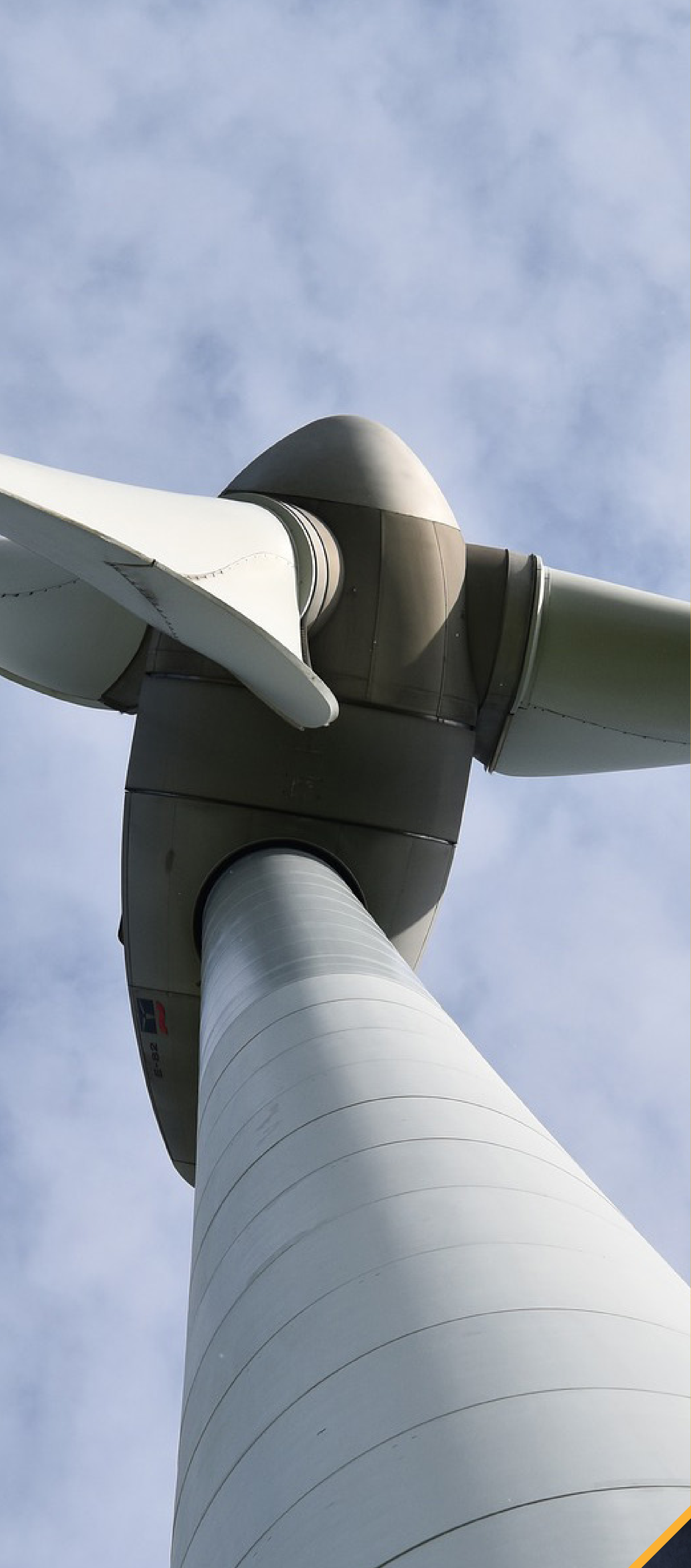
