Prospect Resources

ANNUAL REPORT 2021

Table of Contents

Chairperson's Report

Dear Shareholders

I am pleased to be writing to you for the first time in my capacity as Chairman of Prospect since joining the Company earlier this year. I am equally pleased with how our business has progressed over this time, highlighting both the calibre of the management team and the quality of the Arcadia asset. It is my pleasure to welcome all new shareholders to the business over the past year, and to thank all shareholders for their support over the past 12 months.

The past year has been one of challenges for businesses and communities around the world. The COVID-19 pandemic has challenged us all. It is for this reason that I have great pride in highlighting the substantial progress delivered by the Prospect team, and for the Arcadia Lithium Project, over this period. The momentum that the Company has managed to build and sustain is impressive. In particular, significant achievements that I believe are worthy of note include:

- The securing of a high-purity petalite offtake agreement with leading industrial mineral specialist, Sibelco – highlighting the strong position we are in to be a critical supplier to this market as well as our ability to progressively de-risk development of Arcadia by securing offtake over a seven-year period.
- The completion of the value accretive Farvic transaction, which saw Prospect increase its equity stake in Arcadia to 87%. This transaction was finalised after the reporting date.
- The construction of the Petalite Pilot Plant at Arcadia, enabling production of high-purity petalite which is to be sent to existing and potential customers for product qualification.
- The progression of the dual-track Optimised Feasibility Study for Arcadia with Lycopodium, the findings of which will update project reserves and economics with all results released prior to end CY2021.

Leading the way in the battery revolution

- The recently announced commencement of a structured process whereby interested parties have the opportunity to put forward partnership proposals in a competitive environment to fully fund the Arcadia project. This decision followed a review of various funding options and after receiving multiple enquiries from a range of international parties in relation to funding and development of Arcadia.

It has clearly been a busy time for the business. I am particularly pleased to note that the Prospect team has been able to demonstrate a clear plan and execute accordingly, which bodes well for the workstreams that lie ahead.

Having Ian Goldberg join the Company as CFO has further bolstered the strength of our team. I am confident that under Sam Hosack's leadership, and with the support of our employees and shareholders, we will continue to see impressive progress.

I would like to thank our previous CFO, Chris Hilbrands, for his eight years of service to Prospect. On behalf of the Prospect Board, I would also like to thank former Chairman, Hugh Warner, for his extensive efforts in driving the business to where it is today.

I look ahead with excitement. Prospect remains ideally positioned to supply high-purity, low-cost lithium products into a range of high-growth markets. It is my objective, along with the entire Prospect Board, to ensure that Prospect and its shareholders realise the full potential value of our world-class Arcadia lithium asset.

I look forward to updating you at the Company's Annual General Meeting and very much hope that travel into and out of Western Australia can be normalised soon so that the many Perth based mining companies such as Prospect, with projects and directors in other parts of the world can get back to business as usual with easy travel to project locations and face to face meetings.

Yours faithfully

Mark Wheatley

Mark Wheatley
Non-Executive Chairperson

30 September 2021

Review of Operations

Highlights

Highlights during and subsequent to the end of the year were as follows:

(a) Entered into an offtake agreement with global industrial mineral specialist Sibelco N.V. for technical grade petalite. The offtake agreement covers a seven-year term, supplying up to 100,000 dry metric tonnes of ultra-low iron petalite annually. The pricing formula for the offtake agreement is linked to the end customer sales contracts with minimum pricing provisions.

(b) Became a raw material partner of the European Raw Material Alliance ("ERMA"). The ERMA, backed by the lending arm of the European Union, the European Investment Bank (EIB), aims to diversify supply chains, create jobs and attract investments to the raw materials value chain.

(c) Appointed leading Perth-based engineering consulting group, Lycopodium, to complete a dual-track Optimised Feasibility Study for Arcadia, evaluating

- A two-stage development to 2.4 Mtpa throughput, via progressive construction of two 1.2 Mtpa modules. This approach provides a lower upfront capital pathway to production and allows project and market risks to be managed progressively. The study covering this option is due in Q3 CY2021.
- A single-stage development to a 2.4 Mtpa throughput operation. This direct approach provides the greater development efficiencies and higher economic returns, but with higher upfront capital requirements. The study for the single-stage 2.4mpta option is due in Q4 CY2021.

(d) Completed the acquisition of shares in Prospect Lithium Zimbabwe and issue of consideration shares to Farvic. The value accretive transaction enabled Prospect's ownership in the Arcadia Project to increase from 70% to 87%.

(e) Completed the development of a Pilot Plant on time and budget, to produce technical grade petalite samples for customer qualification processes. An official opening ceremony was held at the Arcadia site in Zimbabwe, with the Minister of Mines and Mining Development, Honourable Winston Chitando, as the Guest of Honour.

(f) Appointed Mr Mark Wheatley as Non-Executive Chairman of Prospect, following the resignation of Mr Hugh Warner. Mr Wheatley brings with him extensive experience in the resources sector.

(g) Appointed Mr Ian Goldberg as Chief Financial Officer of the Company. Mr Goldberg replaced Mr Chris Hilbrands as CFO after eight years with Prospect. Mr Goldberg is a finance professional with more than 20 years' experience in the resources sector and is a key addition to Prospect's senior leadership team.

(h) Appointment of Mr Dev Shetty as a Non-Executive Director of the Company. Mr Shetty is a highly experienced mining executive and qualified chartered account. He is currently President and CEO of Fura Gems Inc. He was previously a director and group Chief Operating Officer of Gemfields plc (LSE: GEM), a gem producer with operations in Mozambique and Zambia.

(i) Undertook a soil sampling process and identified two significant sized rare earth element (REE) anomalies, with the average REE soil assay five times greater than the crustal average. 213 of the samples from these two areas are considered significant (> 1,170ppm TREOs) and eight of these anomalous (> 2,330ppm). Approximately 20% of the TREO values in these samples are attributable to Neodymium and Praseodymium, which are key inputs into permanent magnets.

(j) The Company's subsidiary, Hawkmoth Mining & Exploration (Pvt) Ltd agreed and executed an option to purchase the Chishanya tenements from the Meikle Mining Syndicate for US$30,000 and an equity payment, delivering ten mining claims covering an area of 2.2km^2.

(k) Entered into a binding term sheet with Luzich Partners LLC, whereby Luzich acquired an option to buy 100% of the Company's Penhalonga Gold Project for US$1m. On 7 September 2021, the Company announced that Luzich had executed the option to acquire the project and pay the balance of the US$750,000 owing upon completion of Sale and Purchase Agreement within 30 days.

(l) Successfully completed two equity raisings:

- On 2 October 2020, raised A$6 million placement at A$0.13 per share before costs to fund development of the Pilot Plant to produce high-purity petalite samples for glass and ceramics customers; to initiate front end engineering design (FEED) for the Arcadia Project and to progress project financing activities; and
- On 23 April 2021, raised A$6.5 million in a placement to institutional investors at A$0.15 per share before costs, with funds used to further progress the Arcadia Project, including the acquisition of an additional 17% equity interest in the Arcadia Project as part of the Farvic Transaction.

(m) Commenced a structured partnership process, whereby interested parties will have the opportunity to put forward proposals in a competitive environment to fully fund the Arcadia Project.

(n) Commenced process of bolstering our ESG framework in-line with our planned transition to lithium production. Prospect aspires to be a leader, not only in supplying high-quality lithium products to an industry focussed on decarbonisation, but in integrating our core values with a comprehensive set of ESG principles on which to guide our actions.

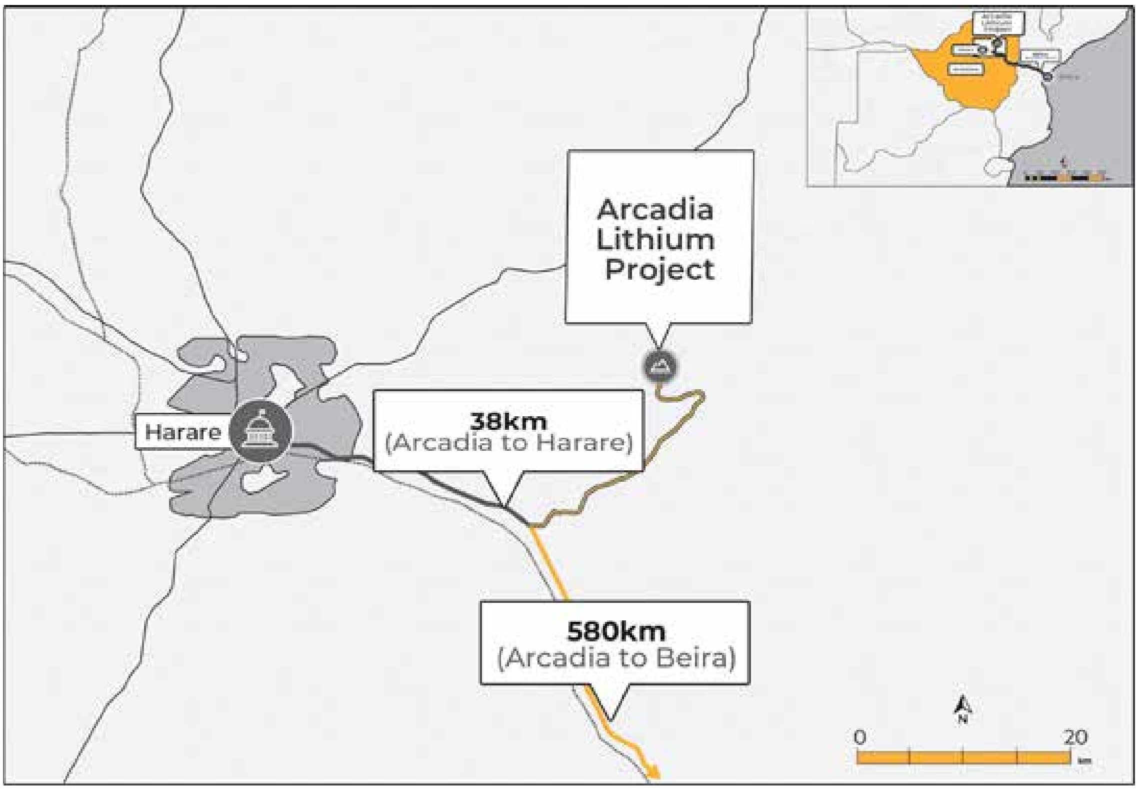
Arcadia Project

Location

Prospect is the 87% owner of the Arcadia Project. The Arcadia Project is located in Zimbabwe, approximately 35 kilometres east of the capital Harare, providing convenient access to skilled and semi-skilled labour. A Mining Lease has been granted over an area of more than 10 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 580 km away by rail/road transport. Grid power access via switchyard is within 4 kilometres of the Project with 20 MVA capacity. There is surplus groundwater available.

Geology

The Arcadia 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. A total of 194 RC and 111 diamond drill holes have been drilled on the project (26,682m).



Location of Arcadia Lithium Project

JORC Ore Reserve and Mineral Resource Estimates

The Ore Reserve estimate for the Arcadia Lithium Project.is 37.4Mt grading 1.22% Li_2O and 121ppm Ta_2O_5. The Ore Reserve hosts ~ 1.2Mt of contained lithium carbonate equivalent (LCE) and 10 million pounds of Ta_2O_5.

Arcadia JORC Ore Reserve Statement (20 November 2019)

Category	Tonnes (Mt)	Li_2O %	Ta_2O_5 ppm	Li_2O (kt)	Ta_2O_5 (Mlbs)
Proven	11.3	1.28	114	144	2.8
Probable	26.1	1.20	124	314	7.2
TOTAL	37.4	1.22	121	457	10.0

The Mineral Resource (capturing material above 0.2% Li_2O) is outlined below:

Arcadia JORC Mineral Resource Statement (24 October 2017) - 0.2% Li_2O Cut-off

Category	Tonnes (Mt)	Li_2O %	Ta_2O_5 ppm	Li_2O (kt)	Ta_2O_5 (Mlbs)
Measured	15.9	1.17%	121	185	4.2
Indicated	45.4	1.10%	121	502	12.1
Inferred	11.4	1.06%	111	121	2.8
TOTAL	72.7	1.11%	119	808	19.1

Offtake

On 17 August 2020, Prospect announced to the market that it had signed an offtake agreement with global industrial mineral specialist Sibelco N.V. for ultra-low iron petalite from the Arcadia Project. The offtake agreement covers a seven-year term, supplying up to 100,000 dry metric tonnes of ultra-low iron petalite annually. The pricing formula for the offtake agreement is linked to the end customer sales contracts with minimum pricing provisions. Combined with the existing offtake agreement with Sinomine Resources,100% of the Company's 2019 DFS petalite production for the first seven years is now covered by offtake agreements.

