270)**

NOTE 14. RESERVE

Share Option Reserve

Balance at beginning of year	**585,150**	**303,150**
Recognition of share based payment expense	313,000	282,000
Balance at end of year	**898,150**	**585,150**

The share option reserve is used to recognise the fair value of options issued to the corporate consultants and to related parties.

Foreign Currency Translation Reserve

Balance at beginning of year	**44,563**	-
Recognition of foreign currency translation	(44,563)	44,563
Balance at end of year	-	**44,563**

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

RESERVE

Balance at end of year	**898,150**	**629,713**

NOTE 15. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments
In order to maintain an interest in the mining and exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

Not longer than 1 year	366,000	261,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	366,000	261,000

(b) Operating Lease Commitments
The Company has no operating lease commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 16. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expense
The expense recognised for employee and consultant services during the year is shown in the table below:

	Consolidated 2011 $	Consolidated 2010 $
Expense arising from equity-settled share-based payment transactions	313,000	282,000

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Issued 18 Oct 2007(i)	9,701,500	18/10/2007	18/10/2012	$0.20	$0.0246
Issued 5 Nov 2008 (ii)	857,500	5/11/2008	5/11/2013	$0.20	$0.0381
Issued 2 Dec 2009 (iii)	1,000,000	2/12/2009	3/12/2011	$0.23	$0.0962
Issued 9 Dec 2009 (iv)	1,402,000	9/12/2009	8/12/2011	$0.23	$0.0929
Issued 30 July 2010 (iv)	2,000,000	30/07/2010	30/07/2012	$0.23	$0.1565

(i) Options issued during financial year ended 30 June 2008, these options vest at grant date. 9,000,000 options were escrowed under the ASX Listing Rule. These 9,000,000 options will be released from escrow on the 3 December 2011.
(ii) Options issued during the financial year ended 30 June 2009 vest at the date of their issue.
(iii) Options issued on the 2 December 2009 will vest 3 December 2011.
(iv) Options issued on 9 December 2009 and 30 July 2010 vest at the date of their issue.

(b) Types of share-based payment plans
As provided for in the Prospectus, the Company entered into an agreement to grant 1,000,000 unlisted share options to Precinct Eight in exchange for the provision of exclusive financial advisory and other services. On 9 December 2009, an additional 2,000,000 share options were issued to Precinct Eight as part of a new Corporate Services Agreement dated 5 December 2009.

The exercise price of the options is $0.23. The options will become exercisable immediately and expire on 3 December 2011 and 8 December 2011 respectively. The fair value of the options granted is estimated as at the date of grant using a BlackScholes calculation model, taking into account the terms and conditions upon which the options were granted. The estimated total fair value of the options granted is $282,000.

The following table lists the inputs to the model used for the year ended 30 June 2011 and 30 June 2010:

No. of options	2,000,000	1,000,000	2,000,000
Grant date	10 July 2010	2 December 2009	9 December 2009
Share price	$0.2700	$0.2000	$0.1950
Exercise price	$0.23	$0.23	$0.23
Interest rate	4.5%	3.25%	3.25%
Expiry date	9 July 2012	3/12/2011	8/12/2011
Volatility	100%	100%	100%
Value per option	0.1565	0.0962	0.0929

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 16. SHARE-BASED PAYMENTS (continued)

(c) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	2011 No	2011 WAEP	2010 No	2010 WAEP
Outstanding at the beginning of the year	13,171,000	0.20	11,500,000	0.20
Granted during the year	2,000,000	0.23	3,000,000	0.23
Exercised during the year	(210,000)	-	(1,329,000)	-
Outstanding at the end of the year	14,961,000	0.208	13,171,000	0.206

(d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.14 years (2010: 2.28 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.20-$0.23 (2010: $0.20-$0.23).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.23 (2020: $0.23).