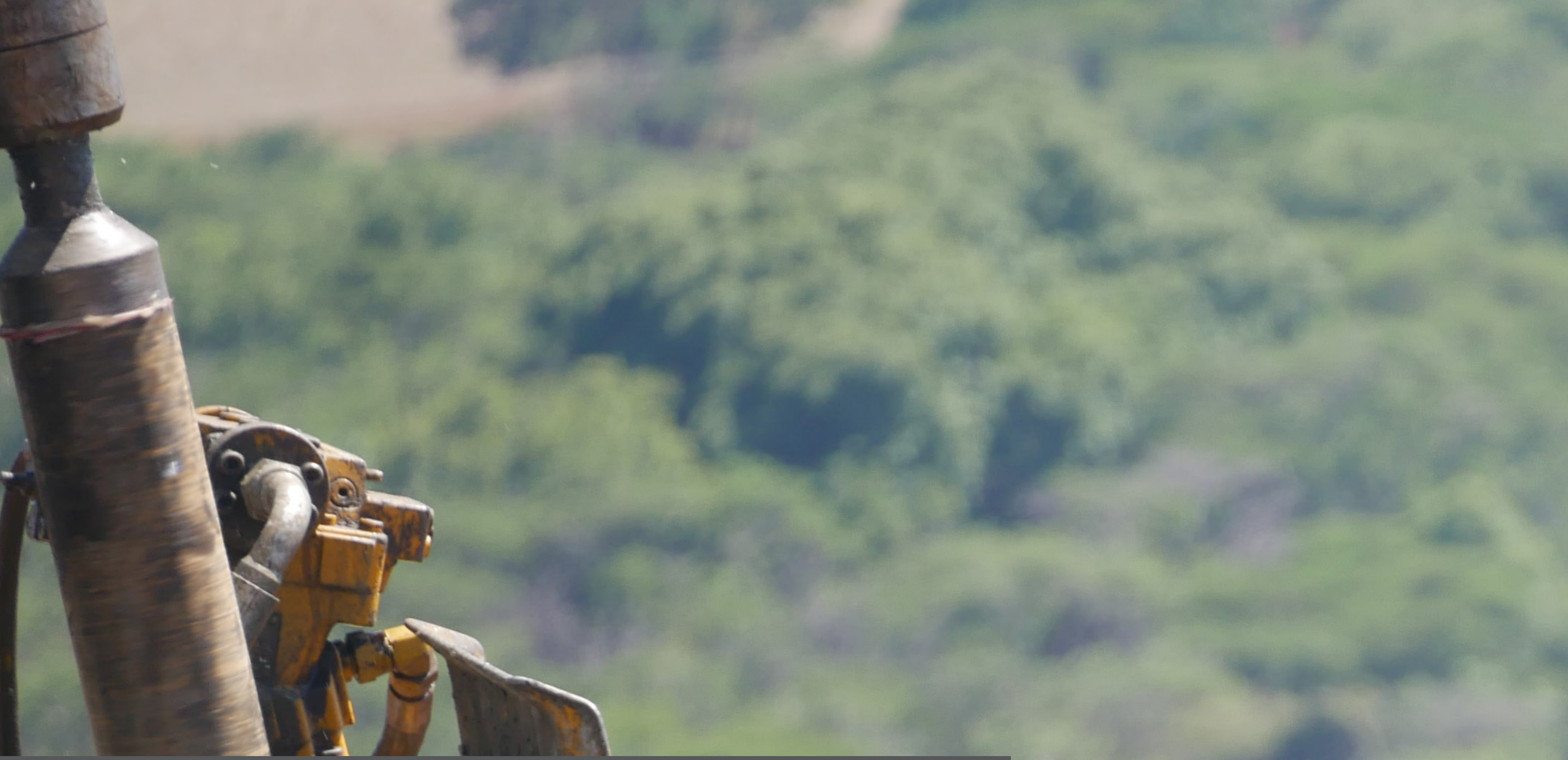


