ANNUAL REPORT

30 JUNE 2018

ACN 124 354 329

Prospect Resources

CORPORATE DIRECTORY

DIRECTORS

Hugh Warner
Sam Hosack
Harry Greaves
Gerry Fahey
Zed Rusike
HeNian Chen

SECRETARY

Andrew Whitten

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ASX CODE

Shares – PSC

LEGAL REPRESENTATIVES

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Sydney, NSW 2000

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CHAIRMAN'S STATEMENT

The Financial Year Ended 30 June 2018 has been an exciting one for Prospect Resources (ASX: PSC) ("Prospect", the "Company"), as we transition from explorer to developer. Recognising the different challenges presented by this transition, we are very excited to have appointed Sam Hosack as our Managing Director. Sam brings with him a wealth of development experience and has been given a simple mandate; to successfully deliver the Arcadia project to its true potential as a first step in growing Prospect into a dynamic mining company, with a clear focus on stakeholder value.

It is a core belief of Prospect's Board of Directors that the intrinsic value of a company lies with its people, and ultimately, investors and financiers back people to develop projects. If you build a technically capable and dynamic team with a track record of success and a willingness to identify and invest in the next generation of mining professionals, then the other building blocks fall into place. As noted in his MD's address to shareholders in August, Sam has built a strong team of mine development personnel to support him. We are extremely proud of the calibre of individuals we have on board, and we feel we are well positioned to deliver on our vision.

Our exploration team has been instrumental in Prospect's success to date, having recognised Arcadia's potential to be a globally significant lithium project. Now that we have the development team to complement their capabilities, we have challenged them to find Prospect's next Arcadia, and to provide a pipeline of projects upon which we can grow Prospect and deliver value to our shareholders.

Having acknowledged our exploration strategy, and our grand ambitions for growth, I must stress that our immediate focus is on the successful delivery (and subsequent operation) of the Arcadia project. We appreciate that our shareholders have been very patient with us this year.

The drop in the share price of Prospect has not been lost on our team. We would like to assure our shareholders that every effort is being invested into forming a plan that capitalises on this great asset over the long term, providing a basis for strong recovery of our market value. The Arcadia project is currently at a critical stage in its development where design, procurement and financing decisions have far reaching implications over the considerable life of mine. We are making sure that we take the time to optimise the project appropriately, without losing sight of the urgency that we all feel to get Arcadia into production. We expect the Arcadia Lithium Mine to be the first new lithium mine on the African Continent in the last 50 years.

Aligned with this approach, we have instigated a review of our proposed mine size and process volumes with the expectation that a larger operation will generate economies of scale and bring forward value to all stakeholders. Given the significant size of the deposit (over 20 years at 1.2Mtpa), a PFS is currently underway to evaluate the merits of different throughput scenarios up to 2.4Mtpa. This study will ensure that we are sizing the mine and plant appropriately and will prescribe the stages of development and growth necessary to best achieve full value for our shareholders. Our objective is to ensure that Arcadia is in the most competitive quartile of developers from both a capital employed perspective, as well as in terms of its cash cost of production. This will position PSC competitively within the current lithia concentrate market, an investment against increased competition in the production setting.

The key point is that under Sam's leadership, we are sizing for the future now to minimise capital redundancy. Our haul roads, crusher circuits, plant layouts etc. are all being designed with the bigger picture in mind. This approach has been driven by the many years of mine design and construction experience our team has under their belts, and a strong understanding and recognition of the complexities that mine and plant upgrades bring.

Ahead of construction, we are working with potential offtakers and financiers to meet our funding requirements, which will be dictated by the updated feasibility work. During the financial year we raised some A$20m in new equity, of which A$10m was contributed by our offtake partner, Sinomine. Additionally, Sinomine has provided a US$10m offtake prepayment facility, which will be available to Prospect on installation of the ball mill. We see this as a strong endorsement by Sinomine of our ability to deliver the project to specification. The placement and facility resulted from a renegotiation of the offtake agreement, which also provided improved concentrate pricing and delivered control of the design and build of the plant back to Prospect. We now have the flexibility necessary to size the project as determined by the upcoming feasibility update.

I expect that shareholders would also like to read our views on Zimbabwe and its future. In 2018, Zimbabwe held its general election. A challenge to the result was heard in an open court, televised live across the nation. The result was confirmed by the courts and President Mnangagwa was sworn in as the Country's President.

We are not a company that participates in politics in any country we operate in. We welcome the stability that the new government offers to Zimbabwe and their efforts to attract foreign investors and accordingly, we expect to significantly increase our investment in Zimbabwe in the 2019 Financial Year. Our experience with the new Zimbabwe government has been one of continued support to Prospect and the Arcadia Lithium Mine, evidenced by a US$10m export finance facility (loan) from CBZ Bank of Zimbabwe, which was announced subsequent to financial year end.

There are many challenges facing Zimbabwe as it seeks to re-engage with the world and re-establish its economy. One of the first challenges is to refinance the economy. It may well come to pass that Zimbabwe looks to devalue its basket of goods against other countries. If this eventuates, we expect that the Arcadia Lithium Mine will receive a boost to its profitability as it will be a US$ revenue earner and a local currency spender. Our budgets however, do not try to predict such outcomes, rather we have budgeted the status quo. We see the potential changes happening within the economy of Zimbabwe over the coming years as upside to Prospect and the Arcadia Lithium Mine.

Prospect is excited to be a part of the Zimbabwe story. As a large foreign investor in the country, we are creating jobs and industry. Zimbabwe has a rich mining tradition and hosts a well-educated workforce who are excited to participate in the growth of their country.

In summary, the plan for the upcoming Financial Year is to determine the optimum size of the Arcadia Lithium Mine; complete the financing and bring the Arcadia Lithium Mine into production. Something that our team is eminently qualified to achieve.

Hugh Warner
Executive Chairman

28 September 2018

REVIEW OF OPERATIONS

Below is a summary of key operational announcements made during the financial year. Please use the summary as a memory prompt of how much our team has achieved in the period.

Please also refer to the Company's website (www.prospectresources.com.au) as an additional source of information on Prospect. Coming to our website shortly will be regular drone footage of the mine site development so all shareholders can gain a birdseye overview of our progress. This will also serve as a performance measure by which our team can be judged.

September 2017 Quarterly

3 July	Release of Pre-Feasibility Study for Arcadia Lithium Project
19 July	First lithium samples sent to customers
3 August	Significant Mineral Resource Estimate upgrade – Arcadia Lithium Project
4 September	Bulk and grade control sampling commences

December 2017 Quarterly

18 October	Trial mining sampling results – Arcadia Lithium Project
23 October	New mineralised zone discovered – Arcadia Lithium Project
25 October	Significant Mineral Resource estimate upgrade – Arcadia Lithium Project
30 October	Grant of National Project Status - Arcadia Lithium Project
31 October	99.5% Battery grade lithium carbonate produced from Arcadia petalite
10 November	Offtake and Placement and Framework Agreements
24 November	Good Days Option Extension
6 December	Significant Increase in Ore Reserves – Arcadia
18 December	Prospect Produces Ultra-High Purity Lithium Carbonate

March 2018 Quarterly

17 January	New Zimbabwe Government gives Priority Status to Arcadia
31 January	Prospect Raises A$10,000,000 via share placement
2 February	Prospect acquires option over Tombolo Copper/Cobalt Project
12 February	Update of A$10m Placement at 5c per share
12 February	Update on Sinomine Placement & Framework Agreement
26 February	Update on Sinomine Transaction
27 February	Commissioning of Lithium Carbonate Pilot Plant
28 February	Option on Good Days Lithium Project Exercised
19 March	Significant value upgrade following updated PFS – Arcadia
29 March	Results of Shareholder meeting – approving placement to Sinomine

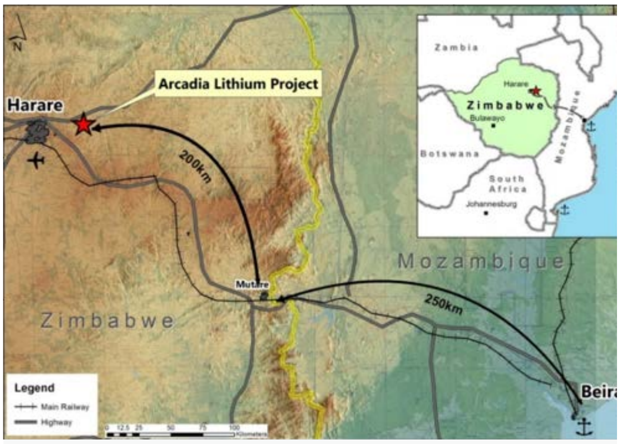
June 2018 Quarterly

4 April	Completion of A$10m placement at 6c per share to Sinomine and US$557m Sinomine offtake agreement
3 May	Zimbabwe Minister for Mines visits Prospect's Lithium Carbonate Pilot Plant
14 May	Appointment of Sam Hosack as Managing Director
16 May	Appointment of DRA to provide upfront engineering & design services
21 May	Appointment of Earthmoving Contractor
8 June	Release of BBC Radio interview with Harry Greaves
14 June	Arcadia Lithium Mine progress update in photos
15 June	Arcadia Mine flyover

ARCADIA LITHIUM PROJECT

Location

The Arcadia Lithium Project is located approximately 35 km east of Harare, Zimbabwe providing convenient access to skilled and semi-skilled labour. A Mining Lease has been granted over an area of more than 14 km^2 and Environmental Approvals are in place. The Project is located close to major highways and railheads, with the Beira Port being less than 450 km away by rail/road transport. Grid power is close by and will soon be connected to site (20MVA supply – sufficient for the lithium chemicals plant). There is also abundant groundwater available.



Location of Arcadia Lithium Project

Geology & Exploration

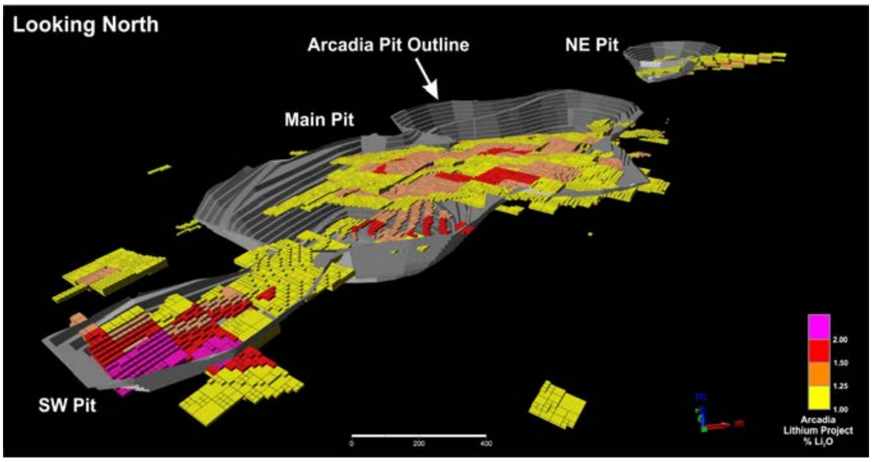
The Arcadia Lithium deposit is hosted within a series of 14 stacked, sub parallel petalite-spodumene bearing pegmatites that intrude the local Archaean age Harare Greenstone Belt. Dimensions of the pegmatites defined by drilling to date are 4.5 km along strike (SW-NE), with an average thickness of 15 m and dipping 15 degrees to the NW. The Main Pegmatite is exposed in the historical pit, and the deposit is open along strike to the southwest. The deposit is cut by the NNE-SSW trending Mashonganyika Fault zone, as well as a regional SW-NE trending dolerite dyke that appears to truncate the pegmatite to the NW. Continuations of the Lower Main Pegmatite have been identified to the southwest and northeast by soil sampling, followed by trenching and limited RC drilling.