Renewed Board and Management Team

In line with the Company's strategy to become a leading lithium producer, Prospect has undertaken a number of changes to its Board and Management Team to strengthen its position through this transitional period:

- Appointment of Mr Dev Shetty as a Non-Executive Director of the Company. Mr Shetty is a highly experienced mining executive and qualified chartered account. He is currently President and CEO of Fura Gems Inc. He was previously a director and group Chief Operating Officer of Gemfields plc (LSE: GEM), a gem producer with operations in Mozambique and Zambia.
- Appointment of Mr Mark Wheatley as Non-Executive Chairman of Prospect, following the resignation of Mr Hugh Warner. Mr Wheatley brings with him extensive experience in the resources sector having been a Director and Chairman across a range of listed resource businesses including Norton Gold Fields Limited (ASX: NGF), Xanadu Mines Ltd (ASX: XAM), Gold One International Limited (ASX: GDO) and St Barbara Limited (ASX: SBM). Mr Wheatley was also a founding director of Uranium One Inc., with his five-year tenure including a successful period of growth culminating in Russian state owned, Rosatom, earning a 51% equity position.

  Mr Wheatley is currently a non-executive director of Ora Banda Mining Ltd (ASX: OBM) and Peninsula Energy Limited (ASX: PEN). Mr Wheatley is well known to institutional investors and has served as a nominee director for a private equity group across a number of their portfolio companies. His experience includes growth through the financing and development of projects, and he has been instrumental in a number of successful merger and acquisition transactions.
- Appointment of Mr Ian Goldberg as Chief Financial Officer of the Company. Mr Goldberg is a chartered accountant and finance professional with than 20 years' experience in the resources sector and is a key addition to Prospect's senior leadership team as the Company progresses project finance for the world-class Arcadia Project. Mr Goldberg, appointed on 6 February 2021, brings a strong commercial capability having led early-stage developments through project finance and into operations. His most recent role was CFO for Tiger Resources, a copper producer in the Democratic Republic of Congo. Prior to that role, he held a number of CFO positions at producing mining companies across Africa and Australia.

  Mr Goldberg replaced Mr Chris Hilbrands as CFO and the Company thanks Mr Hilbrands for his extensive efforts over the eight years he worked with Prospect.

Farvic Transaction

Following receipt of requisite approvals (including Prospect shareholder approval on 25 June 2021, Prospect completed a value accretive transaction with Farvic Consolidated Mines Pvt Ltd ("**Farvic**") which increased its stake in the Arcadia Project to 87% from 70%.

Under the transaction agreement, Farvic agreed to transfer the shares it holds in Prospect Lithium Zimbabwe (Pvt) Ltd ("PLZ") (holder of the Arcadia Project) to Prospect Minerals Pte Ltd, a wholly owned subsidiary of the Company. In consideration for the transfer of shares in PLZ, the Company issued 9,497,680 fully paid ordinary shares and paid A$1,187,210 in cash to Farvic. The shares issued to Farvic are subject to a voluntary escrow, with 25% of the shares being released every 6 months.

Pilot Plant

In November 2020, the Company announced it would commence construction of a Pilot Plant at Arcadia to produce petalite samples for customer qualification. The purpose of the Pilot Plant was to demonstrate the ability to produce high purity products at planned volumes, and enhance technical elements of the project execution phase.

Following the strategic review undertaken by management and a number of third-party experts, the Company decided to focus the pilot plant on producing technical grade petalite samples using Dense Media Separation (DMS) in accordance with Arcadia's existing Feasibility Study flowsheet rather than both petalite and spodumene samples using a flotation flow sheet.

On 25 June 2021, Prospect announced to the market that construction and commissioning of the Pilot Plant was complete and that petalite production of bulk samples for customers had commenced, for an initial period of three months with the ability to extend this pending additional demand. An official opening ceremony was held at the Arcadia site in Zimbabwe with dignitaries from the Zimbabwean, Chinese and Russian Governments in attendance. A ceremonial sample of Prospect's flagship product [high-purity, low-iron] petalite was presented to Sinomine Resources, a valued shareholder and offtake partner of Prospect's.

Technical grade petalite samples produced from the Pilot Plant will undergo product qualification processes with customers. Spodumene samples produced by laboratory partner Geolabs have also been sent to potential customers for qualification processes.

The pilot plant is considered as a key asset for the Company. Its operation alongside commercial operations is considered vital as it will allow for geo-metallurgical confirmation and optimisation for each ore type prior to feed into the commercial operation, forming a critical part of Arcadia's project development and market integration strategies.

Optimised Feasibility Study

The Company's management team and a number of external third-party experts conducted a strategic review of the Arcadia Project's development pathway to near-term production.

This strategic review concluded that an initial smaller commercial scale production facility at Arcadia utilising the existing Definitive Feasibility Study ("**DFS**") dense media separation (**DMS**) flowsheet will allow greater speed to market, higher technical certainty, significantly lower risk, and a reduced capital and operating-cost operation, when compared to inclusion of petalite flotation (in place of DMS) to increase the recovery of petalite from the ore body. It was assessed that the potential increase in petalite recovery was insufficient justification to compensate for the higher technology risk for start up operations.

The Company appointed Lycopodium, a leading independent lithium focused engineering firm, to undertake the revised feasibility study, which will include a Front-End Engineering and Design to improve technical certainty and reduce execution risk in providing greater accuracy on equipment selection, sizing and resulting project economics.

Lycopodium was engaged in Q1 CY2021 and with recent lithium market demand and partner funding interest, the scope of the appointment was expanded to complete a dual-track Optimised Feasibility Study for Arcadia, evaluating:

- A two-stage development to 2.4 Mtpa throughput, via progressive construction of two 1.2 Mtpa modules. This approach provides a lower upfront capital pathway to production and allows project and market risks to be managed progressively.
- A single-stage development to a 2.4 Mtpa throughput operation. This direct approach provides the greater development efficiencies and higher economic returns, but with higher upfront capital requirements.

Lycopodium's relationship with Prospect and its familiarity with the Arcadia Project was highly regarded in their appointment, as was its leading role in designing, costing and implementing projects across a wide range of commodities, including lithium in Australia and Africa.

Whilst the staged development was the initial focus of the Company, Prospect will now maintain the ability to go direct to nameplate capacity of 2.4 Mtpa should market conditions and funding activities allow it.

Partnership Process

Following a review of various funding options, and in response to multiple enquiries recently received from a range of international parties in relation to funding and development of Arcadia, the Prospect Board decided to commence a structured process whereby interested parties will have the opportunity to put forward partnership proposals in a competitive environment to fully fund the Arcadia Project. The Board is prioritising the development of Arcadia through this partnership process over other funding options, to provide more flexibility, accelerate project execution and bring the project into production at the earliest possibility.

Other Projects - Zimbabwe

Penhalonga Project - Gold

On 23 October 2020, Prospect entered into a binding term sheet with Luzich Partners LLC, whereby Luzich acquired an option to buy 100% of the Company's Penhalonga Gold Project for US$1m, payable via a non-refundable deposit of US$250,000 and the remaining US$750,000 within 180 days commencing from payment of the non-refundable deposit.

The non-refundable deposit was received on 8 December 2020. Under the option agreement, both parties agreed to extend the option for a further non-refundable consideration of US$50,000. On 7 September 2021, the Company announced that Luzich had executed the option to acquire the project and pay the balance of the US$750,000 owing, to be paid upon completion of Sale and Purchase Agreement within 30 days.

Chishanya Project – Rare Earths

The Chishanya Project is one of five known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950's 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.

During the first half of CY2021, Prospect undertook a soil sampling process and identified two significant sized rare earth element (REE) anomalies, with the average REE soil assay five times greater than the crustal average. 213 of the samples from these two areas are considered significant (> 1,170ppm TREOs) and eight of these anomalous (> 2,330ppm). Approximately 20% of the TREO values in these samples are attributable to Neodymium and Praseodymium, which are key inputs into permanent magnets.

In February 2021, the Company's subsidiary, Hawkmoth Mining & Exploration (Pvt) Ltd agreed an option to purchase the Chishanya tenements from the Meikle Mining Syndicate for US$30,000 and an equity payment. This was payable in two instalments comprising a non-refundable deposit of US$15,000, which was paid on signing, and a final instalment of US$15,000 payable on completion. The option agreement, which was exercised in August 2021, delivered ten mining claims covering an area of 2.2km^2, with Phase 2 Exploration activities in detailed planning.

Prospect is planning to undertake surface rock chip sampling across the areas of limited outcrop, and pitting in areas of no outcrop, within the two main defined anomalies. In addition, some of the small spot, possibly fault associated anomalies, will be tested with infill soil sampling. The aim is to define follow-up anomalies worthy of testing by percussion drilling.

Competent Person Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its resource announcement made on 25 October 2017.

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Ore Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its reserve announcement made on 20 November 2019.

Directors' Report

Directors' Report

The Directors of Prospect Resources Limited ("the Company") hereby submit the annual report of the Company and its subsidiaries, (together the "Consolidated Entity" or "Group") for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

DIRECTORS AND OFFICERS

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

Name	Particulars
Mark Wheatley (appointed 8 January 2021)	Non-Executive Chairperson
Duncan (Harry) Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
Dev Shetty (appointed 18 December 2020)	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr H Chen
Sam Hosack	Managing Director
Hugh Warner (resigned 22 October 2020)	Executive Chairperson
Ian Goldberg (appointed 6 February 2021)	Chief Financial Officer
Chris Hilbrands (resigned 15 March 2021)	Chief Financial Officer
Ian Goldberg and Lee Tamplin (appointed 8 March 2021)	Joint Company Secretary
Andrew Whitten (resigned 8 March 2021)	Company Secretary

The above named Directors and Officers held office during and since the end of 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

The Group has recognised a loss after tax from continuing operations of $3,745,000 (2020: Loss $4,607,000). After allowing for the ad hoc expenses of $328,000 for share-based payments and $823,000 for the impairment of mine properties, the after tax loss is reduced to $2,594,000. This $2,013,000 reduction in loss from the prior year is driven by the reduced development costs expensed, together with savings on employee and administration expenses.

The result reflects a concerted effort by the Company to conserve funds but also advance the development prospects of its flagship asset, Arcadia with a view to developing a clear pathway to production.

Additional information on the operations and financial position of the Group is set out in the Review of Operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during and subsequent to the end of the financial year were as follows:

(a) On 2 October 2020 the Company issued 46,153,847 new ordinary shares via a placement to raise $6,000,000 before costs

(b) On 22 October 2020 Mr Hugh Warner resigned as a Director and Chairperson of the Company

(c) The Company entered into an option agreement to sell the Penhalonga Gold project for US$1,000,000

(d) During October 2020, planning for the construction of a Pilot plant and an optimised definitive feasibility study commenced

(e) The Company implements a board and senior management renewal strategy with the appointments of Mr Dev Shetty as a Non-Executive Director on 18 December 2020, Mr Mark Wheatley as Chairperson on 8 January 2021 and Mr Ian Goldberg as Chief Financial Officer on 6 February 2021

(f) The company appointed Lycopodium to supervise the metallurgical test work, optimisation of the flow sheet, design for the process plant and other ancillary site infrastructure

(g) On 23 April 2021 the Company issued 41,935,484 new ordinary shares via a placement to institutional and sophisticated investors to raise $6,500,000 before costs

(h) On 25 June 2021 the Arcadia Pilot Plant commenced production to deliver technical grade Petalite to customers to commence final testing and

(i) On 22 July 2021 the Company completed the acquisition of 17% of the Arcadia project by issuing 9,497,680 new ordinary shares and the payment of $1,187,210 in cash, resulting in the Group now holding 87% ownership of the Arcadia project.