(g) Share options exercised during the year

2011 Options series	Number exercised	Exercise date	Share price at exercise date
Issued 5 November 2008	45,000	2/07/2010	$0.39
Issued 5 November 2008	45,000	5/07/2010	$0.37
Issued 5 November 2008	30,000	15/07/2010	$0.38
Issued 5 November 2008	40,000	23/07/2010	$0.35
Issued 5 November 2008	50,000	30/07/2010	$0.35

2010 Options series	Number exercised	Exercise date	Share price at exercise date
Issued 5 November	300,000	19 May 2010	$0.39
Issued 5 November	15,000	24 May 2010	$0.365
Issued 9 December	100,000	1 June 2010	$0.375
Issued 18 October 2007	50,000	4 June 2010	$0.345
Issued 18 October 2007	83,500	7 June 2010	$0.345
Issued 9 December	80,000	8 June 2010	$0.335
Issued 9 December	43,000	15 June 2010	$0.325
Issued 18 October 2007	165,000	11 June 2010	$0.325
Issued 9 December	85,000	11 June 2010	$0.325
Issued 9 December	125,000	18 June 2010	$0.32
Issued 5 November	50,000	18 June 2010	$0.32
Issued 9 December	165,000	28 June 2010	$0.30
Issued 5 November	67,500	28 June 2010	$0.30

(h) Issue of shares during the year

During the year, the Company issued in total 13,330,037 fully paid ordinary shares. Details of the share issued are listed under note 12.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011(continued)

NOTE 17. EARNINGS PER SHARE

	Consolidated	
	2011	**2010**
Basic loss per share (cents per share)	8.84	10.36
Amount used in the calculation of basic EPS	(6,958,738)	(4,907,929)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	78,756,985	47,399,194

The options of the Company are not considered dilutive for the purpose of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit per share nor increase the net loss per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 18. FINANCIAL RISK MANAGEMENT

The Company entered External Administration on 1 July 2011 and the Company's operations were suspended by the Administrators. The current directors are not aware whether the Company followed its financial risk management program for the full period of this report.

(i) Maturity analysis of financial assets and liability based on contractual maturities.

Management's expectations are similar to contractual maturities.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Prospect Resources Limited (formerly Ethan Minerals Limited) has established comprehensive risk reporting covering its business units that reflects expectations of the management of expected settlement of financial assets and liabilities.

The Group hold the following financial assets and liabilities expected to be realized within the next 6 months:

		Consolidated	
		2011	**2010**
		$	**$**
Financial assets			
Cash and cash equivalents		2,140	2,982,968
Trade and other receivables		8,222	174,143
Other financial assets		-	38,550
		10,362	**3,195,661**
Financial liabilities			
Trade and other payable	(a)	1,066,828	674,434
		1,066,828	**674,434**

(a) The Company paid $950,000 to the Deed Administrators for distribution under the DoCA via the Creditors' Trust. These funds were loaned to the Company by the Syndicate and the DoCA was fully effectuated on the 28 March 2012 and has therefore been terminated. . A Creditors' Trust Deed has been established pursuant to the DoCA to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance to be distributed to creditors as full and final payment of the Company's outstanding debts. All trade and other payables at 30 June 2011 have been transferred to the Creditors' Trust.

(ii) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximate their carrying amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011(continued)

NOTE 19. SEGMENT INFORMATION

Description of segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Boar of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group was engaged in exploration for minerals in Australia, Indonesia and Zambia. The operations were located i Australia, Indonesia and Zambia with the head office being in Australia.

	Australia		Indonesia		Zambia		Consolidated	
Geographical segments	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Revenue								
Other external revenue	400,195	31,841	-	236	-	-	400,195	32,077
Total segment revenue	400,195	31,841	-	236	-	-	400,195	32,077
Results								
Segment net profit/(loss) before tax	(3,112,232)	(3,717,191)	(833,284)	(836,071)	(3,013,222)	(354,667)	(6,958,738)	(4,907,929)
Assets								
Segment assets	1,310,362	4,804,435	-	164,609	-	19,020	1,310,362	4,988,064
Liabilities								
Segment liabilities	788,946	470,469	-	64,505	277,882	139,460	1,066,828	674,434

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 2.

Depreciation	32,890	29,377	-	-	-	1,450	32,890	30,827

NOTE 20. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2011.

NOTE 21. INTERESTS IN JOINT VENTURE

A controlled entity, Allegra Mining Zambia Limited ("Allegra"), was party to joint venture agreements in respect (exploration licenses for a manganese prospect in Zambia.

The completion conditions in relation to these agreements do not appear to have been satisfied. The Administrato received limited interest from the public in relation to the possible purchase of Allegra and did not anticipate makin any material recoveries from Allegra or its agreements. Upon effectuation of the DoCA on 28 March 2012, th Company's shareholding in Allegra was transferred to the Creditors Trust to be dealt with by the Administrators.