Prospect Resources

Half-Year Financial Report

31 December 2020



Corporate Directory

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

SECRETARY
Ian Goldberg and Lee Tamplin

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

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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:
https://investor.automic.com.au

ASX CODE
Shares – PSC

LEGAL REPRESENTATIVES
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Level 30, QV1 Building
250 St Georges Terrace
Perth WA 6000

ACN 124 354 329

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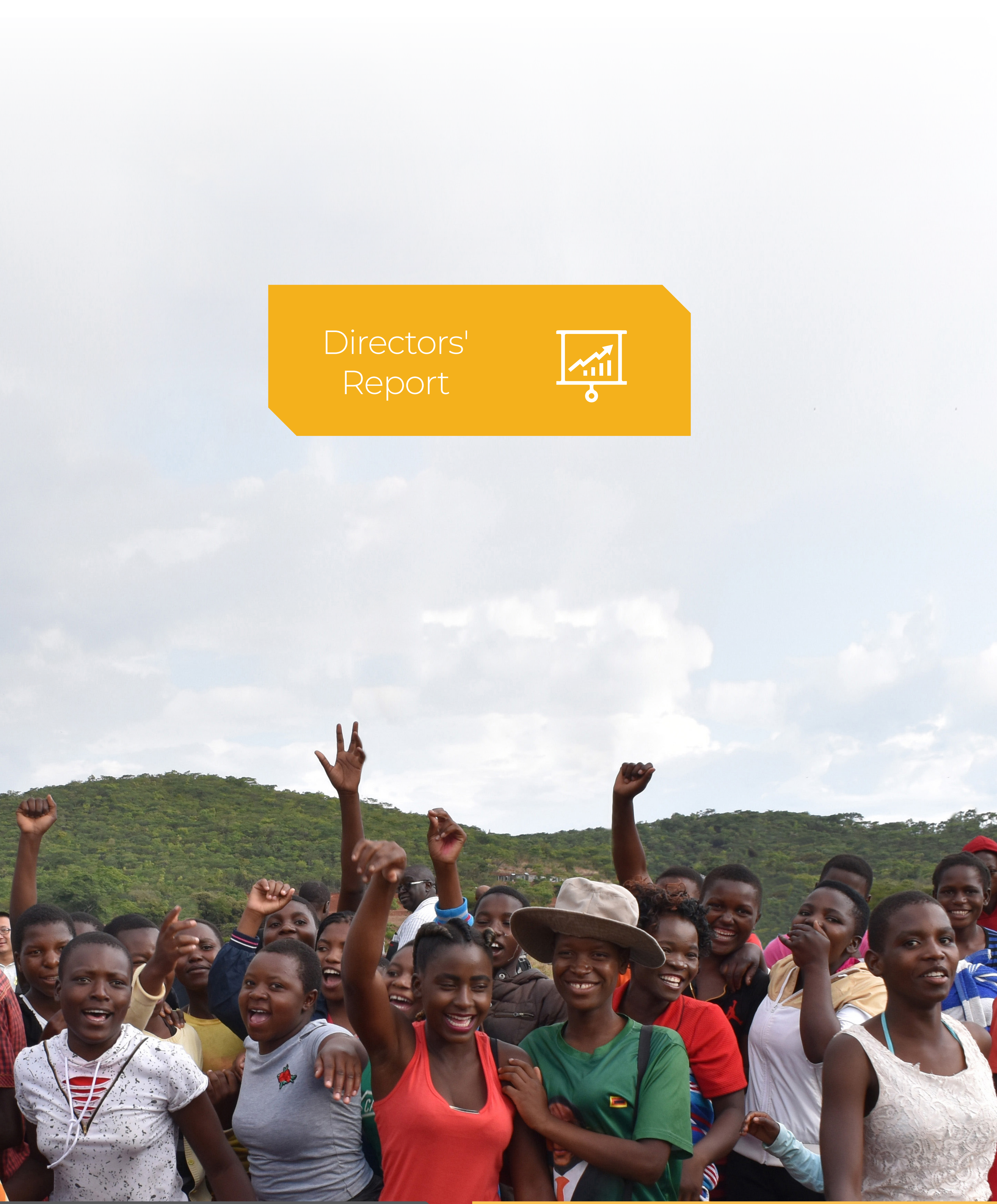
Directors' Report



The directors of Prospect Resources Limited (the Company or Prospect) and its controlled entities (the Group) submit herewith the financial report of the Group for the half-year ended 31 December 2020.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name
Mark Wheatley (appointed 8 January 2021)
Sam Hosack
Duncan (Harry) Greaves
Gerry Fahey
Zivanayi (Zed) Rusike
Dev Shetty (appointed 18 December 2020)
HeNian Chen
Meng Sun (alternate director to Mr Chen)
Hugh Warner (resigned 22 October 2020)

REVIEW OF OPERATIONS

Below is a summary of key operational announcements made during the half-year ended 31 December 2020 outlining the key milestones achieved.