JORC Mineral Resource and Reserve Estimates

The Arcadia Ore Reserve estimate was upgraded in December 2017 to 26.9 Mt @ 1.31% Li_2O. This represented a 70% increase in tonnes from the previous Ore Reserve estimate. The Ore Reserve hosts ~ 868,000 t contained lithium carbonate equivalent (LCE) and supports a +20 year mine life.

Arcadia Ore Reserve Statement (>1% Li_2O) (6 December 2017)

Category	Tonnes	Li_2O %	Ta_2O_5 ppm	Li_2O Tonnes	Ta_2O_5 (Mlbs)	Fe_2O_3 %
Proven	8,000,000	1.36	128	109,000	2.2	0.93
Probable	18,900,000	1.28	127	242,000	5.3	1.25
TOTAL	**26,900,000**	**1.31**	**128**	**351,000**	**7.6**	**1.15**



Arcadia JORC Mineral Resource Statements (24 October 2017)

High Grade Zone - 1% Li_2O Cut-off					
Category	Tonnes	Li_2O %	Ta_2O_5 ppm	Li_2O Tonnes	Ta_2O_5 (Mlbs)
Measured	10,200,000	1.45%	132	148,100	3.0
Indicated	27,200,000	1.39%	119	378,400	7.1
Inferred	5,800,000	1.45%	97	84,000	1.2
TOTAL	43,200,000	1.41%	119	610,500	11.3

Global Resource - 0.2% Li_2O Cut-off					
Category	Tonnes	Li_2O %	Ta_2O_5 ppm	Li_2O Tonnes	Ta_2O_5 (Mlbs)
Measured	15,900,000	1.17%	121	184,900	4.2
Indicated	45,400,000	1.10%	121	501,500	12.1
Inferred	11,400,000	1.06%	111	121,400	2.8
TOTAL	72,700,000	1.11%	119	807,800	19.1

Arcadia Project Highlights

Prospect completed a detailed update of its PFS on 19 March 2018 which provided the following operating metrics. An updated PFS is currently underway to evaluate the merits of different throughput scenarios up to 2.4Mtpa.

Description	Result/ Output
Mineral Resource at 1% Li_2O Cut-off	43.2 Mt @ 1.41% Li_2O
Ore Reserve	26.9 Mt @ 1.31% Li_2O & 128 ppm Ta_2O_5
Plant Throughput	1,200,000 tpa
Life of Mine (LoM)	+20 years
Li_2O Recovery DMS, Spirals and Flotation	67% Li_2O
LoM Strip Ratio	3.1:1 waste to ore
Spodumene Production (6% Li_2O) avg. LoM	96,000 tpa
Petalite Production (4.1% Li_2O) avg. LoM	127,000 tpa
Total Lithium Carbonate Equivalent (LCE) avg. LoM	27,000 tpa

Arcadia Chemical Plant

The Company produced >99.5% lithium carbonate during the year in its Kwe Kwe laboratory using Arcadia petalite. The results from the laboratory scale lithium carbonate have been fed through to the pilot plant design. The pilot plant provides the Company and potential offtakers valuable knowledge on how to optimise the lithium carbonate process from the Arcadia petalite concentrates.

The establishment of a lithium chemical plant at Arcadia would make the Arcadia Project one of the few vertically integrated lithium projects in the world and certainly a first for Africa. Arcadia has the added benefit of its proximal location to key infrastructure such as electricity, by-product consumers and transport resources, as well as regional access to major consumables such as coal and sulphuric acid that are required for the conversion process.

OTHER ZIMBABWE PROJECTS

Good Days – Lithium

During the year, Prospect exercised its option over the Good Days Lithium Project.

During the option period, the Company performed two phases of soil sampling totaling 2,556 samples from almost 51km of surveyed lines on the western extension to the previously identified Ford-Ntabeni lithium pegmatites swarm. Though thin, these form part of a parallel zone to the main Good Days pegmatite.

A total of 195 samples returned anomalous values; greater than the statistically determined threshold of 60ppm. 33 of these samples assayed greater then 100ppm, with a peak value of 8531ppm. Three distinct 200-300m long anomalies have been defined on different pegmatites within the Ford-Ntabeni swarm.

Penhalonga – Gold

The Penhalonga Gold Project consists of a number of shear and vein hosted gold deposits along the southern side of the Penhalonga Valley covering an area of approximately 1.8km2, including the historic Battersea Gold Mine and the dormant Penhalonga Gold Mine, 5km north of Mutare. It is situated in the Mutare Greenstone Belt which extends eastward into Mozambique. In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km2 is one of the richest belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes. Prospect also owns a number of lead tenements within the Mutare Greenstone Belt.

Chisanya – Phosphate

The Chisanya Phosphate Project is one of 5 known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The deposit is a series of un-exploited phosphate bearing, apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland. The potential for Rare Earth Elements (REEs) has also never previously been assessed.

Gwanda East – Gold

The Company continues to evaluate the gold potential of the greater Farvic gold camp through accessing and developing existing historical infrastructure, surface and underground diamond drilling as well as focused surface geochemical surveys.

Whilst we have discovered gold within the Sally and Prestwood mining claims, they are insufficient to run a standalone mine. As a consequence, the Company has impaired its capitalised expenditure on the Gwanda East Gold Project.

DEMOCRATIC REPUBLIC OF CONGO PROJECTS

Malemba Nkulu – Lithium & Copper-Cobalt

The Company continues to evaluate battery mineral projects in the DRC. The Company acquired an option over PEPM 12388 and 12390, which covers 536 mining squares, or about 455 km^2. They lie some 65km NE of Malemba Nkulu, and significantly 45km south of Manono Lithium Mine. The Kibaran fold belt consists predominantly of Lower to Middle Meso-Proterozoic meta-sediments, covered by younger Upper Proterozoic and Phanerozoic (mainly Karoo age) sedimentary rocks, that have been intruded by different generations of granitic and lesser mafic rocks.

Typical pegmatite minerals of economic interest hosted by pegmatites in the region are lithium (spodumene), tantalum (columbite-tantalite) and tin (cassiterite).

The Exploration Target is within the known pegmatites in the southeast of the project is set at 100 Mt to 150 Mt at 1.5% to 1.6% Li_2O*. In addition, the Roan Group rocks host a target of 2.0 Mt to 2.5 Mt at 0.35% to 0.40% Co, and 0.5 – 1.0% Cu* based on previous exploration on surrounding ground.

- The potential quantity and grade stated by the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource over the exploration target area and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Competent Person Statement

The information in this announcement that relates to Exploration Targets and Exploration Results, is based on information compiled by Mr Roger Tyler, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Mr Tyler is the Company's Chief Geologist. Mr Tyler has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tyler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Mineral Resources is based on information compiled by or under the supervision of Ms Gayle Hanssen of Digital Mining Services (DMS), Harare Zimbabwe. Ms Hanssen is registered as Professional Scientist with the South African Council for Professional Natural Scientific Professions (SACNASP) which is a Recognised Professional Organisation (RPO). Ms Hanssen is employed by DMS and has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Ms Hanssen consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on and fairly represents information and supporting documentation compiled by or under the supervision of Mr David Miller, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Miller is Prospect Resources' Marketing Consultant. Mr Miller has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Mr Miller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The directors of Prospect Resources Limited ("the Company") submit hereby the annual report of the Company and its subsidiaries, (together the "Consolidated Entity" or "Group") for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

OFFICERS AND DIRECTORS

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

Name	Particulars
Hugh Warner	Executive Chairperson
Sam Hosack	Managing Director (appointed 14 July 2018)
Duncan (Harry) Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director (appointed 13 November 2017)
Meng Sun	Alternate to Mr Chen (appointed 22 December 2017)
Manana Nhlanhla	Non-Executive Director (resigned 14 May 2018)
Qingjiao Yu	Non-Executive Director (resigned 13 November 2017)
Yan Wang	Alternate to Mr Yu (resigned 13 November 2017)

The above named Directors held office during and since the financial year, except as otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the Group is exploration, evaluation and development of mineral resources.

REVIEW OF OPERATIONS AND RESULTS

	2018 $'000	2017 $'000
Reported loss after tax	(5,640)	(12,794)
Exploration and evaluation expenditure expensed	1,565	1,506
Impairment of exploration and evaluation/ mine properties	651	1,770
Share based payments expense	547	6,628
Sale of merchandise gross margin	(888)	-
Loss after adjustment for exploration expenditure, impairments, share based payments and sale of merchandise	(3,765)	(2,890)

The loss after adjustment for exploration and evaluation expenditure, impairments, share based payments and sale of merchandise has increased due to increased operational activities and is in line with expectations.

Exploration and evaluation expenditure expensed relates to expenditure paid directly by the parent company on the Arcadia Project.

Impairment of exploration and evaluation/mine properties relates to expenditure on Gwanda East Gold Projects. Although gold has been discovered, it is insufficient to run a stand alone mine.

The Company issued 110,000,000 options to employees and consultants in the current year upon board approval (excludes 20,000,000 options issued as part of capital raising). In the prior year, the Company issued 115,000,000 options to directors, employees and consultants, upon receiving shareholder approval. The main driver in the fair value of these options is the share price on issue date, which in the prior year increased significantly from when the board agreed the terms and conditions to the date of the shareholder meeting when the issue of options was approved by shareholders.

Sale of merchandise gross margin relates to the Group using its foreign currency to purchase and sell merchandise to domestic Zimbabwean entities.

Additional information on the operations and financial position of the Group is set out in the review of operations and Directors' Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

1) The Company issued 376,666,673 new ordinary shares to raise $20,150,000 before costs;

2) The Company issued 10,320,002 new ordinary shares as part payment for capital raising costs, totalling $516,000.

ENVIRONMENTAL REGULATIONS

The Group is aware of its environmental obligations with regards to its exploration and development activities and ensures that it complies with all regulations when carrying out exploration and development work.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

1) On 9 July 2018, the Group announced it had entered into a free option with J3 Mining to acquire up to 75% of the Malemba Nkulu lithium & copper-cobalt project (PEPMs 12388 & 12390) in DRC.

2) On 21 August 2018, the Group announced it had received a Mining Lease covering the Arcadia Lithium Mine.

3) On 11 September 2018, the Group announced it has received a US$10m Export Finance Facility from the Reserve Bank of Zimbabwe through the CBZ Bank Limited.

DIVIDENDS

No dividends were recommended or paid during the current year.

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Group will continue to explore and assess its mineral projects and will also consider new projects, primarily in Zimbabwe, Democratic Republic of Congo, Zambia and Mozambique that could provide growth for shareholders.