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:

- Prior to year end, the Group entered into a conditional agreement to acquire a further 17% in the Arcadia Lithium Project, from Farvic Consolidated Mines Pvt Ltd increasing its ownership from 70% to 87%. The agreement was completed on 22 July 2021 and the Group issued 9,497,680 new ordinary shares and paid cash of $1,187,210 on that date. The shares issued to Farvic are subject to a voluntary escrow, with 25% of the shares set to be released every 6 months.
- Prior to the year end, the Group reported that Luzich Resources (Africa) LLC, an affiliate of Luzich Partners LLC ("Luzich"), executed an option agreement to buy 100% of the Company's Penhalonga Gold Project. During the year Luzich paid US$250,000 in non refundable deposits towards the potential exercise of the option agreement which is for a total consideration of US$1,000,000. This option was executed and completion of the agreement is to occur within 30 days with the payment of the remaining consideration of US$750,000 to the Group.

DIVIDENDS

No dividends were recommended or paid during the current year.

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Group will continue to develop the Arcadia Lithium Project and extract value from its other non-core assets.

INFORMATION ON DIRECTORS

Mark Wheatley (Non-Executive Chairman) appointed 8 January 2021; Independent

Experience and Expertise

Mr Wheatley has over 15 years of director and chairman experience with exposure predominantly across gold, copper and uranium sectors. Mr Wheatley has previously held non-executive chairman positions with Norton Gold Fields Limited (ASX: NGF), Xanadu Mines Ltd (ASX: XAM) and Gold One International Limited (ASX: GDO).
Mr Wheatley has also held a number of non-executive director roles including St Barbara Limited (ASX: SBM) and was a founding director of Uranium One Inc., with his 5-year tenure including a successful period of growth culminating in Russian state-owned, Rosatom, earning a 51% equity position.

Mr Wheatley is currently a non-executive director of Ora Banda Mining Ltd (ASX: OBM) and Peninsula Energy Limited (ASX: PEN). Mr Wheatley is well known to institutional investors and has served as a nominee director for a private equity group across a number of their portfolio companies. His experience includes growth through the financing and development of projects, and he has been instrumental in a number of successful merger and acquisition transactions.

Mr Wheatley holds a Bachelor of Engineering (Chemical Engineering Hons 1) from the University of New South Wales and a Master of Business Administration from West Virginia University.

Other Current Listed Directorships

Ora Banda Mining Ltd (appointed 2 April 2019)

Peninsula Energy Limited (appointed 26 April 2016)

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Chairman and member of the Remuneration and Nominations Committee

Interests in Shares and Options

645,162 ordinary shares and 2,000,000 options.

Duncan (Harry) Greaves (Executive Director) appointed 18 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 Managing Director of Farvic Consolidated Mines (Pvt) Ltd which incorporates Mixnote Investments (Pvt) Ltd operating the Beatrice Mine.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

5,517,954 ordinary shares and nil options.

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

Experience and Expertise

Mr Fahey has over 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

Member of the Remuneration and Nominations Committee

Interests in Shares and Options

1,025,000 ordinary shares and 1,000,000 options.

Zivanayi (Zed) Rusike (Non-Executive Director) appointed 26 September 2013

Experience and Expertise

Mr Rusike has a Bachelor of Accountancy Degree (Birmingham) and is a resident of Zimbabwe. He was previously the 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 to pursue personal interests and currently sits on the boards of ZB Capital Limited, Dulux Paints Limited and Halsted Brothers (Pvt) Limited to name a few. Mr Rusike is a former President of the Confederation of Zimbabwe Industries (2000 – 2001).

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Remuneration and Nominations Committee, and Audit and Risk Committee

Interests in Shares and Options

3,040,374 ordinary shares and nil options.

Dev Shetty (Non-Executive Director) appointed 18 December 2020

Experience and Expertise

Mr Shetty is a highly experienced mining executive and qualified chartered accountant. He is currently President and CEO of Fura Gems Inc. He was previously a director and group Chief Operating Officer of Gemfields plc (LSE: GEM), and also held roles in a private-equity firm.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Audit and Risk committee

Interests in Shares and Options

Nil ordinary shares and 1,000,000 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.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Remuneration and Nominations Committee, and Audit and Risk Committee

Interests in Shares and Options

6,165,796 ordinary shares and 1,000,000 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 12 years prior to commencing at Prospect, he was 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 power station 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

2,000,000 ordinary shares and 10,500,000 options.

COMPANY SECRETARY

Mr Ian Goldberg and Mr Lee Tamplin were appointed joint company secretaries on 8 March 2021. Mr Goldberg is the Company's Chief Financial Officer and Mr Tamplin is an employee of Automic Group and is currently the company secretary of several other listed companies.

Interests in Shares and Options

Mr Goldberg holds 258,064 ordinary shares and 4,500,000 options. Mr Tamplin has Nil interest in the Group.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board held during the year ended 30 June 2021 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**
Mark Wheatley	5	5
Harry Greaves	7	7
Gerry Fahey	7	7
Zed Rusike	7	5
Dev Shetty	6	5
HeNian Chen	7	5
Sam Hosack	7	7
Hugh Warner	0	0

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.

REMUNERATION REPORT (AUDITED) (continued)

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 and executives
- Performance rewards to allow directors and executives 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 and is set at $500,000. The appointment of non-executive director remuneration within that maximum will be made by the Board having regard to the development of the company and benchmarking of fees paid to peer group companies.

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 executive 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 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 Key Management Personnel.

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 is to issue of options to directors and executives to encourage the alignment of personal and shareholder interests while also allowing cash based compensation to be moderated until operating cashflow is achieved. 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 2021 and prior.

	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000
Revenue	442	369	3,320	3,892
Net loss before tax	(3,745)	(4,607)	(5,722)	(5,401)
Net loss after tax	(3,745)	(4,607)	(5,753)	(5,640)
	30 June 2021	**30 June 2020**	**30 June 2019**	**30 June 2018**
Share price at beginning of year (cents)	7.2	22.5	35.0[(i)]	2.0
Share price at end of year (cents)	21.0	7.2	22.5	3.5
Dividends	-	-	-	-
Basic and diluted earnings per share (cents per share)	(1.06)	(1.79)	(3.52)	(0.32)

(i) The Company underwent a 10 for 1 share consolidation in 2019. The 2019 opening share price has been restated, however the data from years prior to 2019 have not been restated.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel

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

Directors

Name	Particulars
Mark Wheatley (appointed 8 January 2021)	Executive Chairperson
Duncan (Harry) Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
Dev Shetty (appointed 18 December 2020)	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr H Chen
Sam Hosack	Managing Director
Hugh Warner (resigned 22 October 2020)	Executive Chairperson
Executives	
Trevor Barnard	General Manager
Ian Goldberg (appointed 6 February 2021)	Chief Financial Officer and Joint Company Secretary (appointed 8 March 2021)
Chris Hilbrands (resigned 15 March 2021)	Chief Financial Officer

2) Details of remuneration

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER[vi]		
2021	**Salary & Fees $**	**Bonus $**	**Termination Benefits $**	**Superannuation $**	**Options $**	**$**	**Total $**	**Performance %**
Non-Executive Directors								
M Wheatley[i]	38,413	-	-	3,649	1,346	-	43,408	3%
G Fahey	10,959	-	-	1,041	673	-	12,673	5%
Z Rusike	12,000	-	-	-	-	-	12,000	-
D Shetty	6,467	-	-	-	673	-	7,140	9%
H Chen[ii]	10,959	-	-	1,041	673	-	12,673	5%
Executive Directors								
H Greaves	125,000	-	-	-	-	-	125,000	-
S Hosack	158,904	-	-	15,096	3,744	14,338	192,082	2%
H Warner[iii]	48,260	-	93,750	9,200	-	54,642	205,852	-
Executives								
T Barnard	149,322	-	-	-	85,919	39,767	275,008	31%
C Hilbrands[iv]	97,032	-	11,416	11,640	-	36,946	157,034	-
I Goldberg[v]	63,261	-	-	6,010	52,815	3,309	125,395	42%
Total	**720,577**	**-**	**105,166**	**47,677**	**145,843**	**149,002**	**1,168,265**	

(i) Mr Wheatley was appointed as a director on 8 January 2021.
(ii) HeNian Chen fees were paid or are payable to his alternate director, Meng Sun.
(iii) Mr Warner resigned as a director on 22 October 2020.
(iv) Mr Hilbrands resigned as CFO on 15 March 2021.
(v) Mr Goldberg joined the Company on 6 February 2021.
(vi) Except in the case of Mr Barnard other benefits represent leave accruals. Mr Barnard received other benefits of $39,767 being for family school tuition and rental accommodation paid for by the Group on his behalf.

REMUNERATION REPORT (AUDITED) (continued)

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER		
2020	**Salary & Fees $**	**Bonus $**	**Termination Benefits $**	**Superannuation $**	**Options $**	**$**	**Total $**	**Performance %**
Non-Executive Directors								
G Fahey	19,178	-	-	1,822	-	-	21,000	-
Z Rusike	21,000	-	-	-	-	-	21,000	-
H Chen(i)	19,178	-	-	1,822	-	-	21,000	-
Executive Directors								
H Greaves	218,751	-	-	-	-	-	218,751	-
S Hosack	286,828	-	-	19,172	-	2,630	308,630	-
H Warner	214,306	-	-	20,070	-	41,299	275,675	-
Executives								
T Barnard	221,814	-	-	-	-	-	221,814	-
R Tyler	118,714	-	-	-	-	-	118,714	-
C Hilbrands	171,233	-	-	16,267	-	31,359	218,859	-
Total	**1,291,002**	**-**	**-**	**59,153**	**-**	**75,288**	**1,425,443**	

(i) HeNian Chen fees were paid or are payable to his alternate director, Meng Sun.

Short term incentives

In 2021, no bonuses were recognised (2020: $Nil).

3) Service agreements

Non-Executive Directors

Non-executive directors entered into either a Non-Executive Services Agreement or Consultancy Agreement commencing 1 June 2016, or if later, on commencement of appointment, with a total annual salary of $24,000 per annum inclusive of superannuation (if applicable). Effective 1 April 2020, non-executive director remuneration was reduced by 50% to $12,000 per annum.

As of 1 July 2021, the non-executive director remuneration was adjusted to a total annual salary of $36,000 per annum inclusive of superannuation (if applicable).

The Chairperson Mr Wheatley entered into a service agreement with a total annual salary of $87,600 inclusive of super.

Executive Directors

Mr 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. Effective 1 April 2020, Mr Hosack's remuneration was reduced by 50.3% to $174,000 per annum.

As of 1 July 2021, Mr Hosack's remuneration was adjusted to a total annual salary of $350,000 per annum inclusive of superannuation.

Mr Greaves entered into an Executive Services Agreement commencing 1 June 2016 with a total annual salary of $250,000 per annum inclusive of superannuation (if applicable) from 1 August 2016. Effective 1 April 2020, Mr Greaves' remuneration was reduced by 50% to $125,000 per annum.

As of 1 July 2021, Mr Greaves' remuneration was adjusted to a total annual salary of $250,000 per annum inclusive of superannuation.

REMUNERATION REPORT (AUDITED) (continued)

Other Executives

Mr Barnard signed a consulting agreement with a subsidiary of the Company commencing 1 August 2018, for ZAR2,640,000 per annum. Effective 1 April 2020, Mr Barnard's contract was converted into a US$ based value and reduced by approximately 40% to US$112,260 (approx. AUD$160,000) per annum. During 2021, Mr Barnard also received other benefits of AUD$39,767 being for family school tuition and rental accommodation paid by the Group on his behalf.

As of 1 July 2021, Mr Barnard's remuneration was adjusted to a total annual salary of US$187,104 (approximately AUD$250,000) per annum inclusive of superannuation (if applicable).