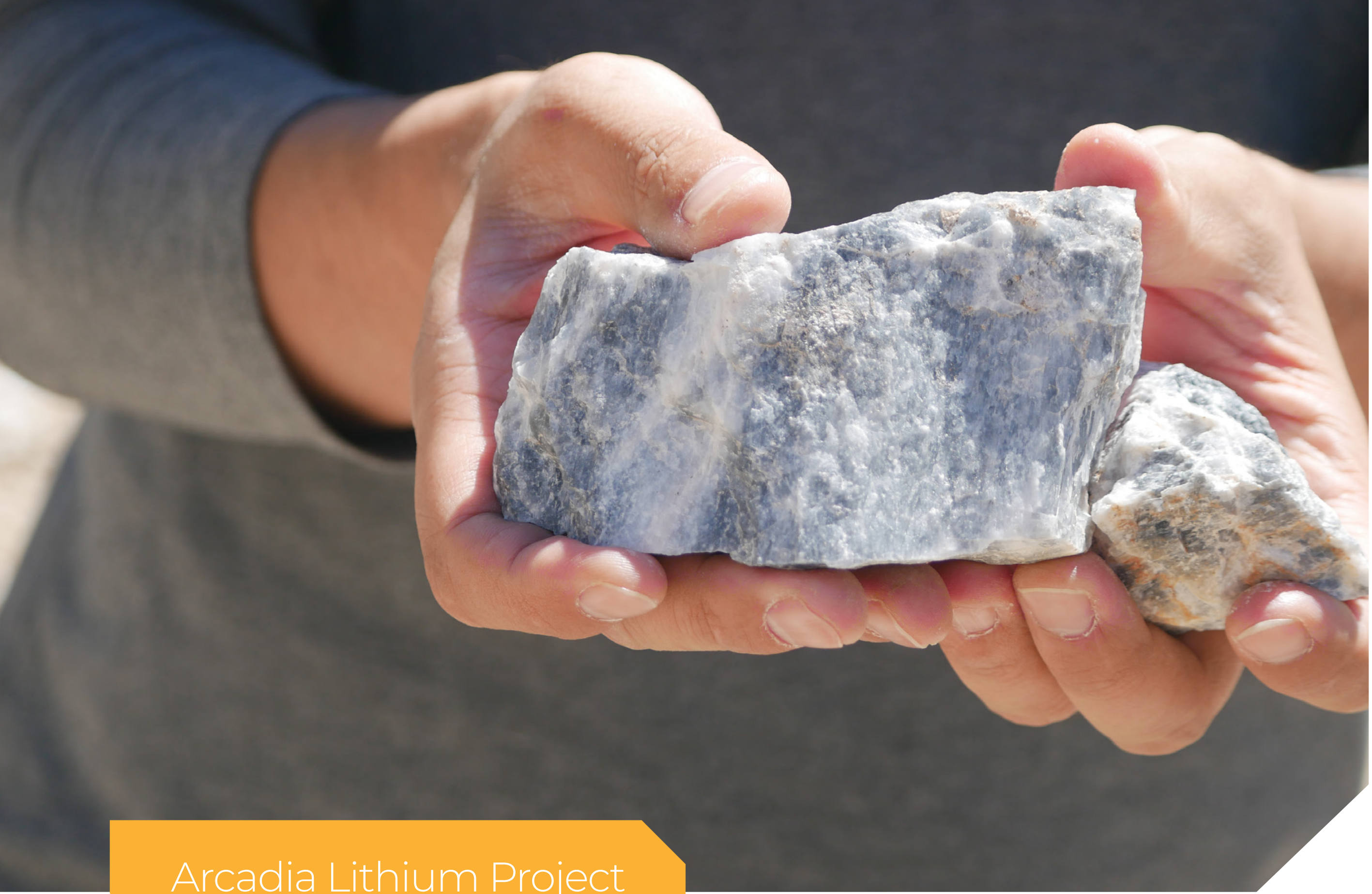
Please also refer to the Company's website (www.prospectresources.com.au) as an additional source of information on Prospect.

December 2020 Quarter

21 December 2020	Director Appointment
9 December 2020	Prospect accepted into European Raw Materials Alliance
8 December 2020	US$200k deposit received for Penhalonga Gold Project
27 November 2020	Annual general meeting Managing Director's address
27 November 2020	Annual general meeting corporate presentation
11 November 2020	Development of high purity lithium pilot plant
23 October 2020	Penhalonga Gold under option for US$1m
23 October 2020	Resignation of Executive Chairman
14 October 2020	$6m placement to fast track Arcadia Lithium Project
14 October 2020	Investor Presentation – October 2020
6 October 2020	Arcadia petalite achieves market leading results

September 2020 Quarter

16 September 2020	Investor Presentation – September 2020
17 August 2020	Prospect signs Petalite Offtake Agreement with Sibelco
5 August 2020	Assays confirm Arcadia as an ultra low iron lithium producer
24 July 2020	Flotation testwork almost doubles petalite recovery
6 July 2020	Advisor appointment and closure of shortfall placement



Arcadia Lithium Project

Arcadia Lithium Project Staged Development and Revised Feasibility Study

As announced on 25 February 2021, Prospect completed a strategic review which concluded that an initial smaller commercial scale production facility at Arcadia utilising the existing Feasibility Study 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. In line with the staged development plan, the Company has agreed to appoint an independent lithium focussed 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.