Accordingly, the Directors of the Company have assessed the carrying value of Allegra as $Nil. As such, the compar has written off its investment and any receivables from Allegra to $Nil.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

The consolidated Group's assets employed in the JV is:

	Consolidated 2011 $	2010 $
NON-CURRENT ASSETS		
Property, plant and equipment	-	20,471
Accumulated depreciation	-	(1,450)
TOTAL NON-CURRENT ASSETS	-	19,021
Share of total assets of joint venture	-	19,021
Net interest in joint venture	-	19,021

NOTE 22. SUBSEQUENT EVENT

On 1 July 2011, Bradley Tonks and John Vouris of Lawler Partners were appointed Administrators of the Company and assumec control of the Company and its business, property and affairs.

The Administrators subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties Pager Partners put forward a recapitalisation proposal which was accepted at a meeting of the Company's creditors on 4 Novembe 2011. The DOCA was signed on 25 November 2011.

Under the Proposal, it was agreed that $950,000 would be paid to the Deed Administrators for distribution under the DoCA via th Creditors' Trust. These funds were loaned to the Company by Pager Partners and/or its associates. A Creditors' Trust Deed ha been established pursuant to the DoCA to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and th Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. Al trade and other payables at 30 June 2011 have been transferred to the Creditors' Trust. The DoCA was fully effectuated on the 2 March 2012 and has therefore been terminated.

On the 14 May 2012, the Company issued 100,000,000 ordinary shares and 60,000,000 options exercisable at $0.01, raisin $251,500 before costs. On the 24 May 2012, the Company issued 190,000,000 ordinary shares raising $1,900,000 before costs The Company used part of these funds to repay the $950,000 loan from Pager Partners and/or its associates, by either offsettin against securities applied for on 14 May 2012 and 24 May 2012, or via a cash payment on 5 June 2012.

The Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relatio to the reinstatement of Prospect Resources Limited's (formerly Ethan Minerals Limited) securities for trading on the ASX.

On the 7 March 2012, the Company received a letter from the Department of Mines and Petroleum regarding the non complianc with the expenditure condition for tenements E66/53, E66/64 and E66/73 for the period prior to the appointment of the currer directors. They advised that the department would impose penalties/fines totaling $13,351 as an alternative to the forfeiture of th above licenses. This amount has been paid.

NOTE 23. AUDITOR'S REMUNERATION	Consolidated 2011 $	2010 $
Audit services (PKF)	-	14,912
Audit services (Deloitte Touche Tohmatsu)	42,038	12,000
	42,038	26,912

NOTE 24. CONTROLLED ENTITIES

	Country incorporation	Ownership interest 2011	2010
Parent entity			
Prospect Resources Limited (formerly Ethan Minerals Limited)			
Entities controlled by Parent			
Allegra Mining Zambia Ltd	Zambia	100%	100%
PT Ethan Mining Celebes Ltd	Indonesia	100%	100%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

(i) Directors

The following persons were directors of Prospect Resources Limited (formerly Ethan Minerals Limited) during (or after) the financial year:

Mr Graham Anderson	Chairman (Resigned 14 October 2010)
Mr Kenneth Fitzgerald	Executive Director (Resigned 3 January 2012)
Ms Julie Glanville	Executive Director (Resigned 3 January 2012)
Mr Nigel Ferguson	Non-Executive Director (Resigned 12 July 2010)
Mr Douglas William O'Neill	Non-Executive Director (Appointed 14 October 2010; resigned 1 July 2011)
Mr Ken Robson	Executive Chairman (Appointed 3 May 2011; resigned 27 June 2011)
Jonathan Pager	Director (appointed 3 January 2012)
Michael Pollak	Director (appointed 3 January 2012)
Hugh Warner	Director (appointed 3 January 2012)

(ii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Mr Leonard Math	Company Secretary (Resigned 3 September 2010)
Mr Kim Francis	Company Secretary (Appointed 30 November 2011; resigned 3 January 2012)
Mr Neil Hackett	Company Secretary (Appointed 3 January 2012; resigned 16 April 2012)
Mr Andrew Whitten	Company Secretary (Appointed 16 April 2012)

b) Key Management Personnel Compensation

The aggregate compensation made to Key Management Personnel of the group is set out below:

	Consolidated	
	2011	**2010**
Short-term employee benefits	371,073	959,500
	371,073	959,500

c) Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2011	**Balance 1 July 10**	**Conversion of debt**	**On exercise of options**	**Net change other**	**Balance 30 June 11**
Graham Anderson	1,500,000	-	-	-	1,500,000
Ken Fitzgerald	1,500,000	800,000	-	(400,000)*	1,900,000
Julie Glanville	1,500,000	800,000	-	-	2,300,000
Nigel Ferguson	1,550,000	-	-	-	1,550,000
Douglas William O'Neill	-	-	-	260,000**	260,000
Executives					
Leonard Math	-	-	-	-	-
	6,050,000	1,600,000	-	(140,000)	7,510,000

Ordinary Shares Held at 30 June 2010	**Balance 1 July 09**	**Granted as remuneration**	**On exercise of options**	**Net change other***	**Balance 30 June 10**
Graham Anderson	1,500,000	-	-	-	1,500,000
Ken Fitzgerald	1,500,000	-	-	-	1,500,000
Julie Glanville	1,500,000	-	-	-	1,500,000
Nigel Ferguson	1,550,000	-	-	-	1,550,000
Executives					
Leonard Math	-	-	298,500	(298,500)*	-
	6,050,000	-	298,500	(298,500)	6,050,000

**Relates to shares disposed during the period*

** Shares held on appointment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

Options Held at 30 June 2011	Balance 1 July 10	Granted as per shareholders approval	Options exercised	Net change other	Balance 30 June 11
Graham Anderson	1,500,000	-	-	-	1,500,000
Ken Fitzgerald	3,000,000	-	-	-	3,000,000
Julie Glanville	3,000,000	-	-	-	3,000,000
Nigel Ferguson	1,500,000	-	-	-	1,500,000
Douglas William O'Neill	-	-	-	1,000,000**	1,000,000
Executives					
Leonard Math	201,500	-	-	-	201,500
	9,201,500	-	-	1,000,000	10,201,500

Options Held at 30 June 2010	Balance 1 July 09	Granted as per shareholders approval	Options exercised	Net change other	Balance 30 June 10
Graham Anderson	1,500,000	-	-	-	1,500,000
Ken Fitzgerald	3,000,000	-	-	-	3,000,000
Julie Glanville	3,000,000	-	-	-	3,000,000
Nigel Ferguson	1,500,000	-	-	-	1,500,000
Executives					
Leonard Math	500,000	-	(298,500)	-	201,500
	9,500,000	-	(298,500)	-	9,201,500

** Options held on appointment

NOTE 26. RELATED PARTY TRANSACTIONS

Ethan Park Contractors

The company paid $99,364 (2010: $70,000) to Ethan Park Contractors for the services of Ms Julie Glanville as Executive Directors. Ms Glanville is a Director and beneficiary of Ethan Park Contractors.

Ridgeback Holdings Pty Ltd

The company paid $40,000 (2010: $16,667) to Ridgeback Holdings Pty Ltd for the services of Mr Nigel Ferguson as Non-Executive Director and $0 (2010: $127,333) for geology consultancy services to the Company. Mr Ferguson is a Director and beneficiary of Ridgeback Holdings Pty Ltd.

Neening Park Contractors

The company paid $128,909 (2010: $70,000) to Neening Park Contractors for the services of Mr Ken Fitzgerald as Executive Directors. Mr Fitzgerald is a Director and beneficiary of Neening Park Contractors.

Holesmore Pty Ltd

The company paid $56,000 (2010: Nil) to Holesmore Pty Ltd for the services of Mr Douglas William O'Neill as Non-Executive Director. Mr O'Neill is a Director and beneficiary of Holesmore Pty Ltd.

Graham Anderson Pty Ltd

The company paid $20,000 (2010: $35,000) to Graham Anderson Pty Ltd for the services of Mr Graham Anderson as Chairman. Mr Anderson is a Director and beneficiary of Graham Anderson Pty Ltd.

GDA Corporate

GDA Corporate, a company of which Mr Graham Anderson is a Director and Leonard Math is an employee, provided company secretarial, accounting and other corporate services to Prospect Resources Limited (formerly Ethan Minerals Limited)during the period. The amount paid was $26,800 (2010: $60,500).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (continued)

NOTE 26. RELATED PARTY TRANSACTIONS (continued)

Cat Tech Limited

Cat Tech Limited, a company of which Mr Graham Anderson is a Director, provided computer softwares, hardware and support to Prospect Resources Limited (formerly Ethan Minerals Limited) during the year. The amount paid and payable for the year was $19,298 (2010:$42,082).