Mr Goldberg entered into an Executive Services Agreement commencing 6 February 2021 with a total salary of $300,000 per annum inclusive of superannuation. Effective 6 February 2021, Mr Goldberg's remuneration was reduced to $175,000 per annum. Mr Goldberg will receive a one-off conditional bonus of $52,000 upon the Company declaring final investment decision on the Arcadia project.

As of 1 July 2021, Mr Goldberg's remuneration was adjusted to a total salary of $300,000 per annum inclusive of superannuation.

Termination

For all Directors and Officers other than Mr Wheatley, Mr Hosack, Mr Tyler, and Mr Barnard, terms of employment require that the Company provide the Executive with six months' written notice. The Directors or Executive may terminate their employment at any time and are required to give the Company six months' notice period. 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 Wheatley, Mr Hosack and Mr Tyler's terms of employment require that the Company or Executive provide the other with three months' notice, while Mr Barnard's requires that the Company or Executive provide the other with 30 days notice.

4) Share-based compensation

The Company issued 17,500,000 options to directors or key management personnel during the financial year (2020: Nil). Nil options were exercised (2020: Nil) and Nil options (2020: Nil) 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
Issued 13/05/18	13/05/18	$0.1740	$0.60	12/05/22	14/10/18
Issued 06/02/21	06/02/21	$0.0420	$0.26	03/02/25	(i)
Issued 25/06/21	25/06/21	$0.0509	$0.24	07/01/25	(ii)
Issued 25/06/21	25/06/21	$0.0466	$0.26	03/02/25	(iii)
Issued 17/11/20	17/11/20	$0.0487	$0.24	05/11/23	(iv)

REMUNERATION REPORT (AUDITED) (continued)

(i) Mr Goldberg option vesting conditions

(a) 1,500,000 options vest in 12 months from date of issue;

(b) 1,500,000 options vest at Final investment Decision (FID) before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project;

(c) 1,500,000 options vest with first on-spec product shipped within 18 months of FID; and

(d) All options will vest immediately upon a change of control event.

(e) The options are non-transferable.

(ii) Options granted to Mr Wheatley, Mr Fahey, Mr Shetty and Mr Shen vesting conditions

(a) 1,00,000 of options vesting at FID before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project; and

(b) 1,000,000 of the options vest with first on-spec product shipped within 18 months of FID.

(c) The options are non-transferable.

(iii) Mr Hosack option vesting conditions

(a) 2,000,000 options vest in 12 months from date of issue;

(b) 2,000,000 options vest at FID before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project;

(c) 2,000,000 options vest with first on-spec product shipped within 18 months of FID; and

(d) All options will vest immediately upon a change of control event.

(e) The options are non-transferable.

(iv) Mr Barnard options vesting conditions

(a) 500,000 vest in 6 months;

(b) 500,000 vest in 12 months;

(c) 500,000 vest at first shipment of on-spec product from the pilot plant before 30 June 2021; and

(d) 500,000 vest at FID, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project before 31 December 2021.

(e) The options are non-transferable.

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

	No. options granted during 2021	No. vested	Grant date	Expiry date	Fair value per option at grant date	Exercise price per options	Value of options granted at grant date
Mr Barnard	2,000,000	500,000	17/11/20	05/11/23	$0.0487	0.24	97,415
Mr Goldberg	4,500,000	-	06/02/21	03/02/25	$0.0420	0.26	189,079
M Wheatley	2,000,000	-	25/06/21	07/01/25	$0.0509	0.24	101,725
Mr Fahey, Mr Chen and Mr Shetty(i)	3,000,000	-	25/06/21	07/01/25	$0.0509	0.24	152,589
Mr Hosack	6,000,000	-	25/06/21	03/02/25	$0.0466	0.26	279,725

(i) 1,000,000 options granted to each of Mr Fahey, Mr Chen and Mr Shetty

REMUNERATION REPORT (AUDITED) (continued)

The value of options granted during the financial year is calculated at the grant date using Black-Scholes. The Company recognised $145,843 share based payment compensation to key management personnel during 2021 for the options granted during the year (2020: Nil). No options expired or were exercised during the year (2020: Nil).

Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2021	Opening balance	Granted as compensation	On exercise of options	Net other change	Closing balance
M Wheatley	-			645,162(i)	645,162
H Greaves	5,517,954	-	-	-	5,517,954
G Fahey	1,025,000	-	-	-	1,025,000
Z Rusike	3,040,374	-	-	-	3,040,374
D Shetty	-	-	-	-	-
H Chen	6,165,796	-	-	-	6,165,796
S Hosack	2,000,000	-	-	-	2,000,000
H Warner	20,458,336	-	-	(20,458,336)(ii)	-
T Barnard	1,775,270	-	-	-	1,775,270
I Goldberg	-	-	-	258,064(iii)	258,064
C Hilbrands	1,393,750	-	-	(1,393,750)(iv)	-
	41,376,480	**-**	**-**	**(20,948,860)**	**20,427,620**

(ii) Mr Wheatley purchased shares on 6 April 2021 as part of the capital raise and approved by shareholders at the general meeting held on 25 June 2021
(iii) Mr Warner resigned as a Director on 22 October 2020
(iv) Mr Goldberg's superannuation fund purchased shares on 23 April 2021 as part of the capital raise
(v) Mr Hilbrands resigned on 15 March 2021

Options Held at 30 June 2021	Opening balance	Granted as compensation	Exercised	Expired	Closing balance	Vested during the year	Vested and exercisable
M Wheatley	-	2,000,000	-	-	2,000,000	-	-
H Greaves	-	-	-	-	-	-	-
G Fahey	-	1,000,000	-	-	1,000,000	-	-
Z Rusike	-	-	-	-	-	-	-
D Shetty	-	1,000,000	-	-	1,000,000	-	-
H Chen	-	1,000,000	-	-	1,000,000	-	-
S Hosack	4,500,000	6,000,000	-	-	10,500,000	-	4,500,000
T Barnard	-	2,000,000	-	-	2,000,000	500,000	500,000
I Goldberg	-	4,500,000	-	-	4,500,000	-	-
	4,500,000	**17,500,000**	**-**	**-**	**22,000,000**	**500,000**	**5,000,000**

(End of Remuneration Report)

Overview
Review of Operations
Directors' Report
Financial Report
ASX Additional Information

Directors' Report

Additional Information

(a) Shares under option

At the date of signing this report, the Company has 39,750,000 unlisted options over ordinary shares under issue (30 June 2020: 4,500,000). These options are exercisable as follows:

Details	No. of options	Grant Date	Expiry Date	Conversion Price $
Management incentive options	4,500,000[(i)]	13/05/2018	12/05/2022	0.60
Employee incentive options	6,250,000	17/11/2020	05/11/2023	0.24
Management incentive options	4,500,000	06/02/2021	03/02/2025	0.26
Broker options	13,500,000	23/04/2021	31/12/2025	0.21-0.27
Executive incentive options	6,000,000	25/06/2021	03/02/2025	0.26
Other Director options	5,000,000	25/06/2021	07/01/2025	0.24

(i) The Company undertook a 1:10 share consolidation during 2019. The number of options and exercise price are post this share consolidation.

Share options carry no rights to dividends and no voting rights.

(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 by 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 $80,186 (excluding GST) was paid or payable for audit services provided by Stantons International (2020: $74,000). Non related audit firms have been paid or are payable $43,000 for audit services of subsidiaries (2020: $54,000).

(h) Non-audit Services

Non-audit services totaling $25,000 (2020: $3,500) were provided by the auditor or any entity associated with the auditor. The fees paid related to the preparation of an Independent Experts Report. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

(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 60 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 30 September 2020 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 30 September 2021

Overview
Review of Operations
Directors' Report
Financial Report
ASX Additional Information

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 2021 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) as set out in Note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

   (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; and

   (d) the audited remuneration disclosures set out on pages 14 to 19 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 2021.

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

Sam Hosack
Managing Director

Perth, Western Australia
Dated 30 September 2021

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated 2021 $'000	2020 $'000
Revenue from continuing operations	5	442	369
Cost of sales	6	(177)	(260)
Depreciation expense	13	(32)	(88)
Development costs expensed		(248)	(973)
Employee benefits expenses		(904)	(1,316)
Reversal of impairment of exploration and evaluation expenditure	14(a)	-	21
Interest expense		(2)	-
Impairment of mine properties	14(b)	(823)	-
Impairment of assets	10	(141)	(268)
Occupancy expenses		(38)	(56)
Project generation expense		-	-
Share based payment – options expense	21(a)	(328)	-
Other administrative expenses		(1,494)	(2,036)
Loss before tax		**(3,745)**	**(4,607)**
Income tax	7	-	-
Loss after tax for the year		**(3,745)**	**(4,607)**
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,199)	637
Other comprehensive (loss) / income for the year net of tax		**(2,199)**	**637**
Total comprehensive loss for the year		**(5,944)**	**(3,970)**
Loss attributable to:			
Equity holders of the Company		(3,458)	(4,389)
Non-controlling interests	29(a)	(287)	(218)
		(3,745)	**(4,607)**
Total comprehensive loss attributable to:			
Equity holders of the Company		(5,784)	(3,776)
Non-controlling interests	29(b)	(160)	(194)
		(5,944)	**(3,970)**
Loss per share			
Basic loss per share (cents)	28	(1.06)	(1.79)
Diluted loss per share (cents)	28	(1.06)	(1.79)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Current Assets			
Cash and cash equivalents	8	7,877	1,698
Trade and other receivables	9	553	458
Assets held for sale	10	-	478
Other current assets	11	282	531
Total Current Assets		**8,712**	**3,165**
Non-Current Assets			
Investment in listed securities	12	18	-
Property, plant and equipment	13	526	550
Exploration and evaluation expenditure	14(a)	91	-
Mine properties	14(b)	25,605	24,257
Intangible assets	15	308	581
Total Non-Current Assets		**26,548**	**25,388**
TOTAL ASSETS		**35,260**	**28,553**
Current Liabilities			
Trade and other payables	16	930	509
Lease liability	17	43	-
Provisions	18	94	171
Tax liabilities	7	-	-
Total Current Liabilities		**1,067**	**680**
Non-Current Liabilities			
Lease liability	17	33	-
Provisions	18	204	-
Total Non-Current Liabilities		**237**	**-**
TOTAL LIABILITIES		**1,304**	**680**
NET ASSETS		**33,956**	**27,873**
EQUITY			
Contributed equity	19(b)	76,647	65,429
Reserves	20(a)	11,239	12,756
Accumulated losses	20(e)	(52,548)	(49,090)
Total Equity Attributable to Shareholders of Parent Company		**35,338**	**29,095**
Non-controlling interests		(1,382)	(1,222)
TOTAL EQUITY		**33,956**	**27,873**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts		13	11
Government tax credits and rebates		55	200
Payments to suppliers and employees		(2,384)	(3,753)
Payment for development costs expensed		(201)	(699)
Payments for exploration expenditure expensed (net of gold sold)		-	21
Income tax paid		-	-
Net cash flows used in operating activities	8(a)	**(2,517)**	**(4,220)**
Cash flows from investing activities			
Interest received		4	15
Net proceeds from assets held for sale		266	-
Proceeds from non-refundable deposit		335	-
Payments for development costs		(3,449)	(3,047)
Loan from minority interest		27	-
Payment for property, plant and equipment		(88)	(60)
Proceeds from sale of property, plant and equipment		15	49
Payments for exploration expenditure and acquisition of tenements		(91)	-
Payment for intangible assets		-	(81)
Net cash flows used in investing activities		**(2,981)**	**(3,124)**
Cash flows from financing activities			
Payment for lease		(13)	-
Interest paid		(2)	-
Proceeds from issue of shares		12,500	3,705
Proceeds from exercise of options		-	-
Capital raising costs		(801)	(146)
Net cash flows from financing activities		**11,684**	**3,559**
Net increase / (decrease) in cash and cash equivalents		6,186	(3,785)
Cash and cash equivalents at beginning of year		1,698	5,474
Effects of exchange rate changes on the balance of cash held in foreign currencies		(7)	9
Cash and cash equivalents at end of year	8	**7,877**	**1,698**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

	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 2019	**61,870**	**10,847**	**1,296**	**(44,701)**	**29,312**	**(1,028)**	**28,284**
Loss for the year	-	-	-	(4,389)	(4,389)	(218)	(4,607)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	613	-	613	24	637
Total comprehensive loss for the year	-	-	613	(4,389)	(3,776)	(194)	(3,970)
Issue of ordinary shares for cash	3,705	-	-	-	3,705	-	3,705
Share capital raising costs	(146)	-	-	-	(146)	-	(146)
Balance at 30 June 2020	**65,429**	**10,847**	**1,909**	**(49,090)**	**29,095**	**(1,222)**	**27,873**
Loss for the year	-	-	-	(3,458)	(3,458)	(287)	(3,745)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	(2,326)	-	(2,326)	127	(2,199)
Total comprehensive loss for the year	-	-	(2,326)	(3,458)	(5,784)	(160)	(5,944)
Issue of ordinary shares for cash	12,500	-	-	-	12,500	-	12,500
Options issued	-	809	-	-	809	-	809
Share capital raising costs	(1,282)	-	-	-	(1,282)	-	(1,282)
Balance at 30 June 2021	**76,647**	**11,656**	**(417)**	**(52,548)**	**35,338**	**(1,382)**	**33,956**

The accompanying notes form part of these financial statements

NOTE 1. CORPORATE INFORMATION

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 29 September 2021.