In service of a higher certainty flowsheet delivering a lower risk pathway to production, the Company has assessed advancement of the low-cost Arcadia Lithium Project in a number of stages. This development strategy allows risks to be managed progressively, reduces upfront capital, supports a reduced execution period and will be undertaken with the objective to reach the nameplate capacity of 2.4Mtpa outlined in the Feasibility Study announced on the 12 December 2019.

Using the Feasibility Study detailed capital cost and operating cost data as a base, an internal assessment of a 0.6Mtpa first stage and a 1.2Mtpa first stage showed that a 1.2 Mtpa project would deliver robust economics as well as allowing for staged expansion into a growing market.

For this reason, the first stage of the project will have a capacity of 1.2Mtpa and will maximise the modularisation of equipment and provide the ability to readily scale to nameplate capacity of 2.4Mtpa. The staged development approach is motivated by reduced time to market, lower initial capital expenditure and creating shareholder value by delivering a lower risk execution plan.

Whilst the staged development plan is a focus of the Company, Prospect does have the ability to go direct to nameplate capacity of 2.4Mtpa should market conditions and funding activities allow it. The existing 2.4 Mtpa Feasibility Study delivers:

- Pre-tax NPV10 of US$710m;
- Average annual EBITDA for the first 5 years of US$168m;
- Life of Mine operating cost of US344 per tonne
- Pre-tax Internal Rate of Return (IRR) of 71%; and
- A 15.5 year project with average annual production of 173,000t of spodumene concentrate for the chemical market and 122,000t of petalite concentrate for the technical and chemical market.

Pilot Plant

As announced on 25 February 2021, Prospect has now decided to focus the pilot plant on producing technical grade petalite samples using DMS in accordance with Arcadia's existing Feasibility Study flowsheet rather than both petalite and spodumene samples using a flotation flow sheet. The DMS flowsheet is considered the lower risk pathway to near-term production as determined through detailed analysis by management and a number of external third-party experts.

The Company notes:

- Petalite as a proportion of the Arcadia mineral endowment is significant and increasing the recovery of petalite and maximising sales into the technical market is an important strategic objective as the project progresses.
- To qualify petalite with potential customers the Company must provide samples of up to 100 tonnes per customer. Samples of this size are most economically produced in a pilot plant. By contrast, customers only require 2kg samples to qualify our spodumene products and these can be readily produced in the laboratory.
- The pilot plant is considered as a key long-term operational asset for the company. It's 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.
- The DMS Feasibility Study flowsheet has greater technical certainty than the flotation flowsheet.
- The pilot plant is expected to produce and ship samples in H1 CY2021.
- The production and export of petalite produced by the pilot plant will provide validation of the readiness of the regulatory and fiscal regime (including the Special Economic Zone) that will apply to the commercial operation. This "commercial road-test" is expected to de-risk this element of the project for lenders and investors by demonstrating sales receipts through the offtake agreement and the ability to deal freely with foreign currency receipts.
- The operation of the pilot plant will allow for the accumulation of knowledge during design, mitigating the scaling issues that peer lithium producers have experienced on account of a too rapid growth in supply.

The petalite flotation increases flowsheet risk, increases capital and operating cost against initial assessments, and would require considerable time and effort to fine tune and perfect for use in a commercial operation. The result would be a protracted delivery pathway both for the pilot plant and funding for the first phase of a commercial operation.

Project Funding and Offtake Discussions

The Company is advancing discussions with strategic corporate and institutional financiers as well as early-stage discussions to consider a development joint venture with a large corporate investor.

The Company is continuing discussions with its existing offtake partners alongside a number of potential offtake partners in relation to its spodumene production profile and its staged development plan, with a key focus on meeting project financing requirements. These activities will be run in parallel with the preparation of the revised feasibility study to deliver a more certain implementation plan.