Debt Settlement

The Company has reached an agreement with Ms Julie Glanville and Mr Ken Fitzgerald ("Debt Settlement Agreement") in relation to services provided by Ms Glanville and Mr Fitzgerald to the Company prior to the Company obtaining approval to list on the ASX. Pursuant to the Debt Settlement Agreement, Ms Glanville and Mr Fitzgerald have agreed to payment in full satisfaction of the services claim of $520,000 made part by cash and part by the issue of shares in the Company at $0.20 each.

During 2010, $200,000 cash was paid and the balance of $320,000 was to be settled through the issue of 800,000 shares each.

On 13 July 2010, the shareholders approved the issue of 800,000 shares each to Mr Ken Fitzgerald and Ms Julie Glanville as a debt settlement. The shares were subsequently issued on the 26 July 2010 to settle the debt in full.

NOTE 27. PROPECT RESOURCES LIMITED (FORMERLY ETHAN MINERALS LIMITED) PARENT COMPANY INFORMATION

	Company	
	2011	2010
	$	$
ASSETS		
Current Assets	10,362	4,156,891
Non-current Assets	1,300,000	1,773,387
TOTAL ASSETS	**1,310,362**	**5,930,278**
LIABILITIES		
Current Liabilities	788,946	470,473
TOTAL LIABILITIES	**788,946**	**470,473**
EQUITY		
Contributed equity	12,757,392	10,137,187
Reserve	898,150	585,150
Retained earnings	(13,134,126)	(5,262,532)
	521,416	5,459,805
FINANCIAL PERFORMANCE		
Loss for the year	7,871,594	3,717,191
Other comprehensive income	-	44,563
Total comprehensive income	**7,871,594**	**3,761,754**

CONTINGENT LIABILITIES

As at 30 June 2011, the Company did not have any contingent liabilities.

CONTRACTUAL COMMITMENTS

As at 30 June 2011, the Company has exploration commitments which are included in Note 15.

The accounting policies for the parent are consistent with those included in Note 2.

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The Board of Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
Subiaco, WA 6008

28 June 2012

Dear Board Members

Prospect Resources Limited (formerly Ethan Minerals Limited)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Prospect Resources Limited (formerly Ethan Minerals Limited).

As lead audit partner for the audit of the financial statements of Prospect Resources Limited (formerly Ethan Minerals Limited) for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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Independent Auditor's Report to the members of Prospect Resources Limited (formerly Ethan Minerals Limited)

Report on the Financial Report

We have audited the accompanying financial report of Prospect Resources Limited (formerly Ethan Minerals Limited), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 13 to 39.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Prospect Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Disclaimer of Opinion

As stated in Note 2(a) to the financial report, Prospect Resources Limited went into voluntary administration on 1 July 2011. The directors state that they have not been able to obtain all the books and records of the consolidated entity for the period prior to their appointment and have prepared the financial report based on the information made available to them at the time of preparation of the financial report. As the remaining accounting and statutory records are not adequate to permit the application of necessary audit procedures, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Report on Other Legal and Regulatory Requirements

Due to the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been given all information, explanation and assistance necessary for the conduct of the audit; and we are unable to determine whether the company has kept:

(a) financial records sufficient to enable the financial report to be prepared and reviewed; and

(b) other records and registers as required by the *Corporations Act 2001*.

Report on the Remuneration Report

The Remuneration Report is included in pages 8 to 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Remuneration Report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 28 June 2012

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement below reflects the corporate governance policies that were adopted by the directors of the Company who were in office prior to the company entering administration. These policies applied until the Company entered voluntary administration on 1 July 2011. On entering administration, the Administrators were responsible for the corporate governance of the Company.

The directors who are in office at the date of signing this report had no involvement in adopting, implementing or complying with these corporate governance policies.

If the recapitalisation proposal is successful, the directors who are in office at the date of this report will adopt a new corporate governance policy.

Prospect's Directors are committed to the standards of corporate governance. This statement describes the Company's corporate governance framework. As a listed entity, the Company is required to disclose the extent to which it has followed the 'Corporate Governance Principles and Recommendations 2nd Edition' issued by the ASX Corporate Governance Council ('Governance Recommendations'). Details of the Company's compliance with the Governance Recommendations are set out in the relevant sections of this statement.