INFORMATION ON DIRECTORS

Hugh Warner (Executive Chairperson) appointed 3 January 2012

Experience and Expertise

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 a number of publicly listed companies involved in the mining, oil and gas, biotechnology and service industries.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

JustKapital Litigation Partners Limited (Executive Director) (appointed 17 May 2010, resigned 15 January 2016)
LiveTiles Limited (appointed 20 April 2010, resigned 26 August 2015)

Special Responsibilities

Chairperson

Interests in Shares and Options

128,666,668 ordinary shares and 50,000,000 options

Sam Hosack (Managing Director) appointed 14 July 2018

Experience and Expertise

Mr Hosack is a third generation Zimbabwean, residing in Western Australia. He holds a Bachelors Engineering Degree (Hons) from Essex University in UK, MBA from Ashcroft Business School (UK) and respective professional registrations. He has hands on experience in the delivery of large scale mining, power and port projects to market, as well as their operations. For the past 12 years he has been employed by First Quantum Minerals Ltd, primarily in their Projects team, where most recently he has project managed the building of a port (coal offloading and copper loading), 120km 230kV transmission line and a 300MW coal fired powerstation for the Minera Panama Project in Panama. His mining and operations experience in North and Southern Africa, Europe, Australia and Central America will be central in delivering the Arcadia Project and in building Prospect into a diversified mining business.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

Nil ordinary shares and 45,000,000 options

Duncan (Harry) Greaves (Executive Director) appointed 15 July 2013

Experience and Expertise

Mr Greaves is a fourth generation Zimbabwean. He holds a B.Sc (agriculture) from the University of Natal (in South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe all of which he brought back into production over the last 10 years including the design and construction of two milling facilities. He is a well respected and well known member of the Zimbabwe mining fraternity.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

JustKapital Litigation Partners Limited (appointed 19 August 2013, resigned 12 February 2015)

Special Responsibilities

None

Interests in Shares and Options

20,957,944 ordinary shares and 50,000,000 options

Gerry Fahey (Non-Executive Director) appointed 15 July 2013

Experience and Expertise

Mr Fahey has 40 years' experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of the Eureka, Chaka, Globe and Phoenix gold mines and the following Australian gold projects: Kanowna Belle, Golden Feather, Sunrise and Wallaby. Gerry is currently a Director of Focus Minerals Ltd and a former Director of CSA Global Pty Ltd, Modun Resources Limited and a former member of the Joint Ore Reserve Committee (JORC).

Other Listed Current Directorships

Focus Minerals Ltd (appointed 20 April 2011)

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

Nil shares and 15,000,000 options

Zivanayi (Zed) Rusike (Non-Executive Director)

appointed 26 September 2013

Experience and Expertise

Mr Rusike graduated in Accountancy in Birmingham, England, before returning to Zimbabwe in 1982. He was Managing Director of United Builders Merchants before being promoted to Group Managing Director for Radar Holdings Limited, then, a large quoted company on the Zimbabwe Stock Exchange. He retired from the Radar Group of companies in 2005 to pursue his personal interests and is currently the Executive Chairman of Dulux Paints Limited. Zed is a former President of The Confederation of Zimbabwe Industries.

Other Current Listed Directorships

Zimplow Holdings Limited (appointed 23 August 2010) - Zimbabwe Stock Exchange

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

12,403,738 ordinary shares and 5,000,000 options

HeNian Chen (Non-Executive Director)

appointed 13 November 2017

Experience and Expertise

Mr Chen has served as the Chairman of Changshu Yuhua Property Co. Ltd since 2003, and has served as the Deputy Chairman of Afore New Energy Technology (Shanghai) Co. Ltd since 2007.

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

49,326,377 ordinary shares and Nil options

Manana Nhlanhla (Non-Executive Director)

appointed 29 September 2014, resigned 14 May 2018

Experience and Expertise

Ms Nhlanhla is Chairperson of Mion Limited, the parent company of Armoured Fox Capital (Pty) Ltd, one of the Company's largest shareholders. Mion Limited is a 100% black owned South African based investment company with investments in Maritime, Gaming, Energy, Industrial, Engineering Industries and general listed entities.

Interests in Shares and Options – upon resignation 14 May 2018

108,160,889 ordinary shares and Nil options

Qingjiao Yu (Non-Executive Director)

appointed 18 November 2016, resigned 13 November 2017

Experience and Expertise

Mr Yu has over 15 years' experience in the Lithium-ion battery industry in China and is well known for being a key figure in the China battery technology sector. Mr Yu is Chairman and CEO of Energy Finance Net and China Battery Net. He is also the President for the Chinese Battery Magazine, Secretary-General for ABEC BBS (Lithium electricity "Davos") committee and also a Director of Zhongguancun Battery Industry Technology Innovation Alliance.

Interests in Shares and Options – upon resignation 13 November 2017

Nil ordinary shares and Nil options.

COMPANY SECRETARY

The company secretary is Andrew Whitten. Andrew was appointed to the position of company secretary on 10 April 2012. Andrew is a Solicitor Director of Whittens & McKeough Pty Limited, where he specialises in corporate finance and securities law.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board held during the year ended 30 June 2018 that each Director was eligible to attend, and the number of meetings attended by each Director were:

	Number of Meetings	
Director	Eligible to attend	Attended
Hugh Warner	–	–
Harry Greaves	–	–
Gerry Fahey	–	–
Zed Rusike	–	–
Manana Nhlanhla	–	–
HeNian Chen	–	–
Qingjiao Yu	–	–

The Company's business was conducted via circular resolutions.

REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:

1) Principles used to determine the nature and amount of remuneration;
2) Details of remuneration;
3) Service agreements; and
4) Share-based compensation.

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

This report details the nature and amount of remuneration for each director and executive of Prospect Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by the Corporations Act 2001 and its regulations.

For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' includes those key management personnel who are not directors of the parent company.

1) Principles used to determine the nature and amount of remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board and executives by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective, the Board links the nature and amount of executive director's emoluments to the Group's financial and operational performance. The intended outcomes of this remuneration structure are:

- Retention and motivation of directors
- Performance rewards to allow directors to share the rewards of the success of the Group.

The remuneration of an executive director will be decided by the Board. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for any options issued.

During the year, external consultants were not used for determining remuneration.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Group's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive director remuneration within that maximum will be made by the Board having regards to the inputs and value to the Group of the respective contributions by each non-executive director.

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Group. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. All equity based remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The Board may pay bonuses to directors and executives at its discretion.

The issue of options to directors and executives is to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition, all directors and executives are encouraged to hold shares in the Company.

Group Performance, Shareholder Wealth and Key Management Personnel Remuneration

The Group is currently undertaking new acquisitions, exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

The remuneration policy has been tailored to maximise the commonality of goals between shareholders, directors and executives. The method applied in achieving this aim to date being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be the most effective in increasing shareholder wealth.

Performance of Prospect Resources Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the financial year ended 30 June 2018 and prior.

	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 $'000
Revenue	3,892	110	71	10	3
Net loss before tax	(5,401)	(12,794)	(1,727)	(1,309)	(2,494)
Net loss after tax	(5,640)	(12,794)	(1,727)	(1,309)	(2,494)

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Share price at beginning of year (cents)	2.0	2.2	0.3	0.7	0.5
Share price at end of year (cents)	3.5	2.0	2.2	0.3	0.7
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(0.32)	(0.76)	(0.18)	(0.19)	(0.52)

Remuneration of Key Management Personnel

The following persons were identified as Key Management Personnel of Prospect Resources Limited during the financial year:

Directors

Hugh Warner	Executive Chairperson
Harry Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zed Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director
Manana Nhlanhla	Non-Executive Director
Qingjiao Yu	Non-Executive Director

Executives

Sam Hosack	Executive
Roger Tyler	Chief Geologist
Lee John	General Manager - Operations
Chris Hilbrands	Chief Financial Officer

Sam Hosack was employed as a part time executive on 13 May 2018 and became Managing Director on 14 July 2018.

2) Details of remuneration

2018 Directors	SHORT TERM Salary & Fees $	SHORT TERM Bonus $	SHORT TERM Other $	POST EMPLOYMENT Superannuation $	EQUITY Options $	Total $	Performance %
Non-Executive Directors							
Z Rusike	24,000	–	–	–	–	24,000	–
G Fahey	21,918	–	–	2,082	–	24,000	–
H Chen (i)	13,881	–	–	1,319	–	15,200	–
M Nhlanhla (ii)	21,000	–	12,000	–	–	33,000	–
Q Yu (iii)	6,000	–	–	–	–	6,000	–
Executive Directors							
H Warner	228,311	–	–	21,689	–	250,000	–
H Greaves	250,000	–	–	–	–	250,000	–
Executives							
S Hosack	4,296	75,000	–	408	247,304	327,008	76%
R Tyler	210,413	–	–	–	–	210,413	–
L John (iv)	250,000	150,000	–	–	161,158	561,158	55%
C Hilbrands	91,324	–	–	8,676	–	100,000	–
Total	**1,121,143**	**225,000**	**12,000**	**34,174**	**408,462**	**1,800,779**	

Notes

(i) HeNian Chen was appointed on 13 November 2017. All fees were paid or are payable to his alternate director, Meng Sun.

(ii) Mion Holdings (Pty) Ltd, an entity associated with Manana Nhlanhla, was paid or is payable $33,000 (2017: $24,000) for director's fees. Ms Nhlanhla resigned on 14 May 2018 and received 6 months notice fees, being $12,000.

(iii) Qingjiao Yu resigned on 13 November 2017.

(iv) Biomet Engineering, an entity associated with Lee John, was paid or is payable $274,915 (2017: $145,833).

2017 Directors	SHORT TERM Salary & Fees $	SHORT TERM Bonus $	SHORT TERM Other $	POST EMPLOYMENT Superannuation $	EQUITY Options $	Total $	Performance %
Non-Executive Directors							
Z Rusike	24,000	–	–	–	–	24,000	–
G Fahey	21,918	–	–	2,082	576,331	600,331	96%
M Nhlanhla (i)	24,000	–	–	–	–	24,000	–
Q Yu	14,867	–	–	–	–	14,867	–
Executive Directors							
H Warner	218,417	–	–	20,749	2,017,159	2,256,325	89%
H Greaves	239,166	–	–	–	2,017,159	2,256,325	89%
Executives							
R Tyler	254,721	26,010	–	–	576,331	857,062	70%
L John (ii)	145,833	–	–	–	–	145,833	–
C Hilbrands	91,324	–	–	9,037	576,331	676,692	85%
Total	**1,034,246**	**26,010**	**-**	**31,868**	**5,763,311**	**6,855,435**	

Notes

(i) Mion Holdings (Pty) Ltd, an entity associated with Manana Nhlanhla, was paid or is payable $24,000 (2016: $2,000) for director's fees.

(ii) Biomet Engineering, an entity associated with Lee John, was paid or is payable $145,833 (2016: $Nil). Mr John became a KMP upon commencing with the company on 1 December 2016.

Short term incentives

In 2018, Lee John was paid a AUD$150,000 bonus at the discretion of the Board, and Sam Hosack was entitled to a AUD$75,000 sign on bonus.

In 2017, Roger Tyler was paid a US$20,000 bonus at the discretion of the Board.

3) Service agreements

Executive Directors

Hugh Warner and Harry Greaves entered into an Executive Services Agreement commencing 1 June 2016 with a total annual salary of $120,000 per annum inclusive of superannuation (if applicable). The total annual salary increased to $250,000 per annum inclusive of superannuation (if applicable) from 1 August 2016. Prior to 1 June 2016, the executive directors agreed not to be paid to conserve cash and protect the Company.

Sam Hosack entered into an Executive Services Agreement commencing 13 May 2018 with a total annual salary of $35,000 per annum inclusive of superannuation. The total annual salary increased to $350,000 per annum inclusive of superannuation upon his appointment to Managing Director which occurred on 14 July 2018. Mr Hosack received a $75,000 sign on bonus and was issued 45,000,000 options. Mr Hosack is contracted to receive a $100,000 first anniversary bonus.

Non-Executive Directors

Non-Executive directors entered into either a Non-Executive Services Agreement or Consultancy Agreement commencing 1 June 2016, or commencement of appointment, with a total annual salary of $24,000 per annum inclusive of superannuation (if applicable). Prior to 1 June 2016, the non-executive directors agreed not to be paid to conserve cash and protect the Company.

Other Executives

Roger Tyler signed a twelve month fixed term contract with a subsidiary of the Company commencing 15 March 2016, renewed on 15 March 2017 and 15 March 2018, for US$72,000 per annum. In addition, Roger Tyler entered into a consultancy agreement with Prospect Resources Limited commencing 1 July 2016 with a total annual remuneration of US$60,000 increasing to US$90,000 from 1 September 2016.