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 AASB 2: Share Based Payments, leasing transactions that are within the scope of AASB 16: Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102: Inventories or value in use in AASB 136: Impairment of Assets.

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 IFRS 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(cc).

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation (continued)

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) Going Concern

For the year ended 30 June 2021, the Group recorded a loss of $3,745,000 (2020: loss $4,607,000) and had net cash outflows from operating and investing activities of $5,498,000 (2020: $7,344,000). As at reporting date, the Group had cash and cash equivalents of $7,877,000.

The Group's principal objective is to develop the Arcadia Project and as such, it does not presently have a cash balance or source of operating income sufficient to fund its operations, rather it is reliant on equity raisings or funds from other external sources to fund its activities. These conditions indicate a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

To support the activities outlined in the Directors' Report, the Group will be required to raise additional funds. The Group has previously been successful in raising cash through equity raisings, as and when required.

The consolidated financial statements for the year ended 30 June 2021 have been prepared on a going concern basis, as in the opinion of Directors, the Group will be in a position to meet its operating costs and pay its debts as and when they fall due for at least twelve months from the date of this report.

However, the Directors acknowledge that material uncertainty remains over the Group's ability to meet its funding requirements, as future funding is uncertain until secured. If for any reason the Group is unable to continue as a going concern, then this could impact the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

(d) Application of New and Revised Accounting Standards

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions

AASB 2020-4: *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: *Business Combinations*, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

This amendment principally amends *AASB 101 and AASB 108* by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards – Interest Rate Benchmark

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Application of New and Revised Accounting Standards (continued)

Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(e) New and Revised Accounting Standards for Application in Future Periods

The directors believe that there are no new Standards and Interpretations that will impact the Group.

(f) 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.

Sale of Goods

Revenue from sale of goods in the course of ordinary activities is brought to account when delivered 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.

Government Tax Credits and Rebates

Government tax credits and rebates, inclusive of research and development tax credit, are recognised as income at their fair value where there is a reasonable assurance that the government tax credit or rebate will be received and the Group will comply with all attached conditions.

Farming Income

Revenue from the sale of farming goods is brought to account when delivered to the customer and selling prices are known or can be reasonably estimated.

Interest Income

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

(g) 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.

(h) 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.

(i) Trade and other receivables

Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2(u).

Other Receivables

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

(j) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories (continued)

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.

(k) Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current asset to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current asset, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

(l) 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
Leasehold improvements	2 years
Right to use assets	2 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.

(m) 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.

(n) 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 recognised 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

(i) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Mine properties (continued)

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.

(ii) 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:

- Future economic benefits (being improved access to the ore body) are probable
- The component of the ore body for which access will be improved can be accurately identified
- The costs associated with the improved access can be reliably measured

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Mine properties (continued)

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, 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.

(o) Intangible Assets

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. The cost of purchasing software, and development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible Assets (continued)

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- IT development and software 17 years

(p) 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.

(q) 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(p) 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.

(r) Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- Fixed lease payments less any lease incentives;
- variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use asses comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

Provision for Employee Entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave. Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the period in which the employees render the related services recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to the employees using the projected unit credit method. Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

(t) 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.

(u) Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expired.

Classification and measurement

(i) Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).
- Classifications are determined by both:
- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial Instruments (continued)

Financial assets at fair value through other comprehensive income

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

(v) 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 other than Thornvlei is US dollars. Thornvlei's functional currency is Zimbabwe 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(ab) 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.

(ac) 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 of the revision affects both current and future periods.

Key Estimates

(i) 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.

(ii) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Critical Accounting Judgement and Key Sources of Uncertainty (continued)

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.

(iii) 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 Unit of Production ("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.

(iv) 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.

(v) 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 21(a).

(vi) 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.

(vii) 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.

(ad) 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:

30 June 2021	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
Financial Assets						
Cash and deposits	7,300	-	-	-	577	7,877
Trade and other receivables	-	-	-	-	553	553
Other	-	-	-	-	31	31
	7,300	**-**	**-**	**-**	**1,161**	**8,461**
Weighted average interest rate	0.30%	-	-	-	-	0.26%
Financial Liabilities						
Trade and other payables	-	-	-	-	412	412
Lease liability	-	43	33	-	-	76
	-	**43**	**33**	**-**	**412**	**488**
Weighted average interest rate	-	1.04%	1.04%	-	-	0.07%

30 June 2020	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
Financial Assets						
Cash and deposits	1,364	-	-	-	334	1,698
Trade and other receivables	-	-	-	-	458	458
Other	-	-	-	-	9	9
	1,364	**-**	**-**	**-**	**801**	**2,165**
Weighted average interest rate	0.25%	-	-	-	-	0.16%
Financial Liabilities						
Trade and other payables	-	-	-	-	150	150
	-	**-**	**-**	**-**	**150**	**150**
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 +/- $73,000 (2020: $14,000) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Price Risk

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 other commodity prices. The Group will develop strategies to mitigate this risk when it moves from the exploration & development phase into the production phase.

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at fair value through profit or loss (FVPL) (note 12). Post-tax loss for the year would increase/decrease as a result of gains/losses on equity securities classified as at FVPL. The Group's exposure to price risk is $18,000 at year end. The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in note 5.

(b) 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) and Zimbabwe Dollars (ZWL). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents – USD	301	253
Cash and cash equivalents – ZWL	63	13
Trade and other payables – USD	(430)	(374)
Trade and other payables – ZAR	(234)	-
Trade and other payables – ZWL	-	(20)
Total exposure	**(300)**	**(128)**

Assuming all other variables remain constant, a 10% increase or decrease of the Australian dollar at 30 June 2021 against the USD, ZWL and ZAR would have resulted in an increase or decreased loss of $13,000 (2020: increase or decrease loss of $12,000), increased or decreased loss of $6,000 (2020 increase or decrease loss of $1,000) and increase or decrease loss of $23,000 (2020: $Nil) respectively.

(c) 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 rating

(d) 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.

(e) Effective interest rate and repricing analysis

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

(f) Fair value of financial instruments

During the year, the Group received shares in listed securities, which are not held for trading. These securities are measured at fair value based on the share price of the underlying security. Changes to the share price in these securities are recognised as gains or losses through the profit or loss. During the current year, the Group recorded an $18,000 unrealised gain on revaluation of this investment (Note 5). These securities and are reported within Non-current assets (Note 12) as the Group considers this classification to be most relevant.

Notes to and Forming Part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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 and project development activities in Zimbabwe. The operations were located in Australia, Singapore and Zimbabwe with the head office being in Australia and Singapore balances included within Zimbabwe Australian operations.

	Australia		Zimbabwe		Consolidated	
Geographical segments	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Revenue						
Other external revenue	77	215	365	154	442	369
Total segment revenue	**77**	**215**	**365**	**154**	**442**	**369**
Results						
Segment (net loss) before tax	(2,788)	(3,874)	(957)	(733)	(3,745)	(4,607)
Assets						
Segment assets	7,804	1,901	27,456	26,652	35,260	28,553
Liabilities						
Segment liabilities	678	520	626	160	1,304	680
Depreciation	24	8	8	80	32	88

The amount of non-current assets added during the year in Australia $117,000 and Zimbabwe $4,397,000 (2020: Australia $Nil and Zimbabwe $2,928,000).

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

NOTE 5. REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2021 $'000	**2020 $'000**
Farm income	-	11
Revenue from sale of merchandise	13	88
Government tax credits and rebates	55	200
Interest revenue	4	15
Unrealised gain on revaluation of investment	18	-
Gain on derecognition of provision of rehabilitation	5	45
Gain on sale of property, plant and equipment	12	10
Deposit income	335	-
Total Revenue from Continuing Operations	**442**	**369**

NOTE 6. COST OF SALES

	Consolidated	
	2021 $'000	2020 $'000
Cost of sales from farming	-	19
Cost of sales from merchandise	177	241
Total Cost of Sales	**177**	**260**

NOTE 7. INCOME TAX

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

	Consolidated	
	2021 $'000	2020 $'000
Loss before income tax expense	(3,745)	(4,607)
Tax at the Australian tax rate of 26.0% (2020: 27.5%)	(974)	(1,267)
Tax effect of differential corporate tax rates	(52)	479
Tax effect of amounts which are not deductible (taxable) income	596	937
Under-recognition of prior year tax expense	(183)	(361)
Foreign exchange adjustment on tax losses brought forward[i]	24	716
Tax losses not recognised/(used)	589	(504)
Income tax expense	**-**	**-**

(i) During the prior year, the Zimbabwe Government introduced a domestic currency called the Zimbabwe Dollar (ZWL). The Group is required to lodge its tax returns in Zimbabwe in local ZWL. The closing exchange rate between the AUD/ZWL at 30 June 2021 was $64.22 (2020: $43.74). This has resulted in carried forward losses being devalued.

(b) Tax losses

	Consolidated	
	2021 $'000	2020 $'000
Unused tax losses for which no deferred tax asset has been recognised	13,671	11,620
Potential tax benefit (Australia 26% (2020: 27.5%), Zimbabwe 0% - 25.75%)	**3,643**	**2,955**

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. The deferred tax liabilities of the Group relate to capitalised exploration costs. The Group's Arcadia Project has obtained Special Economic Zone status which results in a 0% tax rate for the first 5 years, then 15% thereafter. The deferred tax liabilities of the Group are estimated as $Nil (2020: $Nil).

(c) Current tax liability

	Consolidated	
	2021 $'000	2020 $'000
Income tax payable	**-**	**-**

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank	**7,877**	**1,698**

Included in the Group's cash and cash equivalents are Zimbabwe Dollars. Zimbabwe Dollars have been disclosed under cash and cash equivalents as it meets the definition of cash and cash equivalents. The Zimbabwe to Australian Dollar exchange rate at 30 June 2021 was 64.22 (2020: 43.74) and the Zimbabwe Dollar is considered legal tender in Zimbabwe. The Group holds AUD$63,000 in Zimbabwe Dollars (2020: AUD$13,000) which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe.