ASX Principle 1: Lay Solid Foundations for management and oversight *Companies should establish and disclose the respective roles and responsibilities of board and management*	**Comment/Response by Company**
ASX Recommendations	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board is currently comprised of two Executive Directors and a Chairman, and Management of the Company is carried out by the Executive Directors with delegation to staff. The full board meets on a regular basis for both management and board meetings.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	There are currently no senior executives employed in the Company. The Company currently comprises two Executive Directors and a Chairman. The Company uses consultants for geological and company secretarial functions and pays market rates for experienced professionals.
1.3 Companies should provide the information indicated in the Guide to reporting to Principle 1.	Refer comments above.
ASX Principle 2: Structure the Board to add value *Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*	**Comment/Response by Company**

ASX Recommendations 2.1 A majority of Board members should be independent Directors	Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises 3 Directors, of whom none of the Directors are independent. The Board believes that this is appropriate and acceptable at this stage of the Company's development. The Company considers the expense of sourcing additional Directors at this stage of its development is unwarranted. The roles and functions within the Company must remain flexible in order for it to best function within its level of available resources. The Board believes the alignment of the interests of Directors with those of shareholders as being the most efficient way to ensure shareholders interests are protected.
2.2 The Chairperson should be an independent Director	The Company's former Chairman, Mr Graham Anderson, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of an independent director. However, the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.
2.3 The roles of Chairperson and chief executive officer should not be exercised by the same individual	The positions of Chairman and Executive Directors are held by separate persons.
2.4 The Board should establish a nomination committee	The Company does not apply with this recommendation as the Company is not of a size at the moment that justifies having a separate nomination committee. However, matters typically dealt with by such a Committee are dealt with by the full Board.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Refer comments above.
2.6 Companies should provide the information in the guide to reporting on Principle 2.	Refer comments above.
ASX Principle 3: Promote ethical and responsible decision-making *Companies should actively promote ethical and responsible decision-making.*	**Comment/Response by Company**
ASX Recommendations 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities. The Board has adopted a Board Code of Conduct.

3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	The Board has adopted a Share Trading Policy.
3.3 Companies should provide the information in the guide to reporting on Principle 3.	Refer comments above.
ASX Principle 4: Safeguard integrity in financial reporting *Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.*	**Comment/Response by Company**
ASX Recommendations 4.1 The Board should establish an audit committee	The Board considers that the Company is not of a size, nor its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Board acknowledges this does not comply with recommendation 4.1 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of an audit committee will be reviewed by the Board and implemented if appropriate. The Managing Director and Chief Financial Officer are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.
4.2 The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members.	Refer comments above.
4.3 The audit committee should have a formal charter	Refer comments above.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Refer comments above.
ASX Principle 5: Make timely and balanced disclosure *Companies should promote timely and balanced disclosure of all material matters concerning the company.*	**Comment/Response by Company**

ASX Recommendations 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Due to its size and structure the Board is able to meet on a regular basis for both management and Board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full Board is accountable for ASX compliance.
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	See comments above.
ASX Principle 6: Respect the rights of shareholders *Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.*	**Comment/Response by Company**
ASX Recommendations 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company keeps shareholders and the market regularly informed through the annual, half year and quarterly reports. The Company discloses material developments to the ASX and the media as required. All announcements are also available from the Company's website. The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification of the Company's strategies and goals.
6.2 Companies should provide the information in the guide to reporting on Principle 6.	Refer comments above.
ASX Principle 7: Recognise and manage risk *Companies should establish a sound system of risk oversight and management and internal control.*	**Comment/Response by Company**
ASX Recommendations 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	In view of the size of the Company and the nature of its activities, the Board has considered that establishing a formally constituted risk oversight and management committee would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Refer comments above.

7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial office (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Managing Directors and Chief Financial Officer are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act and any other matters that are prescribed by the Regulations for the purpose of Section 295S(2) in relation to the financial statements and notes for the financial year are satisfied.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Refer comments above.
ASX Principle 8: Remunerate fairly and responsibly *Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.*	**Comment/Response by Company**
ASX Recommendations 8.1 The Board should establish a remuneration committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company. The Board acknowledges this does not comply with recommendation 8.1 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate. In addition, all matters of remuneration will continue to be determined in accordance with Corporation Act requirements, especially in respect of related party transactions. That is, no Directors participate in any deliberations regarding his or her own remuneration or related issues.
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Executive Directors are paid consulting fees to an entity which he controls. Directors' fees are paid separately to all Directors. Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	See comments above and refer to the Remuneration Report included in the Directors' Report in the Annual Report.