Lee John entered into an Executive Services Agreement commencing 1 December 2016 with a total annual remuneration of $250,000. The Company will pay a $200,000 performance based bonus upon certain KPIs being met. The Company may pay a performance based bonus over and above the salary at any time. The KPIs were not met in FY2018. A discretionary bonus of $150,000 has been recognised for FY2018.

Chris Hilbrands entered into an Executive Services Agreement commencing 1 June 2016 with a total annual remuneration of $100,000 inclusive of superannuation.

Termination

For all Executives other than Mr Hosack, Mr Tyler and Mr John, terms of employment require that the Company provide the Executive with six months' written notice. The Executive may terminate their employment at any time and will be entitled to six months' salary. The Company can terminate an Executive's employment by giving one months notice if the Executive commits or becomes guilty of gross misconduct and summarily without notice if convicted of any major criminal offence. Mr Hosack, Mr Tyler and Mr John terms of employment require that the Company or Executive provide the other with three months' notice.

4) Share-based compensation

The Company issued 80,000,000 options to directors or key management personnel during the financial year (2017: 100,000,000 options). No options were exercised or expired during the year.

During the financial year, the following share based payment arrangements to directors and key management personnel were in existence:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
(1) Issued 14/12/15	20/11/15	$0.00194	0.5 cents	19/11/18	(i)
(2) Issued 22/07/16	22/07/16	$0.05763	1.5 cents	15/06/19	(ii)
(3) Issued 21/07/17	21/07/17	$0.00460	5.0 cents	31/12/18	21/07/17
(4) Issued 13/05/18	13/05/18	$0.01740	6.0 cents	12/05/22	14/10/18

(i) Options vested once 20 business day VWAP has exceeded 1 cent. These options vested during a prior year.

(ii) Options vested once 20 business day VWAP has exceeded 3 cents. These options vested during the prior year.

The following grants of share based payment compensation to key management personnel relate to the current financial year:

	During the financial year					
Option series	No. granted	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options	Value of options granted at the grant date $
(3) L John	35,000,000	35,000,000	100%	–	29%	161,158 (i)
(4) S Hosack	45,000,000	–	–	–	76%	782,289 (ii)

(i) The value of options granted during the financial year is calculated as at the grant date using Black-Scholes. The full cost has been recognised in the financial year.

(ii) The value of options granted during the financial year is calculated as at the grant date using Black-Scholes. $247,304 of this cost has been recognised in the financial year, with $534,985 to be recognised next year.

Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2018	Opening balance	Granted as compensation	On exercise of options	Net other change	Closing balance
Z Rusike	12,403,738	–	–	–	12,403,738
G Fahey	–	–	–	–	–
M Nhlanhla	108,160,889[(i)]	–	–	(108,160,889) [(i)]	–
H Chen	–	–	–	49,326,377	49,326,377
Q Yu	–	–	–	–	–
H Warner	128,666,668	–	–	–	128,666,668
H Greaves	20,957,944	–	–	–	20,957,944
S Hosack	–	–	–	–	–
R Tyler	–	–	–	–	–
L John	–	–	–	–	–
C Hilbrands	6,150,000	–	–	–	6,150,000
	276,339,239	**-**	**-**	**(58,834,512)**	**217,504,727**

(i) Shares owned by Armoured Fox Capital (Pty) Ltd. Ms Nhlanhla is a director and controller of Armoured Fox Capital (Pty) Ltd. Ms Nhlanhla resigned as a Director on 14 May 2018.

Options Held at 30 June 2018	Opening balance	Granted as compensation	Exercised	Net other change	Closing balance	Balance vested	Vested and exercisable	Options vested during the year
Z Rusike	5,000,000	–	–	–	5,000,000	5,000,000	5,000,000	–
G Fahey	15,000,000	–	–	–	15,000,000	15,000,000	15,000,000	–
M Nhlanhla	–	–	–	–	–	–	–	–
H Chen	–	–	–	–	–	–	–	–
Q Yu	–	–	–	–	–	–	–	–
H Warner	50,000,000	–	–	–	50,000,000	50,000,000	50,000,000	–
H Greaves	50,000,000	–	–	–	50,000,000	50,000,000	50,000,000	–
S Hosack	–	45,000,000	–	–	45,000,000	–	–	–
R Tyler	15,000,000	–	–	–	15,000,000	15,000,000	15,000,000	–
L John	–	35,000,000	–	–	35,000,000	35,000,000	35,000,000	35,000,000
C Hilbrands	15,000,000	–	–	–	15,000,000	15,000,000	15,000,000	–
	150,000,000	**80,000,000**	**–**	**–**	**230,000,000**	**185,000,000**	**185,000,000**	**35,000,000**

(End of Remuneration Report)

Additional Information

(a) Shares under option

At the date of signing this report, the Company has 310,000,000 unlisted options over ordinary shares under issue (30 June 2017: 255,000,000). These options are exercisable as follows:

Details	No of options	Grant Date	Expiry Date	Conversion Price $
Management incentive options	65,000,000	20/11/2015	19/11/2018	0.005
	65,000,000	21/07/2017	31/12/2018	0.05
	115,000,000	22/07/2016	15/06/2019	0.015
	45,000,000	13/05/2018	12/05/2022	0.06
Capital raising fee options	20,000,000	06/02/2018	06/02/2019	0.10
	310,000,000			

Share options carry no rights to dividends and no voting rights. During the year, 10,000,000 capital raising fee options were exercised.

(b) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and any 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 Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(c) Agreement to indemnify officers

The Company has entered into agreements with the directors to provide access to Company records and to indemnify them. The indemnity relates to any liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(d) 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 on behalf of the Company with leave of the court under Section 237.

(e) Auditor

Stantons International is the appointed auditor.

(f) Indemnity of Auditor

The auditor (Stantons International) has not been indemnified under any circumstance.

(g) Audit Services

During the financial year $41,000 (excluding GST) was paid or payable for audit services provided by Stantons International (2017: $39,000). Non related audit firms have been paid or are payable $23,000 for audit services of subsidiaries (2017: $14,000).

(h) Non-audit Services

No non-audit services were provided by the auditor or any entity associated with the auditor for the year ended 30 June 2018 or 30 June 2017.

(i) Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 52 of the Annual Report.

(j) Corporate Governance Statement

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 28 September 2018 released to ASX and posted on the Company's website www.prospectresources.com.au/company/corporate-governance.

Signed in accordance with a resolution of the directors.

Sam Hosack
Managing Director

Perth, Western Australia
Dated 28 September 2018

DIRECTORS' DECLARATION

1. In the opinion of the directors of Prospect Resources Limited ("the Company"):

   (a) the accompanying financial statements, notes thereto are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and

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

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2(a) to the financial statements.

   (d) the audited remuneration disclosures set out on pages 13 to 18 of the Directors' Report comply with accounting standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001.*

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of directors.

Sam Hosack
Managing Director

Perth, Western Australia
Dated 28 September 2018

		Consolidated	
	Note	**2018 $'000**	**2017 $'000**
Revenue from continuing operations	5(a)	3,892	110
Cost of sales	5(b)	(2,575)	–
Depreciation expense		(61)	(99)
Employee benefits expenses		(707)	(797)
Exploration and evaluation expenditure expensed		(1,565)	(1,506)
Impairment of exploration and evaluation expenditure	10	(651)	–
Impairment of mine properties	10	–	(1,770)
Occupancy expenses		(52)	(57)
Project generation expense		(705)	(400)
Share based payment – options expense	15(a)	(547)	(6,628)
Other administrative expenses		(2,430)	(1,647)
Loss before tax		**(5,401)**	**(12,794)**
Income tax	6	(239)	–
Loss after tax		**(5,640)**	**(12,794)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		525	(147)
Other comprehensive loss for the year, net of tax		**525**	**(147)**
Total comprehensive loss for the year		**(5,115)**	**(12,941)**
Loss attributable to:			
Equity holders of the Company		(5,581)	(11,989)
Non-controlling interests		(59)	(805)
		(5,640)	**(12,794)**
Total comprehensive loss attributable to:			
Equity holders of the Company		(5,206)	(12,136)
Non-controlling interests		91	(805)
		(5,115)	**(12,941)**
Loss per share			
From continuing and discontinued operations			
Basic loss per share (cents)	22	(0.32)	(0.76)
Diluted loss per share (cents)	22	(0.32)	(0.76)

The accompanying notes form part of these financial statements

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Current Assets			
Cash and cash equivalents	7	16,393	7,339
Trade and other receivables	8	325	84
Inventories		228	-
Other current assets		365	41
Total Current Assets		**17,311**	**7,464**
Non-Current Assets			
Property, plant and equipment	9	1,358	597
Exploration and evaluation expenditure	10	11,430	6,443
Mine properties	10	-	-
Intangible assets		151	-
Total Non-Current Assets		**12,939**	**7,040**
Total Assets		**30,250**	**14,504**
Current Liabilities			
Trade and other payables	11	1,217	1,067
Tax liabilities	6(c)	251	-
Total Current Liabilities		**1,468**	**1,067**
Non-Current Liabilities			
Provisions	12	41	39
Total Non-Current Liabilities		**41**	**39**
Total Liabilities		**1,509**	**1,106**
Net Assets		**28,741**	**13,398**
Equity			
Contributed equity	13(b)	56,736	36,976
Reserves	14(a)	10,483	9,410
Accumulated losses	14(e)	(37,526)	(31,945)
Total Equity Attributable to Shareholders of Parent Company		**29,693**	**14,441**
Non-controlling interests		(952)	(1,043)
Total Equity		**28,741**	**13,398**

The accompanying notes form part of these financial statements

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		3,713	91
Payments to suppliers and employees		(6,946)	(2,825)
Payments for exploration expenditure expenses		(1,606)	(1,273)
Net cash flows used in operating activities	7(a)	**(4,839)**	**(4,007)**
Cash flows from investing activities			
Interest received		48	19
Payment for property, plant and equipment		(864)	(533)
Payments for exploration expenditure and acquisition of tenements (net of gold sold)		(5,410)	(5,666)
Payment for intangible assets		(151)	-
Payment for development costs (net of gold sold)		-	(907)
Advance to related party		-	(97)
Net cash flows used in investing activities		**(6,377)**	**(7,184)**
Cash flows from financing activities			
Proceeds from issue of shares		20,150	17,415
Capital raising costs		(239)	(912)
Repayment of related party loan		-	(102)
Net cash flows from financing activities		**19,911**	**16,401**
Net increase in cash and cash equivalents		8,695	5,210
Cash and cash equivalents at beginning of year		7,339	2,417
Effects of exchange rate changes on the balance of cash held in foreign currencies		359	(288)
Cash and cash equivalents at end of year	7	**16,393**	**7,339**

The accompanying notes form part of these financial statements

	Issued Capital $'000	Option Reserves $'000	Foreign currency Translation reserve $'000	Accumulated Losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 30 June 2016	**22,192**	**1,427**	**(57)**	**(19,956)**	**3,606**	**(238)**	**3,368**
Loss for the year	–	–	–	(11,989)	(11,989)	(805)	(12,794)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	–	–	(147)	–	(147)	–	(147)
Total comprehensive loss for the year	–	–	(147)	(11,989)	(12,136)	(805)	(12,941)
Issue of ordinary shares for cash	17,000	–	–	–	17,000	–	17,000
Issue of ordinary shares upon exercise of options	255	–	–	–	255	–	255
Share capital raising costs	(2,471)	1,559	–	–	(912)	–	(912)
Options issued	–	6,628	–	–	6,628	–	6,628
Balance at 30 June 2017	**36,976**	**9,614**	**(204)**	**(31,945)**	**14,441**	**(1,043)**	**13,398**
Loss for the year	–	–	–	(5,581)	(5,581)	(59)	(5,640)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	–	–	375	–	375	150	525
Total comprehensive loss for the year	–	–	375	(5,581)	(5,206)	91	(5,115)
Issue of ordinary shares for cash	20,516	–	–	–	20,516	–	20,516
Issue of ordinary shares upon exercise of options	150	–	–	–	150	–	150
Share capital raising costs	(906)	151	–	–	(755)	–	(755)
Options issued	–	547	–	–	547	–	547
Balance at 30 June 2018	**56,736**	**10,312**	**171**	**(37,526)**	**29,693**	**(952)**	**28,741**

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018.