(a) Reconciliation of operating loss after income tax to net cash flows used in operating activities

	Consolidated	
	2021 $'000	2020 $'000
Operating loss after tax	(3,745)	(4,607)
Non-cash items		
Depreciation (as per Note 13)	32	88
Share based payments – options	328	-
Impairment of assets held for sale	141	268
Impairment of mine properties	823	-
(Gain) on revaluation of rehabilitation provision	(5)	-
(Gain) on refundable deposit	(335)	-
(Gain) on sale of property, plant and equipment	(12)	(10)
(Gain) on revaluation of investment	(18)	-
Foreign exchange difference	74	166
Interest received	(4)	(15)
Changes in operating assets and liabilities		
Decrease in operating trade and other receivables	72	24
Decrease in other assets	-	229
Increase/(decrease) in operating trade and other payables	196	(360)
(Decrease) in provisions	(64)	(3)
Net cash flows used in operating activities	**(2,517)**	**(4,220)**

(b) Non-cash transactions

During the current year, the Company entered into an agreement with a Lead Broker for the Group's 6 April 2021 share offer. The fee payable to the Lead Broker included a non-cash component in the form of the issue of 13,500,000 options on 23 April 2021. The terms of the options issued are detailed in Note 21(a). During the prior year, the Company did not enter into any non-cash financing or investing activities.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021 $'000	**2020 $'000**
GST/VAT receivable	250	168
Related party receivable (refer note 26)	280	167
Other receivables	23	123
Total Trade and Other Receivables	**553**	**458**

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 10. ASSETS HELD FOR SALE

	Consolidated	
	2021 $'000	**2020 $'000**
Property – 169 Arcturus Road, Harare	**-**	**298**
Equipment	141	180
Provision for impairment	(141)	-
	-	**180**
Total Assets Held for Sale	**-**	**478**

The Group holds equipment that is currently being marketed for sale to recoup the cost of the assets. However a provision for impairment has been recognised in the current year reducing the carrying value of the equipment to $Nil.

During the prior year, the directors resolved to sell the company's property asset and accepted an offer, and as such the property asset was reclassified from property, plant and equipment to assets held for sale. The assets held for sale were valued at its expected net realisable value, after taking into consideration market prices and selling costs, determined as:

	Consolidated	
	2021 $'000	**2020 $'000**
Expected proceeds from the sale of assets held for sale	-	331
Less: selling costs	-	(33)
Expected net proceeds	-	298
Transferred carrying value of assets held for sale (Note 13)	-	(559)
Foreign exchange	-	(7)
Impairment recognised	**-**	**(268)**
The sale was completed during the current year as follows:		
Carrying value of asset held for sale	298	-
Foreign exchange loss	(32)	-
Net proceeds from assets held for sale	**266**	**-**

NOTE 11. OTHER CURRENT ASSETS

	Consolidated	
	2021 $'000	2020 $'000
Deposits	13	9
Prepayments	269	522
Total Other Current Assets	**282**	**531**

NOTE 12. INVESTMENTS IN LISTED SECURITIES

	Consolidated	
	2021 $'000	2020 $'000
Nickelx Ltd	**18**	**-**

The fair value of the Investment in listed securities is determined by reference to quoted market prices (Note 3(f)). Changes to the resulting fair value estimates are recognised as gains or losses through the profit or loss and included in Note 5. At year end the Group held 100,000 shares in Nickelx Ltd at a share price of $0.175/share.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2021 $'000	2020 $'000
Buildings	39	11
Right to use asset	74	-
Leasehold improvements	6	-
Plant and machinery	241	304
Vehicles	62	30
Office equipment	104	205
Total Property, Plant and Equipment	**526**	**550**

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of Property, plant and equipment – 2021	Buildings $'000	Right to use asset(i) $'000	Leasehold improvements $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	12	-	-	434	62	387	895
Additions	30	89	7	-	46	5	177
Disposals	-	-	-	-	(16)	(9)	(25)
Effect of foreign currency exchange differences	(1)	-	-	(38)	(5)	(30)	(74)
Closing balance at cost	**41**	**89**	**7**	**396**	**87**	**353**	**973**
Opening accumulated depreciation	(1)	-	-	(130)	(32)	(182)	(345)
Depreciation	(1)	(15)	(1)	(37)	(12)	(86)	(152)
Disposals	-	-	-	-	16	6	22
Effect of foreign currency exchange differences	-	-	-	12	3	13	28
Closing accumulated depreciation	**(2)**	**(15)**	**(1)**	**(155)**	**(25)**	**(249)**	**(447)**
Net written down value	**39**	**74**	**6**	**241**	**62**	**104**	**526**

(i) Included in the Right to use asset is the lease for the Company's head office in Australia.

Reconciliation of Property, plant and equipment – 2020	Building $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	586	710	142	357	1,795
Additions	4	63	33	21	121
Disposals	-	(301)(i)	(118)(i)	-	(419)
Reclassification to assets held for sale	(590)	-	-	-	(590)
Effect of foreign currency exchange differences	12	(38)	5	9	(12)
Closing balance at cost	**12**	**434**	**62**	**387**	**895**
Opening accumulated depreciation	(17)	(201)	(78)	(88)	(384)
Depreciation	(15)	(95)	(26)	(92)	(228)
Disposals	-	150(i)	76(i)	-	226
Reclassification to assets held for sale	31	-	-	-	31
Effect of foreign currency exchange differences	-	16	(4)	(2)	10
Closing accumulated depreciation	**(1)**	**(130)**	**(32)**	**(182)**	**(345)**
Net written down value	**11**	**304**	**30**	**205**	**550**

During 2020, the Group sold property, plant and equipment at fair market value to Farvic for USD$105,864 (AUD$157,688), and to Mixnote for USD$26,750 (AUD$39,845). Refer to Note 26(b).

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated	
	2021 $'000	2020 $'000
Depreciation	152	228
Depreciation transferred to capitalised mine properties	(120)	(140)
Depreciation recognised in statement of profit or loss and other comprehensive income per Note 8(a)	**32**	**88**

NOTE 14. EXPLORATION, EVALUATION & MINE PROPERTIES

Total expenditure incurred and carried forward in respect of specific projects:

	Consolidated	
	2021 $'000	2020 $'000
Exploration & Evaluation Expenditure		
Chishanya –Rare Earth Elements	91	-
Mine Properties		
Arcadia – Lithium	25,605	24,257
	25,696	**24,257**
(a) Exploration & Evaluation Expenditure		
Opening balance	-	-
Expenditure incurred	91	21
Impairment of exploration and evaluation expenditure	-	(21)
Transfer to mines under construction	-	-
Proceeds from ore sales from exploration and evaluation ore	-	-
Effect of foreign currency exchange differences	-	-
Closing balance	**91**	**-**
(b) Mine Properties		
Mines under construction		
Opening balance	24,257	21,084
Expenditure incurred	4,036	2,726
Impairment of exploration and evaluation expenditure	(823)	-
Rehabilitation asset	193	-
Transfer to mines under construction	-	-
Effect of foreign currency exchange differences	(2,058)	447
Closing balance	**25,605**	**24,257**

The Board of Directors undertook an impairment review of the Group's exploration, evaluation & mine properties as at 30 June 2021 resulting in an impairment of the Mines under Construction asset of $823,000. This impairment followed a detailed assessment of the revised process flows following the commissioning of the pilot plant which identified items no longer considered integral to the asset. The provision for impairment has been determined considering the resale value of the items and associated selling costs.

An impairment reversal of $21,000 was recognised in the prior year relating to the Groups claims at Gwada East due to the recognition of gold proceeds.

NOTE 15. INTANGIBLE ASSETS

	Consolidated	
	2021 $'000	**2020 $'000**
Capitalised ERP costs	**308**	**581**
Opening balance	581	499
Additions	-	81
Transfer to mines under construction	(204)	-
Effect of foreign currency exchange differences	(50)	11
Amortisation expense	(19)	(10)
Closing balance	**308**	**581**
Amortisation	19	10
Amortisation transferred to capitalised mine properties	(19)	(10)
Amortisation recognised in statement of profit or loss and other comprehensive income	**-**	**-**

NOTE 16. TRADE AND OTHER PAYABLES

	Consolidated	
	2021 $'000	**2020 $'000**
Related party payables	6	-
Trade payables	385	143
Accruals	518	341
Unearned trading income	-	18
Other payables	21	7
Total Trade and Other Payables	**930**	**509**

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

NOTE 17. LEASE LIABILITY

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Lease liability	43	-
Non Current		
Lease liability	33	-
Total Lease liability	**76**	**-**

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

NOTE 17. LEASE LIABILITY (continued)

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

During the year the Group entered into a 2 year lease for the head office in Australia. The lease imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. The Group must keep the properties in a good state of repair and return the properties in its original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts. The lease may be cancelled after 1 year of its term.

NOTE 18. PROVISIONS

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Employee entitlements	94	171
Non Current		
Provision for rehabilitation	193	-
Employee entitlements	11	-
Total Non Current provisions	**204**	**-**
Total Provisions	**298**	**171**

NOTE 19. CONTRIBUTED EQUITY

(a) Issued share capital

	2021 No. of Shares	2020 No. of Shares
Ordinary shares fully paid	374,025,855	285,936,524

(b) Movement in ordinary share capital

	No. of Shares	$'000
Balance at 30 June 2019	235,951,758	61,870
Issue of shares via placement and rights issue	49,984,766	3,705
Cost of capital raising		(146)
Balance at 30 June 2020	**285,936,524**	**65,429**
Issue of shares via placement and rights issue (2 October 2020)	46,153,847	6,000
Issue of shares (23 April 2021)	41,935,484	6,500
Cost of capital raising – cash		(801)
Cost of capital raising – options		(481)
Balance at 30 June 2021	**374,025,855**	**76,647**

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 20. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated	
	2021 $'000	2020 $'000
Share based payments reserves (refer to Note 20(c))	11,656	10,847
Foreign currency translation reserve (refer to Note 20(d))	(417)	1,909
Total reserves	**11,239**	**12,756**

(b) Movement in options

Date	Details	No. of Options	$'000
Balance at 30 June 2019		**4,500,000**	**10,847**
Balance at 30 June 2020		**4,500,000**	**10,847**
17 November 2020	Issue of options	6,250,000	268
6 February 2021	Issue of options	4,500,000	53
23 April 2021	Issue of options	13,500,000	481
25 June 2021	Issue of options	11,000,000	7
Balance at 30 June 2021		**39,750,000**	**11,656**

(c) Share Based Payments Reserve

Movement in reserve	2021 No. Options	2021 $'000	2020 No. Options	2020 $'000
Balance at the beginning of the year	**4,500,000**	**10,847**	**4,500,000**	**10,847**
Options issued	35,250,000	809	-	-
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance at the end of the year	**39,750,000**	**11,656**	**4,500,000**	**10,847**

(d) Foreign Currency Translation Reserve

	Consolidated	
	2021 $'000	2020 $'000
Movement in reserve		
Opening balance	1,909	1,296
Currency translation differences	(2,326)	613
Closing balance	**(417)**	**1,909**

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 and translation differences on intercompany loans.

NOTE 20. RESERVES AND ACCUMULATED LOSSES (continued)

(e) Accumulated Losses

	Consolidated	
	2021 $'000	2020 $'000
Accumulated losses at beginning of year	(49,090)	(44,701)
Net loss attributable to equity holders of the Company	(3,458)	(4,389)
Accumulated losses at end of year	**(52,548)**	**(49,090)**

NOTE 21. SHARE-BASED PAYMENTS

(a) Recognised Share-Based Payments Expense

Options

The share based payments expense was $809,000 (2020: $Nil), with $328,000 recognised in the statement of financial performance (2020: $Nil). The following table lists the inputs to the model used:

Options series	Employee incentive	Management incentive	Executive incentive	Broker	Directors
No. of Options	6,250,000	4,500,000	6,000,000	13,500,000	5,000,000
Grant date	17/11/2020	06/02/2021	25/06/2021	23/04/2021	25/06/2021
Share price	$0.125	$0.18	$0.195	$0.15	$0.195
Exercise price	$0.24	$0.26	$0.26	(iii)	$0.24
Asset Interest rate	0.11%	1.77%	1.77%	1.77%	1.77%
Expiry date	05/11/2023	03/02/2025	03/02/2025	31/12/2025	07/01/2025
Volatility	100%	42.33%	42.33%	42.33%	42.33%
Fair value at grant date	$0.0487	$0.042	$0.047	(iii)	$0.051
Vesting condition and period	(i)	(ii)	(ii)	(iii)	(iv)

(i) Employee options vesting conditions
- (a) 1,562,500 options vest upon employed 6 months from grant date;
- (b) 1,562,500 options vest upon being employed 12 months from grant date;
- (c) 1,562,500 options vest upon first shipment of on-spec product from the pilot plant before 30 June 2021, and
- (d) 1,562,500 options vest upon financial investment decision by the board for first commercial scaled project before 31 December 2021.