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

The financial statements comprise the consolidated financial statements of the Company and its subsidiaries (together the "Consolidated Entity" or "Group"). For the purposes of preparing the consolidated financial statements the Company is a for-profit entity.

The principal activity of the Group is exploration, evaluation and development of mineral resources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of law, unless stated otherwise.

Accounting Standards include Australian Standards, compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and Group comply with International Financial Reporting Standards ('IFRS').

It is recommended that this financial report be read in conjunction with the public announcements made by Prospect Resources Limited during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

Historical cost convention

These financial statements have been prepared under the historical cost convention modified, where applicable, for financial assets and financial liabilities carried at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Where these are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 2(y).

Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

b) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

c) Application of new and revised Accounting Standards

The Group has considered the implications of new and amended Accounting Standards applicable for the annual reporting periods beginning after 1 January 2017 but determined that their application to the financial statements is either not relevant or not material.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  » identify the contract(s) with a customer;

  » identify the performance obligations in the contract(s);

  » determine the transaction price;

  » allocate the transaction price to the performance obligations in the contract(s); and

  » recognise revenue when (or as) the performance obligations are satisfied.

  The transitional provisions of this standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108, Accounting Policies, Changes in Accounting Estimates and Errors *(subject to certain practical expedients in AASB 15)*, or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

  Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

  The main changes introduced by the new Standard are as follows:

  » recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

  » depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

  » inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

  » application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

  » additional disclosure requirements.

The *transitional* provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

  This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: Business Combinations to an associate or joint venture and requires that:

  » a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;

  » the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and

  » any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions* (applicable to annual reporting periods commencing on or after 1 January 2018).

  The AASB issued amendments to AASB 2 Share-based Payment that address three main areas:

  » the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

  » the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

  » accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of this amendment is permitted.

  Although the directors anticipate that the adoption of this amendment may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods in the course of ordinary activities is brought to account when the significant risks and rewards of ownership have transferred to the customer and selling prices are known or can be reasonably estimated. For spodumene and petalite concentrate sales, the above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when the concentrate is delivered to the vessel. For gold, this is generally when the gold is credited to the metal account of the customer.

Interest revenue is recognised on a time proportionate basis using the effective interest method.

f) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

g) Income Tax

The income tax expense or revenue for the period is the tax payable on a current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

h) Other receivables

Other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Inventories

Product inventories comprise ore in stockpiles, work-in-progress and finished goods and are physically measured or estimated and valued at the lower of average cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each mineral are specifically allocated.

Materials and supplies are measured at the lower of cost or net realisable value. The cost is determined using the first-in, first-out principle and includes expenditure incurred in acquiring the inventories. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. During the current year, the directors determined that the useful lives of each class of asset are:

• Buildings	20 to 40 years
• Plant and equipment	5 to 15 years
• Office equipment and furniture and fittings	3 to 5 years
• Vehicles	5 years

Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

k) Exploration expenditure

Exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

l) Mine properties

Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a subcategory of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

Mine properties and property, plant and equipment

Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, mine development or mineable reserve development.

Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a Unit Of Production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs are recoverable tonnes of Li_2O. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves. The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

Other plant and equipment, such as mobile mine equipment, is generally depreciated on a straight-line basis over their estimated useful lives, as follows:

• Buildings	20 to 40 years
• Plant and equipment	5 to 15 years
• Office equipment and furniture and fittings	3 to 5 years
• Vehicles	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable

b) The component of the ore body for which access will be improved can be accurately identified

c) The costs associated with the improved access can be reliably measured

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally,

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

m) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

n) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 2(m) for a description of the equity method of accounting.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interest in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

o) Provision

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.

Provision for site restoration and rehabilitation

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration and rehabilitation in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration and rehabilitation obligation at the reporting date, based on current legal requirements and technology. Future restoration and rehabilitation costs are reviewed annually and any changes are reflected in the present value of the restoration and rehabilitation provision at the end of the reporting period. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

q) Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through the profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the Statement of Profit or Loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Available for Sale Financial Assets

Available for sale financial assets represent non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments. Available for sale financial assets are included in non-current assets, except those which are expected to mature within 12 months after the end of the reporting period.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. The fair value of trade and other receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and options pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at that point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments;

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

r) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency. The functional currency of all subsidiaries is US dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non- monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity when the exchange difference arises on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation).

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than the Australian dollar are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

t) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the year. Diluted EPS adjusts the figures used in the calculation of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown exclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at balance date.

w) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives.

x) Share based payment transactions

Equity settled transactions

The Company provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The charge to the statement of profit or loss and other comprehensive income is taken when the options are granted. There is a corresponding entry to equity.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

y) Critical Accounting Judgement and Key Sources of Uncertainty

In the application of the Group's accounting policies which are described above in Note 2(a), 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 if the revision affects both current and future periods.

Key Estimates

Ore reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, productions techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

Exploration an evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's Exploration & Evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Mine Properties

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rehabilitation Provision

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, and regulatory changes. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Share based payments

The fair value of employee share options and share appreciation rights is measured using Black Scholes. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, the risk-free interest rate (based on government bonds) and probability applied to the non-vesting conditions (based on management's judgement formed in consideration of all the available facts and circumstances).

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve. The fair value calculation and inputs to the Black Scholes model are shown at Note 15(a).

Impairment

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related permit itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Deferred tax assets

Management have made a judgement for the non recognition of deferred tax asset as the recovery of tax losses and other deferred tax assets is not considered probable at this stage.

z) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts in the financial statements and directors' report have been rounded to the nearest $1,000.

NOTE 3 FINANCIAL RISK MANAGEMENT

Risk management is the role and responsibility of the Board. The Group's current activities expose it to minimal risk. However, as activities increase there may be exposure to interest rate, market, credit, and liquidity risks.

a) Market Risk

(i) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating interest rate $'000	1 year or less $'000	Over 1 year to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
30 June 2018						
Financial Assets						
Cash and deposits	11,094	–	–	–	5,299	16,393
Trade and other receivables	–	–	–	–	325	325
	11,094	–	–	–	5,624	16,718
Weighted average interest rate	1.49%	–	–	–	–	1.01%
Financial liabilities						
Trade and other payables	–	–	–	–	855	855
Tax liabilities	–	–	–	–	251	251
	–	–	–	–	1,106	1,106
Weighted average interest rate	–	–	–	–	–	–
30 June 2017						
Financial Assets						
Cash and deposits	2,152	–	–	–	5,187	7,339
Trade and other receivables	–	–	–	–	84	84
	2,152	–	–	–	5,271	7,423
Weighted average interest rate	0.60%	–	–	–	–	0.18%
Financial liabilities						
Trade and other payables	–	–	–	–	967	967
	–	–	–	–	967	967
Weighted average interest rate	–	–	–	–	–	–

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Group. A movement in interest rates of +/- 100 basis points will result in less than a +/- $111,000 (2017: $22,000) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

(ii) Price Risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

The Group is not currently exposed to significant commodity price risk as it still operates in the exploration & development phase. However, future operational cash flows will be affected by fluctuations in the lithium price and gold price. The Group will develop strategies to mitigate this risk when it moves from the exploration & development phase into the production phase.

NOTE 3 FINANCIAL RISK MANAGEMENT (continued)

(iii) Currency risk

Currency risk arises from investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group is exposed to foreign currency risk in the form of financial instruments held in US Dollars (USD). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2018 USD$'000	2017 USD$'000
Cash and cash equivalents	3,858	3,958
Trade and other payables	(612)	(528)
Total Exposure	**3,246**	**3,430**

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2018 against the USD would have resulted in an increased loss of $325,000 (2017: $343,000). A 10% weakening of the AUD would have resulted in a decreased loss of $325,000 (2017:$ 343,000), assuming all other variables remain constant. The Group does not currently hedge against currency risk.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents.

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Group does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which is available as required.

The material liquidity risk for the Group is the ability to raise equity in the future.

d) Effective interest rate and repricing analysis

Cash and cash equivalents are the only interest bearing financial instruments of the Group.

e) Fair value of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTE 4 SEGMENT INFORMATION

Identification of reportable segments

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

In the current year the Group engaged in exploration for minerals in Zimbabwe. The operations were located in Australia, Singapore and Zimbabwe with the head office being in Australia and Singapore balances included with Zimbabwe.

	Australia		Zimbabwe		Consolidated	
Geographical segments	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Revenue						
Other external revenue	169	19	3,723	91	3,892	110
Total segment revenue	169	19	3,723	91	3,892	110
Results						
Segment net profit/(loss) before tax	(5,182)	(10,106)	(219)	(2,688)	(5,401)	(12,794)
Assets						
Segment assets	16,034	7,249	14,216	7,255	30,250	14,504
Liabilities						
Segment liabilities	640	388	869	718	1,509	1,106
Depreciation	1	1	60	98	61	99

The amount of non-current assets added during the year in Australia $Nil and Zimbabwe $5,899,000 (2017: Australia $2,000 and Zimbabwe $7,848,000)

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

NOTE 5(a). REVENUE

	Consolidated	
	2018 $'000	**2017 $'000**
Sale of merchandise	3,106	–
Farm income	520	–
Research and development tax credit	121	–
Other income	97	91
Interest revenue	48	19
	3,892	**110**

NOTE 5(b). COST OF SALES

Cost of sales from merchandise	2,218	–
Cost of sales from farming	357	–
	2,575	–

NOTE 6 INCOME TAX

a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2018 $'000	**2017 $'000**
Loss before income tax expense	(5,401)	(12,794)
	(5,401)	(12,794)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(1,485)	(3,518)
Tax effect of differential corporate tax rates	110	131
Tax effect of amounts which are not deductible (taxable) income:	96	1,244
Under recognition of prior year tax expense	(556)	(38)
Tax losses not recognised	2,074	2,181
Income tax expense / (benefit)	**239**	**-**

b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	24,096	16,192
Potential tax benefit (Australia 27.5%, Zimbabwe 25.75%)	6,349	4,286

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. There are deferred tax liabilities of approximately $2,790,000 relating to capitalised exploration costs claimed for tax as at 30 June 2018 (2017: $1,512,000). These are offset with the deferred tax assets that have been recognised to the extent of the deferred tax liabilities.

c) Current tax liabiltiy

Income tax payable	251	-

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2018 $'000	**2017 $'000**
Cash at bank	16,393	7,339

Included in the Group's cash and cash equivalents are Zimbabwean bond notes. Bond notes are debt instruments which have been disclosed under cash and cash equivalents as it meets the definition of cash and cash equivalents. These notes are pegged at 1:1 with the US dollar and is considered legal tender in Zimbabwe. The Group holds AUD$563,000 in Zimbabwe which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe but due to the current economic environment, the transfer of funds outside of the country is limited.

	Consolidated	
	2018 $'000	**2017 $'000**
a) Reconciliation of operating loss after income tax to net cash flows used in operating activities		
Operating loss after tax	(5,640)	(12,794)
Non-cash items		
Depreciation	61	99
Share based payments – options	547	6,628
Impairment of capitalised exploration and evaluation expenditure	651	–
Impairment of mine properties	–	1,770
Foreign exchange difference	(119)	185
Interest received	(48)	(19)
Changes in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in operating trade and other receivables	(241)	98
(Increase) in inventories	(228)	–
(Increase) in other assets	(324)	(13)
Increase in operating trade and other payables	251	39
Increase in tax liabilities	251	–
Net cash flows used in operating activities	**(4,839)**	**(4,007)**

b) Non-cash transactions

During the year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- issued 20,000,000 options as part of capital raising costs which had a fair value of $151,000, as described in Note 15(a).
- issued 10,320,002 shares as part of capital raising costs which had a fair value of $516,000, as described in Note 15(a).

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 $'000	**2017 $'000**
GST receivable	141	33
Related party receivable (refer note 20(b))	36	15
Research and development tax credit receivable	121	–
Other receivables	27	36
	325	**84**

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.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2018 $'000	2017 $'000
Buildings	554	20
Plant and machinery	655	433
Vehicles	96	127
Office equipment	53	17
	1,358	**597**

Reconciliation of Property, plant and equipment – 2018	**Building $'000**	**Plant and machinery $'000**	**Vehicles $'000**	**Office equipment $'000**	**Total $'000**
Opening balance at cost	21	520	165	25	731
Additions	534	281	1	48	864
Effect of foreign currency exchange differences	1	18	5	1	25
Closing balance at cost	**556**	**819**	**171**	**74**	**1,620**
Opening accumulated depreciation	(1)	(87)	(38)	(8)	(134)
Depreciation	(1)	(77)	(37)	(13)	(128)
Closing accumulated depreciation	**(2)**	**(164)**	**(75)**	**(21)**	**(262)**
Net written down value	**554**	**655**	**96**	**53**	**1,358**

Reconciliation of Property, plant and equipment – 2017	**Building $'000**	**Plant and machinery $'000**	**Vehicles $'000**	**Office equipment $'000**	**Total $'000**
Opening balance at cost	–	175	25	4	204
Additions	21	340	139	21	521
Effect of foreign currency exchange differences	–	5	1	–	6
Closing balance	**21**	**520**	**165**	**25**	**731**
Opening accumulated depreciation	–	(33)	–	(2)	(35)
Depreciation	(1)	(54)	(38)	(6)	(99)
Closing accumulated depreciation	**(1)**	**(87)**	**(38)**	**(8)**	**(134)**
Net written down value	**20**	**433**	**127**	**17**	**597**

	Consolidated	
	2018 $'000	2017 $'000
Depreciation	128	99
Depreciation transferred to capitalised exploration and evaluation	(67)	–
Depreciation recognised in statement of profit or loss and other comprehensive income	61	99

NOTE 10 EXPLORATION, EVALUATION & MINE PROPERTY

	Consolidated	
	2018 $'000	2017 $'000
Total expenditure incurred and carried forward in respect of specific projects:		
Exploration & Evaluation Expenditure		
Gwanda East – Gold	–	48
Arcadia – Lithium	11,348	6,395
Good Days - Lithium	74	–
Verdale - Lithium	8	–
Mine Properties		
Gwanda East - Gold	–	–
	11,430	**6,443**

a) Exploration & Evaluation Expenditure

Opening balance	6,443	102
Acquisition of tenements	68	572
Expenditure incurred	5,467	5,926
Impairment of exploration and evaluation expenditure	(651)	–
Proceeds from gold sales from exploration and evaluation ore	(159)	(157)
Effect of foreign currency exchange differences	262	–
Closing balance	**11,430**	**6,443**

b) Mine Properties

Mines Under Construction		
Opening balance	–	999
Expenditure incurred	–	831
Impairment of mine properties	–	(1,770)
Proceeds from gold sales from development ore	–	(56)
Effect of foreign currency exchange differences	–	(4)
Closing balance	**-**	**-**

The Board of Directors undertook an impairment review of the Group's exploration & evaluation expenditure as at 30 June 2018 resulting in an impairment charge for the current year of $651,000 (2017: $1,770,000 Mine Properties). The current year impairment relates to the Group's claims at Gwanda East (2017: claims at Gwanda East).

NOTE 11 TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $'000	2017 $'000
Trade payables	842	874
Accruals	362	100
Related party payable (refer to Note 20(b))	–	90
Other payables	13	3
	1,217	**1,067**

Trade payables are normally settled on 30 – 60 day terms. Trade payables are not past due and are non-interest bearing.

NOTE 12 PROVISIONS

	Consolidated	
	2018 $'000	2017 $'000
Non-current		
Provision for rehabilitation	41	39

The Group obtained an independent report on the estimated cost of rehabilitation of its Gwanda East claims from Diorite Consulting (Pvt) Ltd. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

NOTE 13 CONTRIBUTED EQUITY

	2018 Shares	2017 Shares

a) Issued share capital

Ordinary shares fully paid	1,981,114,971	1,594,128,296

b) Movement in ordinary share capital

Details	Number of shares	$'000
Balance at 30 June 2016	1,237,128,296	22,192
Issue of shares via placements	340,000,000	17,000
Issue of shares upon exercise of options	17,000,000	255
Cost of capital raising	–	(2,471)
Balance at 30 June 2017	**1,594,128,296**	**36,976**
Issue of shares via placements	366,666,673	20,000
Issue of shares upon exercise of options	10,000,000	150
Issue of shares as part of cost of capital raisings	10,320,002	516
Cost of capital raising	–	(906)
Balance at 30 June 2018	**1,981,114,971**	**56,736**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands or on a poll every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote.

NOTE 14 RESERVES AND ACCUMULATED LOSSES

a) Reserves

	Consolidated	
	2018 $'000	2017 $'000
Share based payments reserves (refer to Note 14(c))	10,312	9,614
Foreign currency translation reserve (refer to Note 14(d))	171	(204)
Total reserves	**10,483**	**9,410**

b) Movement in options

Date	Details	Number of option	Fair value issue price	$'000
Balance at 30 June 2016		65,000,000		1,427
22/07/2016	Options issued	115,000,000	$0.0576	6,628
22/07/2016	Options issued	27,000,000	$0.0577	1,559
21/09/2016	Options exercised	(7,000,000)	–	–
10/10/2016	Options exercised	(10,000,000)	–	–
Balance at 30 June 2017		**190,000,000**		**9,614**
21/07/2017	Options issued	65,000,000	$0.0046	299
14/12/2017	Options exercised	(10,000,000)	–	–
06/02/2018	Options issued	20,000,000	$0.0075	151
13/05/2018	Options issued	45,000,000	$0.0174	248
Balance at 30 June 2018		**310,000,000**		**10,312**

c) Share Based Payments Reserve

	2018 Number of Options	2018 $'000	2017 Number of Options	2017 $'000
Movement in reserve				
Balance at the beginning of the year	190,000,000	9,614	65,000,000	1,427
Options issued	130,000,000	698	142,000,000	8,187
Options exercised	(10,000,000)	–	(17,000,000)	–
Balance at the end of the year	**310,000,000**	**10,312**	**190,000,000**	**9,614**

d) Foreign Currency Translation Reserve

	2018 $'000	2017 $'000
Movement in reserve		
Opening balance	(204)	(57)
Currency translation differences	375	(147)
Closing balance	**171**	**(204)**

Nature and Purpose of Reserves

The share based payments reserve arises pursuant to an issue of shares or options as consideration for a service or an acquisition transaction.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTE 14 RESERVES AND ACCUMULATED LOSSES (continued)

e) Accumulated Losses

	Consolidated	
	2018 $'000	2017 $'000
Accumulated losses at beginning of year	(31,945)	(19,956)
Net loss attributable to equity holders of the Company	(5,581)	(11,989)
Accumulated losses at end of year	**(37,526)**	**(31,945)**

NOTE 15 SHARE-BASED PAYMENTS

a) Recognised share-based payment expense

Options

The share based payments expense was $698,000 (2017: $8,187,000), with $547,000 recognised in the statement of financial performance (2017: $6,628,000) and $151,000 recognised as a cost of equity (2017: $1,559,000). The following table lists the inputs to the model used:

No. of options	45,000,000	20,000,000	65,000,000	115,000,000	27,000,000
Grant date	13/05/2018	06/02/2018	21/07/2017	22/07/2016	22/07/2016
Share price	$0.038	$0.052	$0.027	$0.059	$0.059
Exercise price	$0.06	$0.10	$0.05	$0.015	$0.015
Interest rate	2.015%	1.96%	1.775%	1.47%	1.47%
Expiry date	12/05/2022	06/02/2019	31/12/2018	15/06/2019	21/07/2019
Volatility	91.83%	94.11%	82.69%	231%	231%
Fair value at grant date before discount	$0.0217	$0.0094	$0.0058	$0.0576	$0.0577
Discount for being unlisted	20%	20%	20%	–	–
Fair value after discount	$0.0174	$0.0075	$0.0046	$0.0576	$0.0577

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 13 May 2018 (i)	45,000,000	13/05/2018	12/05/2022	$0.06	$0.0174
Issued 06 Feb 2018	20,000,000	06/02/2018	06/02/2019	$0.10	$0.0075
Issued 21 Jul 2017	65,000,000	21/07/2017	31/12/2018	$0.05	$0.0046
Issued 22 Jul 2016 (ii)	115,000,000	22/07/2016	15/06/2019	$0.015	$0.0576
Issued 22 Jul 2016	27,000,000	22/07/2016	21/07/2019	$0.015	$0.0577
Issued 20 Nov 2015 (iii)	65,000,000	20/11/2015	19/11/2018	$0.005	$0.0019

(i) Options vest upon completion of probationary period, being 14 October 2018.
(ii) Options vest upon 20 day VWAP being $0.03 or above. These options have vested.
(iii) Options vest upon 20 day VWAP being $0.01 or above. These options have vested.

Shares

The share based payments expense was $516,000 (2017: $Nil). The following table lists the inputs used

	2018 Consultant fees (i)
Number of shares issued	10,320,002
Grant date	06/02/2018
Share price	$0.05
Share based payment expense	$516,000

(i) Issued 10,320,002 shares to Hunter Capital as part payment for commission on capital raising.

b) 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

	2018 No	2018 WAEP	2017 No	2017 WAEP
Outstanding at the beginning of the year	190,000,000	$0.012	65,000,000	$0.005
Granted during the year	130,000,000	$0.061	142,000,000	$0.015
Exercised during the year	(10,000,000)	($0.015)	(17,000,000)	($0.015)
Expired during the year	-	-	-	-
Outstanding at the end of the year	**310,000,000**	**$0.032**	**190,000,000**	**$0.012**

c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 is 1.16 years (2017: 1.79 years).

d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.005 - $0.10 (2017: $0.005 - $0.015).

e) Weighted average fair value

The weighted average fair value of options granted during the year was $0.0095 (2017: $0.0577).

f) Share options exercised during the year

10,000,000 options were exercised in 2018 (2017: 17,000,000).

g) Issue of shares during the year

During the year, the Company issued in total 386,986,675 fully paid ordinary shares (2017: 357,000,000). Details of the share issued are listed under Note 13.

NOTE 16 COMMITMENTS FOR EXPENDITURE

a) Exploration Commitments

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture and/or acquisition agreements. Outstanding exploration commitments are as follows:

	Consolidated	
	2018 $'000	2017 $'000
Not longer than 1 year	–	–
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	-	**-**

There are no minimum expenditure commitments on the Group's Zimbabwe tenements.

b) Operating Lease Commitments

The Group has no operating lease commitments.

c) Other Commitments

The Group has commitments for US$1,700,000 in development costs for the Arcadia Project.