(ii) Executive and management options vesting conditions
- (a) 3,500,000 options vest in 12 months from date of issue;
- (b) 3,500,000 options vest at Final investment Decision (FID) before end of 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project; and
- (c) 3,500,000 options vest with first on-spec product shipped within 18 months of FID.

(iii) Broker options are fully vested but have exercise prices attached as follows:
- (a) 4,000,000 options have an exercise price of $0.21 and fair value per option of $0.0415;
- (b) 4,500,000 options have an exercise price of $0.24 and fair value per option of $0.0357; and
- (c) 5,000,000 options have an exercise price of $0.27 and fair value per option of $0.0309

(iv) Director options vest in 2 tranches:
- (a) 2,500,000 options vest upon FID by the board for first commercial scaled project before 31 December 2021; and
- (b) 2,500,000 options vest on first production within 18 months of FID.

NOTE 21. SHARE-BASED PAYMENTS (continued)

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

Options series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value per Option at Grant Date
Issued 13 May 2018	4,500,000	13/05/2018	12/05/2022	$0.60	$782,289
Issued 17 November 2020	6,250,000	17/11/2021	05/11/2023	$0.26	$304,423
Issued 6 February 2021	4,500,000	06/02/2021	03/02/2025	$0.26	$189,079
Issued 23 April 2021	13,500,000	23/04/2021	31/12/2025	$0.21-$0.27	$480,938
Issued 25 June 2021	6,000,000	25/06/2021	03/02/2025	$0.26	$279,725
Issued 25 June 2021	5,000,000	25/06/2021	07/01/2025	$0.24	$254,314

(b) Summary of options granted

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

	2021 No.	2021 WAEP $/Share	2020 No.	2020 WAEP $/Share
Outstanding at the beginning of the year	4,500,000	0.60	4,500,000	0.060
Granted during the year	21,750,000	0.25	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**26,250,000**	**0.31**	**4,500,000**	**0.060**

At the end of the year 6,062,500 of the options granted to Key Management Personnel and employees were vested (2020: 4,500,000).

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

	2021 No.	2021 WAEP $/Share	2020 No.	2020 WAEP $/Share
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	13,500,000	0.24	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**13,500,000**	**0.24**	**-**	**-**

All of the above broker options fully vested during the year.

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2021 is 3.39 years (2020: 1.87 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.21 - $0.60 (2020: $0.60).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was $0.045 (2020: $Nil).

(f) Share options exercised during the year

Nil options were exercised in 2021 (2020: Nil).

NOTE 22. 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	
	2021 $'000	2020 $'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.

(a) Operating Lease Commitments

The Group has 3 operating lease commitments for office rental and office equipment totaling $16,000 (2020: $12,000).

(a) Other Commitments

The Group has a commitment for ongoing annual licensing and permit fees related to the Arcadia mining lease and its Special Economic Zone status totaling $50,000. (2020: $18,000)

The Group has entered into contracts with its directors and certain executives and consultants whereby minimum notice periods (usually six months) have been provided by the Group. This totals $682,000 as at 30 June 2021 (2020: $420,000).

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.

The Group has entered into an offtake agreement to deliver up to 100,000 tonnes per annum of high quality, ultra-low iron 4.1% petalite concentrate for 7 years, totaling up to 700,000 tonnes.

NOTE 23. CONTINGENT LIABILITIES

The Group has no contingent liabilities.

NOTE 24. AUDITOR'S REMUNERATION

	Consolidated	
	2021 $'000	2020 $'000
Auditor of the parent entity		
Audit and audit review of the financial reports	80	74
Other services	25	4
Total Parent Company Auditor's Remuneration	**105**	**78**
Auditor of Subsidiaries		
Audit services	**42**	**54**

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

NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2021 $'000	2020 $'000
Short-term employee benefits	974	1,366
Post employment benefits	48	59
Share based payments	146	-
Total Key Management Personnel Remuneration	**1,168**	**1,425**

NOTE 26. RELATED PARTY TRANSACTIONS

(a) Anglo Pacific Ventures Pty Ltd

The Company paid $36,778 (2020: $56,304) to Anglo Pacific Ventures Pty Ltd for rent whilst Mr Warner was a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

(a) Farvic Consolidated Mines (Private) Limited

The Group is owed $142,000 by Farvic (2020: $163,025). This amount receivable is interest free and payable on demand. Harry Greaves and Zed Rusike are directors and shareholders of Farvic.

On 25 June 2021 shareholders approved the purchase of a further 17% in the Arcadia Lithium Project, from Farvic Consolidated Mines Pvt Ltd increasing its ownership from 70% to 87%. The purchase was completed on 22 July 2021 (Note 27). This resulted in the issue of 9,497,680 new ordinary shares and payment of cash of $1,187,210 on that date. The shares issued to Farvic are subject to a voluntary escrow, with 25% of the shares set to be released every 6 months.

During the prior year, Farvic toll treated the Group's development gold ore under a tribute agreement and invoiced its expected cost of processing, amounting $98,497, (US$66,126)), and the Group sold property, plant and equipment and gold claims at fair market value to Farvic for $157,688 (US$105,864).

The Group is owed $3,706 by Mixnote Investments (Pvt) Limited (Mixnote), a subsidiary of Farvic (2020: $4,061). The amount is recognised as a trade receivable and is interest free (Note 9). During 2020, the Group sold assets at fair market value to Mixnote for $39,845 (US$26,750).

(b) Loans to Subsidiaries

At 30 June 2021, the Company has loaned US$3,490,000 ($4,643,000) (2020: US$3,419,000 / $4,808,000) to its 70% owned subsidiary Hawkmoth Mining and Exploration (Private) Limited ('HME'). The Company has a recoverable book value of this loan of $694,000 (2020: $859,000). During the prior year, HME transferred US$10,700,000 of this loan to PLZ. The loan facility is interest free and there are no fixed repayment terms.

At 30 June 2021, the Company has loaned US$19,638,000 ($26,121,000) (2020: US$17,041,000 / $24,830,000) to its 70% owned subsidiary Prospect Lithium Zimbabwe (Private) Limited ('PLZ'). The Company has a recoverable book value of this loan of $24,900,000 (2020: $24,830,000). During the prior year, HME transferred US$10,700,000 of debt from the Company to PLZ. The loan facility is interest free and there are no fixed repayment terms.

At 30 June 2021, the Company has loaned US$70,000) ($93,000) (2020: US$70,000 / $102,000) to its 70% owned subsidiary Thornvlei Farming Enterprises (Private) Limited ('TFE'). The Company has a recoverable book value of this loan of $Nil (2020: $Nil). The loan facility is interest free and there are no fixed repayment terms.

NOTE 27. SUBSEQUENT EVENTS

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

- Prior to year end, the Group entered into a conditional agreement to acquire a further 17% in the Arcadia Lithium Project, from Farvic Consolidated Mines Pvt Ltd increasing its ownership from 70% to 87%. The agreement was completed on 22 July 2021 and the Group issued 9,497,680 new ordinary shares and paid cash of $1,187,210 on that date. The shares issued to Farvic are subject to a voluntary escrow, with 25% of the shares set to be released every 6 months.
- Subsequent to year end, the Group has reported that Luzich Resources (Africa) LLC, an affiliate of Luzich Partners LLC ("Luzich"), executed the option agreement to buy 100% of the Company's Penhalonga Gold Project. During the year Luzich paid US$250,000 in non refundable deposits towards the potential exercise of the option agreement which is for a total consideration of US$1,000,000. Completion of the agreement is to occur within 30 days with the payment of the remaining consideration to Prospect of US$750,000.

NOTE 28. LOSS PER SHARE

	Consolidated	
	2021	**2020**
Basic loss per share (cents per share)	(1.06)	(1.79)

	$'000	**$'000**
Amount used in the calculation of basic EPS		
Loss after income tax attributable to members of Prospect Resources Limited	(3,458)	(4,389)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	**325,855,625**	**245,286,908**

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 29. SUBSIDIARIES

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

			Ownership and voting interest	
	Principal activity	**Country incorporation**	**2021**	**2020**
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Prospect Lithium Zimbabwe (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%(i)	70%
Thornvlei Farming Enterprises (Pvt) Limited	Farming	Zimbabwe	70%	70%
Hawkmoth Mining & Exploration (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Coldawn Investments (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%(ii)	70%

(i) The ownership and voting interest increased to 87% on 22 July 2021 as detailed in Note 27.

(ii) The Group entered into an option agreement to sell Coldawn Investments (Private) Limited, which holds the Penhalonga Gold Project, for US$1m. The Group has received a non refundable deposit of US$250,000 during the year. This option agreement has been executed subsequent to year end.

(a) Details of Non-Wholly Owned Subsidiaries that have Material Non-Controlled Interest

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

		Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
Name of subsidiary	**Place of incorporation and principal place of business**	**2021 %**	**2020 %**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Prospect Lithium Zimbabwe	Zimbabwe	30%	30%	(349)	(60)	(365)	(20)
Thornvlei	Zimbabwe	30%	30%	(21)	(68)	(68)	(71)
Hawkmoth	Zimbabwe	30%	30%	83	(90)	(949)	(1,131)
Coldawn	Zimbabwe	30%	30%	-	-	-	-
				(287)	**(218)**	**(1,382)**	**(1,222)**

NOTE 29. SUBSIDIARIES (continued)

(b) Financial Information of Non-Wholly Owned Subsidiaries that have Material Non-Controlled Interest

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.

ZIMBABWE SUBSIDIARIES	2021 $'000	2020 $'000
Current assets	1,022	1,275
Non-current assets	25,848	24,726
Current liabilities	(433)	(158)
Non-current liabilities	(31,050)	(29,914)
Net liabilities	**(4,613)**	**(4,071)**
Equity attributable to owners of the Company	(3,231)	(2,849)
Non-controlling interest	(1,382)	(1,222)
Total (deficit)	**(4,613)**	**(4,071)**
Revenue	365	154
Expenses	(1,322)	(878)
(Loss) for the year	**(957)**	**(724)**
(Loss) attributable to owners of the Company	(670)	(506)
(Loss) attributable to the non-controlling interests	(287)	(218)
(Loss) for the year	**(957)**	**(724)**
Other comprehensive income attributable to owners of the Company	288	56
Other comprehensive income attributable to the non-controlling interests	127	24
Other comprehensive income for the year	**415**	**80**
Total comprehensive (loss) attributable to owners of the Company	(382)	(450)
Total comprehensive (loss) attributable to the non-controlling interests	(160)	(194)
Total comprehensive (loss) for the year	**(542)**	**(644)**
Net cash inflow/(outflow) from operating activities	260	(94)
Net cash (outflow) from investing activities	(4,103)	(1,498)
Net cash inflow from financing activities	4,057	1,464
Net cash inflow/(outflow)	**214**	**(128)**

NOTE 30. PROSPECT RESOURCES LIMITED PARENT COMPANY INFORMATION

	2021 $'000	2020 $'000
ASSETS		
Current Assets	7,681	1,880
Non-current Assets	26,374	26,539
TOTAL ASSETS	**34,055**	**28,419**
LIABILITIES		
Current Liabilities	633	520
Non current Liabilities	43	-
TOTAL LIABILITIES	**676**	**520**
EQUITY		
Contributed equity	76,647	65,429
Reserve	11,655	10,847
Accumulated losses	(54,923)	(48,377)
	33,379	**27,899**
FINANCIAL PERFORMANCE		
(Loss) for the year	(6,546)	(3,577)
Other comprehensive income	-	-
Total comprehensive (loss)	**(6,546)**	**(3,577)**

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 $552,000 (2020: $325,000).

Auditors' Independence Declaration

Stantons

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 September 2021

Board of Directors
Prospect Resources Limited
Level 2, 33 Richardson Street
West Perth WA 6005

Dear Directors

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 the Audit Director for the audit of the financial statements of Prospect Resources Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Authorised Audit Company)

Samir Tirodkar
Director

Liability limited by a scheme approved under Professional Standards Legislation.

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Stantons

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Australia

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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 ("Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of 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 2021 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.