The Group has entered into contracts with its directors and certain executives whereby minimum notice periods (usually six months) have been provided by the Group. This totals $815,000 as at 30 June 2018 (2017: $540,000). The Group has a commitment of US$Nil for plant and equipment (2017: US$200,000).

The Group has entered into an offtake agreement to deliver 280,000 tonnes of 6% Li_2O spodumene concentrate and 784,000 tonnes of 4% Li_2O petalite concentrate over a 7 year term. The Group will receive a US$10,000,000 offtake prepayment upon the ball mill being delivered and bolt installed at the Project.

NOTE 17 CONTINGENT LIABILITIES

The Group has no contingent liabilities.

NOTE 18 AUDITOR'S REMUNERATION

	Consolidated	
	2018 $'000	2017 $'000
Auditor of the parent entity		
Audit services	41	39
	41	**39**
Network firm of the parent auditor		
Audit services	–	–
	–	–
Auditor of Subsidiaries		
Audit services	23	14
	23	**14**

The auditor of Prospect Resources Limited is Stantons International. The auditor of the Zimbabwe subsidiaries is Baker Tilley.

NOTE 19 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	2018 $'000	2017 $'000
Short-term employee benefits	1,358	1,060
Post employment benefits	34	32
Share based payments	408	5,763
	1,800	**6,855**

NOTE 20 RELATED PARTY TRANSACTIONS

a) Anglo Pacific Ventures Pty Ltd

The Company paid $43,795 (2017: $44,400) to Anglo Pacific Ventures Pty Ltd for rent. Mr Warner is a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

b) Farvic Consolidated Mines (Private) Limited

In the prior year, the Group acquired 2% of Prospect Lithium Zimbabwe (Pvt) Limited (formerly Examix Investments (Pvt) Limited) from Farvic Consolidated Mines (Private) Limited ('Farvic') for USD$140,000.

The Group is owed $7,000 by Farvic (2017: owes $90,000), refer Note 8 and Note 11. This amount receivable is interest free and repayable on demand. Harry Greaves and Zed Rusike are directors and shareholders of Farvic.

Farvic toll treated the Group's development ore and invoiced its expected cost of processing, totalling $Nil (2017: $34,000).

The Group is owed $29,000 by Mixnote Investments (Pvt) Limited (Mixnote), a subsidiary of Farvic (2017: $15,000), refer Note 8. Mixnote is the owner of the West Nicholson Gold Processing Plant. Mixnote has supplied labour and materials, at cost.

c) Hawkmoth Mining and Exploration (Private) Limited

The Company has entered into three loan facility agreements to provide up to a total US$13,950,000 (AUD$18,874,000) to its 70% owned subsidiary Hawkmoth Mining and Exploration (Private) Limited ('HME'). At 30 June 2018, HME has utilised US$11,994,000 (AUD$16,228,000) of this facility. The remaining 30% of HME is owned by Farvic. The loan facility is interest free and there are no fixed repayment terms.

d) CSA Global Pty Ltd

The Company paid $23,089 (2017: $33,000) to CSA Global Pty Ltd for geological services. Mr Fahey is a Principal Mine Geologist and shareholder of CSA Global Pty Ltd.

NOTE 21 SUBSEQUENT EVENTS

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

1) On 9 July 2018, the Group announced it had entered into a free option with J3 Mining to acquire up to 75% of the Malemba Nkulu lithium & copper-cobalt project (PEPMs 12388 & 12390) in DRC.

2) On 21 August 2018, the Group announced it had received a Mining Lease covering the Arcadia Lithium Mine.

3) On 11 September 2018, the Group announced it has received a US$10m Export Finance Facility from the Reserve Bank of Zimbabwe through the CBZ Bank Limited. The Group has not drawn down on this facility at the date of this report.

NOTE 22 LOSS PER SHARE

	Consolidated 2018	Consolidated 2017
Basic loss per share (cents per share)	(0.32)	(0.76)
Amount used in the calculation of basic EPS		
• Loss after income tax attributable to members of Prospect Resources Limited ($'000)	(5,581)	(11,989)
• Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings/(loss) per share	1,724,706,162	1,567,605,008

The options of the Company are not considered dilutive for the purpose of the calculation of diluted loss 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 loss per share is the same as basic loss per share.

NOTE 23 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

	Principal activity	Country incorporation	Ownership and voting interest 2018	Ownership and voting interest 2017
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Prospect Lithium Zimbabwe (Pvt) Limited (formerly Examix Investments (Pvt) Limited)	Exploration & evaluation	Zimbabwe	70%	70%
Thornvlei Farming Enterprises (Private) Limited	Farming	Zimbabwe	70%	–
Hawkmoth Mining & Exploration (Pvt) Ltd	Exploration & evaluation	Zimbabwe	70%	70%
Coldawn Investments (Private) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Greenjix Investments (Private) Limited	Dormant	Zimbabwe	–	70%
Prospect Cobalt Pte Ltd	Holding company	Singapore	100%	–
Prospect Cobalt Sub 1 Pte Ltd	Holding company	Singapore	100%	–

NOTE 23A. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2018 %	2017 %	Profit/(loss) allocated to non-controlling interests 2018 $'000	2017 $'000	Accumulated non-controlling interests 2018 $'000	2017 $'000
Prospect Lithium Zimbabwe	Zimbabwe	30%	30%	(29)	–	(28)	–
Thornvlei	Zimbabwe	30%	–	38	–	40	–
Hawkmoth	Zimbabwe	30%	30%	(68)	(805)	(964)	(1,043)
Coldawn	Zimbabwe	30%	30%	–	–	–	–
Greenjix	Zimbabwe	–	30%	–	–	–	–
				(59)	(805)	(952)	(1,043)

Summarised financial information in respect of the Group's Zimbabwe subsidiaries that have non-controlling interests have been aggregated together and is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018 $'000	2017 $'000
Zimbabwe Subsidiaries		
ASSETS		
Current assets	1,240	208
Non-current assets	12,342	6,467
Current liabilities	(823)	(678)
Non-current liabilities	(16,268)	(9,381)
Net liabilities	**(3,509)**	**(3,384)**
Equity attributable to owners of the Company	(2,557)	(2,341)
Non-controlling interest	(952)	(1,043)
Total equity	**(3,509)**	**(3,384)**

	Year ended 2018 $'000	Year ended 2017 $'000
Revenue	3,722	91
Expenses	(3,922)	(2,775)
Loss for the year	**(200)**	**(2,684)**
Loss attributable to owners of the Company	(141)	(1,879)
Loss attributable to the non-controlling interests	(59)	(805)
Loss for the year	**(200)**	**(2,684)**
Other comprehensive income attributable to owners of the Company	357	-
Other comprehensive income attributable to the non-controlling interests	150	-
Other comprehensive income for the year	**507**	**-**
Total comprehensive income/(loss) attributable to owners of the Company	216	(1,879)
Total comprehensive income/(loss) attributable to the non-controlling interests	91	(805)
Total comprehensive income/(loss) for the year	**307**	**(2,684)**
Dividends paid to non-controlling interests	-	-
Net cash inflow / (outflow) from operating activities	(140)	(206)
Net cash inflow / (outflow) from investing activities	(6,154)	(7,309)
Net cash inflow / (outflow) from financing activities	6,728	7,566
Net cash inflow / (outflow)	**434**	**51**

NOTE 24 PROPECT RESOURCES LIMITED PARENT COMPANY INFORMATION

	2018 $'000	2017 $'000
ASSETS		
Current Assets	16,033	7,248
Non-current Assets	13,283	6,540
TOTAL ASSETS	**29,316**	**13,788**
LIABILITIES		
Current Liabilities	640	388
TOTAL LIABILITIES	**640**	**388**
EQUITY		
Contributed equity	56,736	36,976
Reserve	10,312	9,614
Accumulated losses	(38,372)	(33,190)
	28,676	**13,400**
FINANCIAL PERFORMANCE		
Loss for the year	(5,182)	(12,939)
Other comprehensive income	-	-
Total comprehensive loss	**(5,182)**	**(12,939)**

Parent Entity Contingencies and Guarantees

The parent entity has not guaranteed any loans for any entities during the year.

Parent Entity Commitments

The parent entity has entered into contracts with its directors and certain executives whereby minimum notice periods (usually six months) have been provided by the parent entity. This totals $486,000 (2017: $400,000).

Stantons International Audit and Consulting Pty Ltd
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28 September 2018

The Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
SUBIACO, WA 6008

Dear Sirs

RE: PROSPECT RESOURCES 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.

As Audit Director for the audit of the financial statements of Prospect Resources Limited for the year ended 30 June 2018, 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 faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PROSPECT RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prospect Resources Limited (the Company) and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Capitalised Exploration and Evaluation Expenditure	
As at 30 June 2018, Capitalised Exploration and Evaluation Expenditure totals $11,430,000 (refer to Note 10 of the financial report). The carrying value of Capitalised Exploration and Evaluation Expenditure is a key audit matter due to: ▪ The significance of the total balance (38% of total assets); ▪ The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and ▪ The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation; ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring the veracity of the data presented and that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects also against the requirements of AASB 6; iii. Evaluation of Group documents for consistency with the intentions for continuing exploration and evaluation activities in areas of interest and corroborated with interviews with management. The documents we evaluated included: ▪ Minutes and Circular Resolutions of the board and management; ▪ Announcements made by the Group to the Australian Securities Exchange; and ▪ Cash flow forecasts. iv. Consideration of the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report**.**

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2018. 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

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director
West Perth, Western Australia
28 September 2018

ASX ADDITIONAL INFORMATION

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 26 September 2018.

a) Substantial Shareholders

The substantial shareholders are:

Name	Number Held	Percentage of Issued Shares
PERSHING AUST NOM PL <PHILLIP SECURITIES HK A/C>	229,583,188	11.59%
SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	166,666,667	8.41%
MBM CAP PTNRS LLP	141,250,000	7.13%
ELLIOT HOLDINGS PTY LTD – HD & DM WARNER	128,666,668	6.49%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	114,038,788	5.76%
ARMOURED FOX CAP PL	99,410,889	5.02%

b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	7,661	0.00
1,001 – 5,000	318,976	0.02
5,001 – 10,000	1,591,274	0.08
10,001 – 100,000	46,518,873	2.35
100,001 and over	1,932,678,187	97.56
Total	**1,981,114,971**	**100.00**

There were 525 holders of less than a marketable parcel of ordinary shares.

d) Equity Security Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name		Number Held	Percentage of Issued Shares
1	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	229,583,188	11.59%
2	SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	166,666,667	8.41%
3	MBM CAPITAL PARTNERS LLP	141,250,000	7.13%
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	114,038,788	5.76%
5	ARMOURED FOX CAPITAL PROPRIETARY LIMITED	99,410,889	5.02%
6	MR HUGH WARNER & MS DIANNE WARNER <CBM SUPERFUND A/C>	66,333,334	3.35%
7	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	59,166,667	2.99%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,732,507	2.96%
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	45,826,894	2.31%
10	CITICORP NOMINEES PTY LIMITED	40,670,845	2.05%
11	MR JIUMIN YAN	37,250,511	1.88%
12	MR ZIZHAO SHANG	25,502,107	1.29%
13	WILLEC HOLDINGS PTY LTD <THE LECHNER FAMILY A/C>	24,000,000	1.21%
14	CONTINENTAL MINERALS LIMITED	22,439,891	1.13%
15	WINGFIELD INVESTMENTS LIMITED	22,395,589	1.13%
16	MR ZHIJUN HONG	21,200,348	1.07%
17	MR MIN ZHOU	20,915,000	1.06%
18	MRS BIN ZHOU	20,656,735	1.04%
19	DELFRO LIMITED	20,000,000	1.01%
20	MR PAUL MURRAY WEST	18,200,000	0.92%
	TOTAL	**1,254,239,960**	**63.31%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 0.5 cents before 19 November 2018	65,000,000	9
Options – exercisable at 5.0 cents before 31 December 2018	65,000,000	4
Options – exercisable at 1.5 cents before 15 June 2019	115,000,000	7
Options – exercisable at 10.0 cents before 6 December 2019	20,000,000	3
Options – exercisable at 6.0 cents before 12 May 2022	45,000,000	1