Material Uncertainty Related to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(c) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2021, the Group had cash and cash equivalents of $7,877,000, incurred net cash outflows from operating activities totalling $2,517,000 and incurred a loss after income tax of $3,745,000.

The ability of the Group to continue as a going concern and meet its planned mine development, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in recapitalising the Group and/or raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

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Key Audit Matters

We have defined the matters described below to be the key audit matters to be communicated in our report.

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 this matter.

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Mine Properties (refer to Note 14(b) of the financial statements) As at 30 June 2021, the capitalised value of Mine Properties totalled $25,605,000. The carrying value of capitalised Mine Properties is a key audit matter due to: ▪ The significance of the total balance (approximately 73% of total assets); ▪ The Board has determined that the exploration stage at the Arcadia Lithium Project has been completed and therefore the capitalised exploration and evaluation expenditure has been transferred to Mine Properties; ▪ The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in relation to capitalised exploration and evaluation costs which were transferred to Mine Properties and the application of the requirements of the accounting standard AASB 116, *Property, Plant and Equipment* ("AASB 116") and AASB 136 *Impairment of Assets* ("AASB 136") in light of any indicators of impairment that may be present; and The assessment of significant judgements made by management in relation to the carrying value of capitalised Mine Properties.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over mining tenements by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation; ii. Reviewed ASX Announcements, Minutes and held discussions with the Board and Management to confirm the plans for the development of the Arcadia Lithium Project; iii. Reviewing the directors' assessment and classification of the carrying value of the Mine Properties, 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 taking into account the requirements of AASB 116 and AASB 136; iv. Assessed the credentials of the experts appointed to review the NPV Model relating to the Arcadia Lithium Project. Also evaluated the NPV Model relating to the Arcadia Lithium Project by checking, on a sample basis, the accuracy and relevance of the input data used in the model, as well as challenging the reasonableness of key assumptions based on our knowledge of the business and ASX Announcements made by the Company and published market and industry data; v. Performed a sensitivity analysis of the inputs in the NPV Model relating to the Arcadia Lithium Project; vi. Evaluation of Group documents for consistency with the intentions for the development of the Arcadia Lithium Project and corroborated with discussions with management. The documents we evaluated included: ▪ Minutes and Circular Resolutions of the board and management;

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- Announcements made by the Group to the Australian Securities Exchange;
- Cash flow forecasts; and
- The Net Present Value Model of Arcadia Lithium Mine Properties.

vii. Reviewed the financial statements to ensure appropriate disclosures are made.

Key Audit Matters	How the matter was addressed in the audit
Share based payments ***(refer to Note 20)*** As referred to in Note 20 to the consolidated financial statements, the Company awarded 35,250,000 share options to directors, employees, consultants and other services providers. The awards vest subject to the achievement of certain vesting conditions. The Group valued the share options using the Black Scholes methodology and estimated likelihood of vesting conditions being achieved over the vesting period for each tranche of awards. The fair value of the share options granted during the year was $988,000. The Group has performed calculations to record the related share-based payment expense of $328,000 in the consolidated statement of profit or loss and other comprehensive income, after reversal of previously recognised expense in relation to share options that the management do not expect to vest. Further to the above, $481,000 of brokerage costs of options was recorded as part of the capital raising costs. Due to the complex nature of the transactions and estimates used in determining the valuation of the share-based payment arrangements and vesting periods, we consider the Group's calculation of the share-based payment expense to be a key audit matter. In determining the share based payment expense, the Group made assumptions in respect of future board's financial decisions as well as estimates of achievement of certain mining targets.	Inter alia, our audit procedures included the following: i. Verifying the inputs and examining the assumptions used in the Group's valuation of unlisted options, being the share price of the underlying equity, time to maturity (expected life) and grant date; ii. Challenging management's assumptions in relation to the likelihood of achieving the vesting conditions; iii. Assessing the fair value of the calculation through re-performance using appropriate inputs; and iv. Assessing the accuracy of the share-based payments expense and the adequacy of disclosures made by the Group in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021 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 conclusion thereon.

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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 Group 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 Company 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.

Stantons

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 are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia
30 September 2021

ASX Additional Information

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 10 September 2021. (**Reporting Date**).

(a) Substantial Holders

The Substantial Shareholders are:

Name	Number	Percentage
LORD OF SEVEN HILLS HOLDINGS FZE	36,463,710	9.51%
SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	20,833,334	5.43%

(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) Number of holders

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of Holders
FULLY PAID ORDINARY SHARES	2,853
OPTIONS	17

(d) Distribution of Equity Holders

Fully Paid Ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	371	169,466	0.04%
1,001 - 5,000	820	2,353,674	0.61%
5,001 - 10,000	442	3,465,235	0.90%
10,001 - 100,000	914	32,881,626	8.57%
Above 100,000	306	344,653,534	89.86%
TOTALS	**2,853**	**383,523,535**	**100.00%**

Options

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
Above 100,000	17	40,750,000	100.00%
TOTALS	**17**	**40,750,000**	**100.00%**

ASX Additional Information

(e) Less than marketable parcels

The number of shareholders with less than a marketable parcel of shares is 453, with a total 270,440 shares, amounting to 0.071% of issued capital.

(f) Equity Security Holders

The 20 largest fully paid ordinary shareholders of the Company as at the Reporting Date are:

Position	Name	Number of shares	% of issued shares
1	LORD OF SEVEN HILLS HOLDINGS FZE	36,463,710	9.51%
2	CITICORP NOMINEES PTY LIMITED	31,725,217	8.27%
3	SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	20,833,334	5.43%
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	18,715,995	4.88%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,496,857	4.82%
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	14,818,655	3.86%
7	MBM CAPITAL PARTNERS LLP	14,125,000	3.68%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	11,338,147	2.96%
9	FARVIC CONSOLIDATED MINES (PVT) LTD	9,497,680	2.48%
10	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	9,045,834	2.36%
11	MR HUGH DAVID WARNER & MRS DIANNE MICHELLE WARNER <CBM SUPER FUND A/C>	7,979,168	2.08%
12	MR RUSSELL PHILLIP QUINN <RPQ A/C>	6,900,000	1.80%
13	ARMOURED FOX CAPITAL PROPRIETARY LIMITED	5,871,089	1.53%
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	5,001,823	1.30%
15	MR JIUMIN YAN	3,725,052	0.97%
16	BOND STREET CUSTODIANS LIMITED <GCB - D67334 A/C>	3,671,228	0.96%
17	SOIRHU PTY LTD <THE BRAGG MCDONALD A/C>	3,525,001	0.92%
18	MR ZIVANAYI RUSIKE	3,040,374	0.79%
19	RENASCOR PTY LTD <VF A/C>	3,000,000	0.78%
20	BNP PARIBAS NOMS PTY LTD <DRP>	2,971,371	0.77%
	Total Top 20	**230,745,535**	**60.16%**
	Total Issued Capital	**383,523,535**	**100.00%**

Restricted Securities

Class of Restricted Securities	Type of Restriction	Number of Securities	End Date
Fully Paid Ordinary shares	Voluntary Escrow	9,497,680	25% released every 6 months

Unquoted Securities

Class of Unquoted Securities	Number of Securities	Number of Holders
Unlisted Options	40,750,000	17

Of the unlisted options on issue, CG Nominees (Australia) Pty Ltd holds 33.13% and Mr Samuel Timothy Hosack & Mrs Barbara Tamara Samantha Hosack <Hosack Family A/C> holds 25.77%

ASX Additional Information

Other Information

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) that have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Exploration and mining 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 ("PLZ")

Tenement Type & Number	Country	Project	Registered Company Name	% Held at 30 June 2020
ML 38	Zimbabwe	Arcadia	PLZ	70%
37680	Zimbabwe	Arcadia	PLZ	70%
ME284G	Zimbabwe	Arcadia	PLZ	70%
23189	Zimbabwe	Arcadia	PLZ	70%
23190	Zimbabwe	Arcadia	PLZ	70%
23233	Zimbabwe	Arcadia	PLZ	70%
32132	Zimbabwe	Arcadia	PLZ	70%
32133	Zimbabwe	Arcadia	PLZ	70%
32126	Zimbabwe	Arcadia	PLZ	70%
32733	Zimbabwe	Arcadia	PLZ	70%
23277	Zimbabwe	Arcadia	PLZ	70%
23278	Zimbabwe	Arcadia	PLZ	70%
23279	Zimbabwe	Arcadia	PLZ	70%
23276	Zimbabwe	Arcadia	PLZ	70%
23281	Zimbabwe	Arcadia	PLZ	70%
23474	Zimbabwe	Arcadia	PLZ	70%
23630	Zimbabwe	Arcadia	PLZ	70%
23201	Zimbabwe	Arcadia	PLZ	70%
23217	Zimbabwe	Arcadia	PLZ	70%
23468	Zimbabwe	Arcadia	PLZ	70%
23469	Zimbabwe	Arcadia	PLZ	70%
23470	Zimbabwe	Arcadia	PLZ	70%
23471	Zimbabwe	Arcadia	PLZ	70%
23472	Zimbabwe	Arcadia	PLZ	70%

ASX Additional Information

Tenement Type & Number	Country	Project	Registered Company Name	% Held at 30 June 2020
23473	Zimbabwe	Arcadia	PLZ	70%
SG6853	Zimbabwe	Mistress	PLZ	70%
37856	Zimbabwe	Moonstone	PLZ	70%
37857	Zimbabwe	Moonstone	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%

Corporate Directory

DIRECTORS
Mark Wheatley
Harry Greaves
Gerry Fahey
Zed Rusike
Dev Shetty
HeNian Chen
Sam Hosack

SECRETARY
Ian Goldberg and Lee Tamplin

PRINCIPAL & REGISTERED OFFICE
Level 2
33 Richardson Street
West Perth WA 6005
Telephone: (+61) 405 524 960
Email: info@prospectresources.com.au

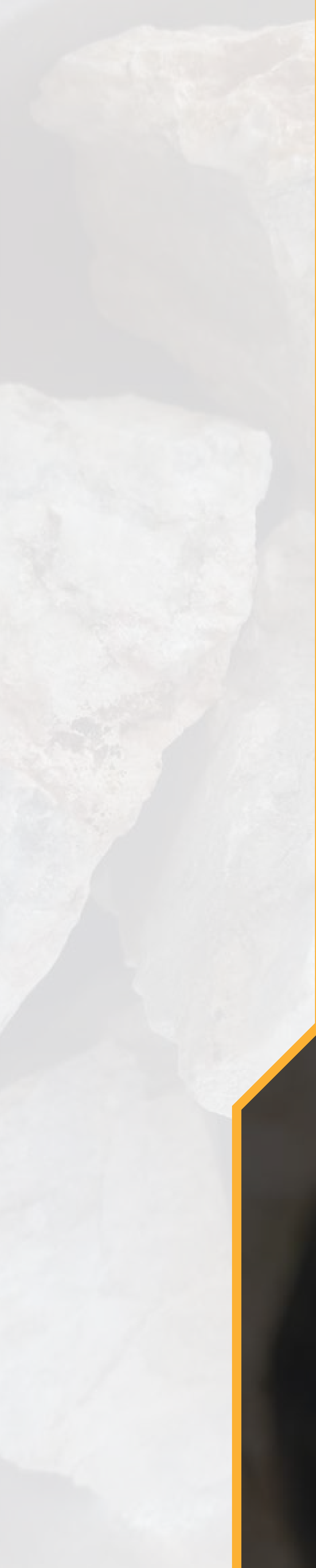
AUDITORS
Stantons International
Level 2
1 Walker Avenue
West Perth WA 6005

SHARE REGISTRY
Automic Pty Ltd
Level 5
126 Phillip Street
Sydney NSW 2000
Telephone: 1300 288 664
Email: hello@automic.com.au
Investor Portal: investor.automic.com.au

ASX CODE
Shares – PSC

LEGAL REPRESENTATIVES
King & Wood Mallesons
Level 30
QV1 Building
250 St Georges Terrace
Perth WA 6000

ACN 124 354 329



Prospect Resources

+61 405 524 960
info@prospectresources.com.au

Level 2, 33 Richardson Street
West Perth, WA 6005