Exploration licenses granted:

Prospect Resources Limited has interests in tenements via the following companies:

1) Coldawn Investment (Private) Limited ("Coldawn")
2) Hawkmoth Mining and Exploration (Private) Limited ("Hawkmoth")
3) Prospect Lithium Zimbabwe (Pvt) Limited (formerly Examix Investments (Pvt) Limited) ("PLZ")
4) Farvic Consolidated Mines (Pvt) Limited ("Farvic")
5) Tannahill Mine (Pvt) Limited ("Tannahill")
6) Mixnote Investments (Pvt) Limited ("Mixnote")

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
ML 38	Zimbabwe	Arcadia	PLZ	70%
12227	Zimbabwe	Penhalonga	Coldawn	70%
20560 BM	Zimbabwe	Penhalonga	Coldawn	70%
10675	Zimbabwe	Penhalonga	Coldawn	70%
21795 BM	Zimbabwe	Penhalonga	Coldawn	70%
13166 BM	Zimbabwe	Penhalonga	Coldawn	70%
18879	Zimbabwe	Penhalonga	Coldawn	70%
18880	Zimbabwe	Penhalonga	Coldawn	70%
18881	Zimbabwe	Penhalonga	Coldawn	70%
21748 BM	Zimbabwe	Penhalonga	Coldawn	70%
18666 BM	Zimbabwe	Penhalonga	Coldawn	70%
12212	Zimbabwe	Penhalonga	Coldawn	70%
12213	Zimbabwe	Penhalonga	Coldawn	70%
19474 BM	Zimbabwe	Penhalonga	Coldawn	70%
14135 BM	Zimbabwe	Penhalonga	Coldawn	70%
10338	Zimbabwe	Penhalonga	Coldawn	70%
G3425	Zimbabwe	Penhalonga	Coldawn	70%
18582 BM	Zimbabwe	Penhalonga	Coldawn	70%
G2335	Zimbabwe	Penhalonga	Coldawn	70%
M2873 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2874 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2875 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2876 BM	Zimbabwe	Chishanya	Hawkmoth	70%
30419	Zimbabwe	Greater Farvic	Hawkmoth	70%
31773	Zimbabwe	Greater Farvic	Hawkmoth	70%
31774	Zimbabwe	Greater Farvic	Hawkmoth	70%
32194	Zimbabwe	Greater Farvic	Hawkmoth	70%
32195	Zimbabwe	Greater Farvic	Hawkmoth	70%
32196	Zimbabwe	Greater Farvic	Hawkmoth	70%
32716	Zimbabwe	Greater Farvic	Hawkmoth	70%
33181	Zimbabwe	Greater Farvic	Hawkmoth	70%

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
33280	Zimbabwe	Greater Farvic	Hawkmoth	70%
36972	Zimbabwe	Greater Farvic	Hawkmoth	70%
36973	Zimbabwe	Greater Farvic	Hawkmoth	70%
36974	Zimbabwe	Greater Farvic	Hawkmoth	70%
36975	Zimbabwe	Greater Farvic	Hawkmoth	70%
36976	Zimbabwe	Greater Farvic	Hawkmoth	70%
36977	Zimbabwe	Greater Farvic	Hawkmoth	70%
36978	Zimbabwe	Greater Farvic	Hawkmoth	70%
36979	Zimbabwe	Greater Farvic	Hawkmoth	70%
36980	Zimbabwe	Greater Farvic	Hawkmoth	70%
36981	Zimbabwe	Greater Farvic	Hawkmoth	70%
36982	Zimbabwe	Greater Farvic	Hawkmoth	70%
36983	Zimbabwe	Greater Farvic	Hawkmoth	70%
GA 5243	Zimbabwe	Greater Farvic	PLZ	70%
GA 5244	Zimbabwe	Greater Farvic	PLZ	70%
31228	Zimbabwe	Makahaya	PLZ	70%
31229	Zimbabwe	Makahaya	PLZ	70%
31230	Zimbabwe	Makahaya	PLZ	70%
31231	Zimbabwe	Makahaya	PLZ	70%
31232	Zimbabwe	Makahaya	PLZ	70%
31233	Zimbabwe	Makahaya	PLZ	70%
31234	Zimbabwe	Makahaya	PLZ	70%
31235	Zimbabwe	Makahaya	PLZ	70%
31236	Zimbabwe	Makahaya	PLZ	70%
31237	Zimbabwe	Makahaya	PLZ	70%
ME268	Zimbabwe	Verdale	PLZ	70%
ME269	Zimbabwe	Verdale	PLZ	70%
ME270	Zimbabwe	Verdale	PLZ	70%
ME271	Zimbabwe	Verdale	PLZ	70%
ME272	Zimbabwe	Verdale	PLZ	70%
ME273	Zimbabwe	Verdale	PLZ	70%
ME274	Zimbabwe	Verdale	PLZ	70%
ME275	Zimbabwe	Verdale	PLZ	70%
ME276	Zimbabwe	Verdale	PLZ	70%
ME277	Zimbabwe	Verdale	PLZ	70%
ME278	Zimbabwe	Verdale	PLZ	70%
ME279	Zimbabwe	Verdale	PLZ	70%
ME280	Zimbabwe	Verdale	PLZ	70%
ME283	Zimbabwe	Verdale	PLZ	70%

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
ME284	Zimbabwe	Verdale	PLZ	70%
ME285	Zimbabwe	Verdale	PLZ	70%
ME286	Zimbabwe	Verdale	PLZ	70%
ME287	Zimbabwe	Verdale	PLZ	70%
ME288	Zimbabwe	Verdale	PLZ	70%
ME289	Zimbabwe	Verdale	PLZ	70%
ME304	Zimbabwe	Verdale	PLZ	70%
ME305	Zimbabwe	Verdale	PLZ	70%
ME306	Zimbabwe	Verdale	PLZ	70%
ME307	Zimbabwe	Verdale	PLZ	70%
ME308	Zimbabwe	Verdale	PLZ	70%
ME309	Zimbabwe	Verdale	PLZ	70%
ME310	Zimbabwe	Verdale	PLZ	70%
ME311	Zimbabwe	Verdale	PLZ	70%
ME312	Zimbabwe	Verdale	PLZ	70%
ME313	Zimbabwe	Verdale	PLZ	70%
779	Zimbabwe	Greater Farvic	Farvic	-(i)
30132	Zimbabwe	Greater Farvic	Farvic	-(i)
32979	Zimbabwe	Greater Farvic	Farvic	-(i)
32980	Zimbabwe	Greater Farvic	Farvic	-(i)
37660	Zimbabwe	Greater Farvic	Farvic	-(i)
37661	Zimbabwe	Greater Farvic	Farvic	-(i)
37662	Zimbabwe	Greater Farvic	Farvic	-(i)
37663	Zimbabwe	Greater Farvic	Farvic	-(i)
37664	Zimbabwe	Greater Farvic	Farvic	-(i)
37665	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2037	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2038	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2039	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2040	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2041	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 3008	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 4597	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4598	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4599	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4600	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4601	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4602	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4603	Zimbabwe	Greater Farvic	Tannahill	-(i)

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
GA 4604	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4605	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4606	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4890	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5125	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5126	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5196	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5197	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5198	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5199	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5201	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5202	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5203	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5204	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5207	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5208	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5209	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5210 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5210 B	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5211	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5212	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5217	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5219	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5220	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5221	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5222	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5223	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5224	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5225	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5226	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5227	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5240	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5241	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5242	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5245	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5246	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5247	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5248	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5249	Zimbabwe	Greater Farvic	Tannahill	-(i)

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
GA 5250	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5251	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5252	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5253	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5254	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5256	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5258	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5265	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5287	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5453	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5454	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5455	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5456	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5457	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5458	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5459	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5460 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5461	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5465	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5466	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5467	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5468	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5469	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5470	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5471	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5472	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5477	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5478	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5479	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5480	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5481	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5482	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5483	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5484	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5485	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5486	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5487	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5488	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5527	Zimbabwe	Greater Farvic	Tannahill	-(i)

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
GA 5528	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5529	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5530	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5531	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5532	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5533	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5693 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA5200	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA5460 B	Zimbabwe	Greater Farvic	Tannahill	-(i)

(i) Hawkmoth can earn a 51% interest by spending USD$1.5m within 36 months. Hawkmoth can earn the remaining 49% interest by spending a further USD$1.5m within the next 12 months.

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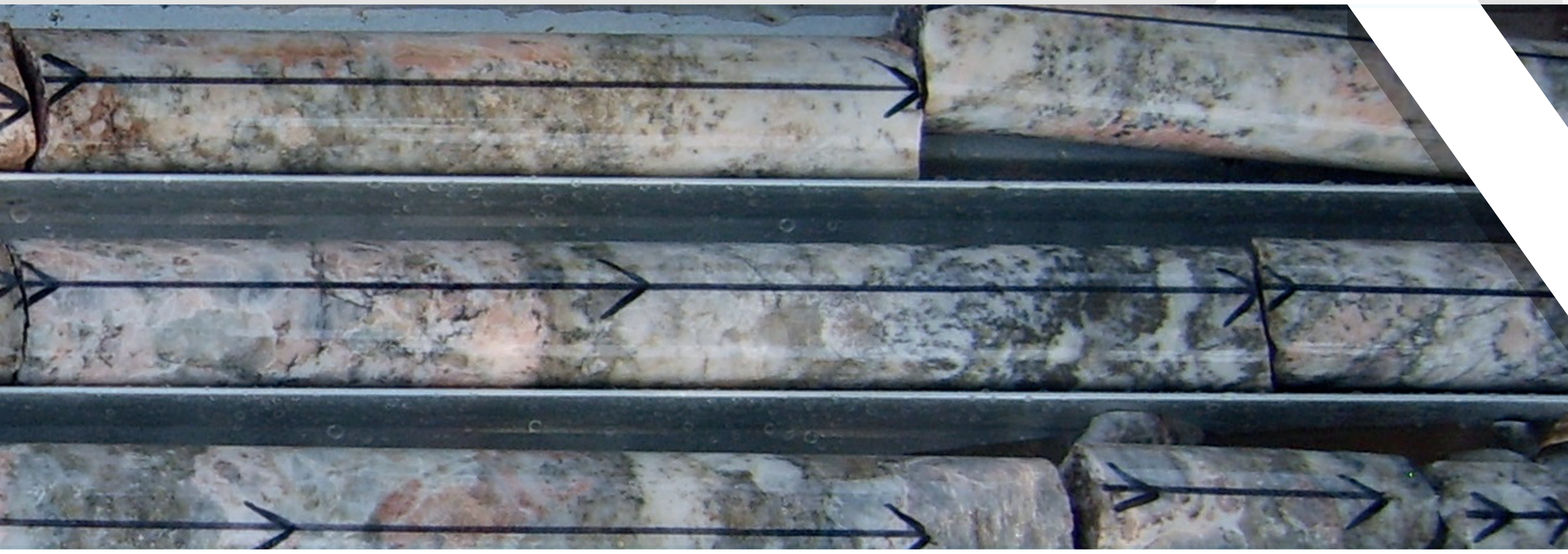

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