Corporate structure simplification – Value Accretive Farvic Transaction Extended

The Company is pleased to have extended to 31st December 2021 the previously reached conditional agreement with Farvic Consolidated Mines Pvt Ltd ("Farvic"). As announced on 3 October 2018, the agreement is to increase its ownership in the Arcadia Lithium Mine from 70% to 87% and is significantly value accretive for the shareholders of Prospect.

Under the agreement, Farvic has agreed to transfer the shares it holds in Prospect Lithium Zimbabwe (Pvt) Ltd ("PLZ") (holder of the Arcadia Lithium Mine) to Prospect Minerals Pte Ltd, a wholly owned subsidiary of the Company. In consideration for the transfer of shares in PLZ, the Company will issue 9,497,680 fully paid ordinary shares (94,976,800 pre consolidation) to Farvic, representing a dilution to existing Prospect shareholders of approximately 4.8%, and pay Farvic A$1,187,210 in cash. Upon completion of the transaction, the Company's equity interest in PLZ will increase from 70% to 87%.

Currently, Prospect 'free carries' the other shareholders in PLZ to production, meaning that Prospect funds 100% of the project expenditure. The outcome of this transaction is that Prospect increases its share of future revenues and profits from the Arcadia Lithium Mine by 17% to 87% without an increase in expenditure (or risk) and thus is significantly accretive to Prospect shareholders.

The shares issued to Farvic will be subject to a voluntary escrow, with 25% of the shares being released every 6 months, subject to any additional escrow imposed by ASX. The transaction has been approved by the Zimbabwe Reserve Bank as announced on 19 July 2020 and is subject to a number of conditions precedent, including the Company obtaining shareholder approval in accordance with the ASX Listing Rules.

Other Projects - Zimbabwe

Chishanya – Phosphate & Rare Earth Elements

The Chishanya Phosphate Project is one of 5 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.

Prospect Resources has undertaken a soil sampling process focused on Rare Earth Elements, with results expected to be received in the first half of CY2021. Prospect is strategically assessing how to maximise value from Chishanya, which includes assessment of a potential exploration program and securing surrounding tenements.

Penhalonga – Gold

As announced on 23 October 2020, Prospect entered into a binding term sheet with Luzich Partners LLC ('Luzich') whereby Luzich has acquired an option to buy 100% of the Company's Penhalonga Gold Project for US$1m, payable as follows:

- A non refundable deposit of US$200k (this was received during the period); and
- US$800k within 180 days commencing from payment of the non refundable deposit.

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

Corporate

The Company has welcomed the appointments of Mark Wheatley as Non Executive Chairman, Dev Shetty as Non Executive Director and Ian Goldberg as Chief Financial Officer, who all have extensive development and operations experience.

Prospect finished the half-year with cash and cash equivalents of A$5.457m.

Financial Results

	Half-year ended 31 December 2020 $'000	Half-year ended 31 December 2019 $'000
Reported loss after tax	(1,188)	(2,708)
Sale of assets	(289)	-
Development, exploration and evaluation expenditure expensed	97	474
Impairment of exploration and evaluation	-	(20)
Share based payments expense	175	-
Loss after adjustment for sale of assets, exploration expenditure, impairments and share based payments	(1,205)	(2,254)

The loss after adjustment for sale of assets, development, exploration and evaluation expenditure, impairments and share based payments has reduced from the prior year period as the cost reduction initiatives the Group implemented in the prior year have materialised, with a 35% reduction in employee benefits expense and 42% reduction in other administration expenses being achieved.

Development, exploration and evaluation expenditure expensed relates to expenditure incurred by the parent, Prospect Resources Limited on the Arcadia Lithium Project.

The Group realised $289k from the sale of non core assets, which included US$200k received as a non refundable deposit for the disposal of the Penhalonga Gold Project.

Events after Balance Date

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

(1) On 11 January 2021, the Company announced the proposed issue of 2,000,000 unlisted options exercisable at $0.24 and expiring 7 January 2025. These options are subject to shareholder approval.

(2) On 9 February 2021, the Company announced it had issued 4,500,000 unlisted options exercisable at $0.26 and expiring 3 February 2025.

(3) On 8 March 2021, the Company announced the proposed issue of 6,000,000 unlisted options exercisable at $0.26 and expiring 3 February 2025. These options are subject to shareholder approval.

(4) The Company has entered into a property lease for a period of 2 years, with monthly rental payments of $2,810 exclusive of outgoings.

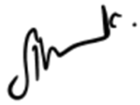
Rounding of Amounts

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.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of this report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.



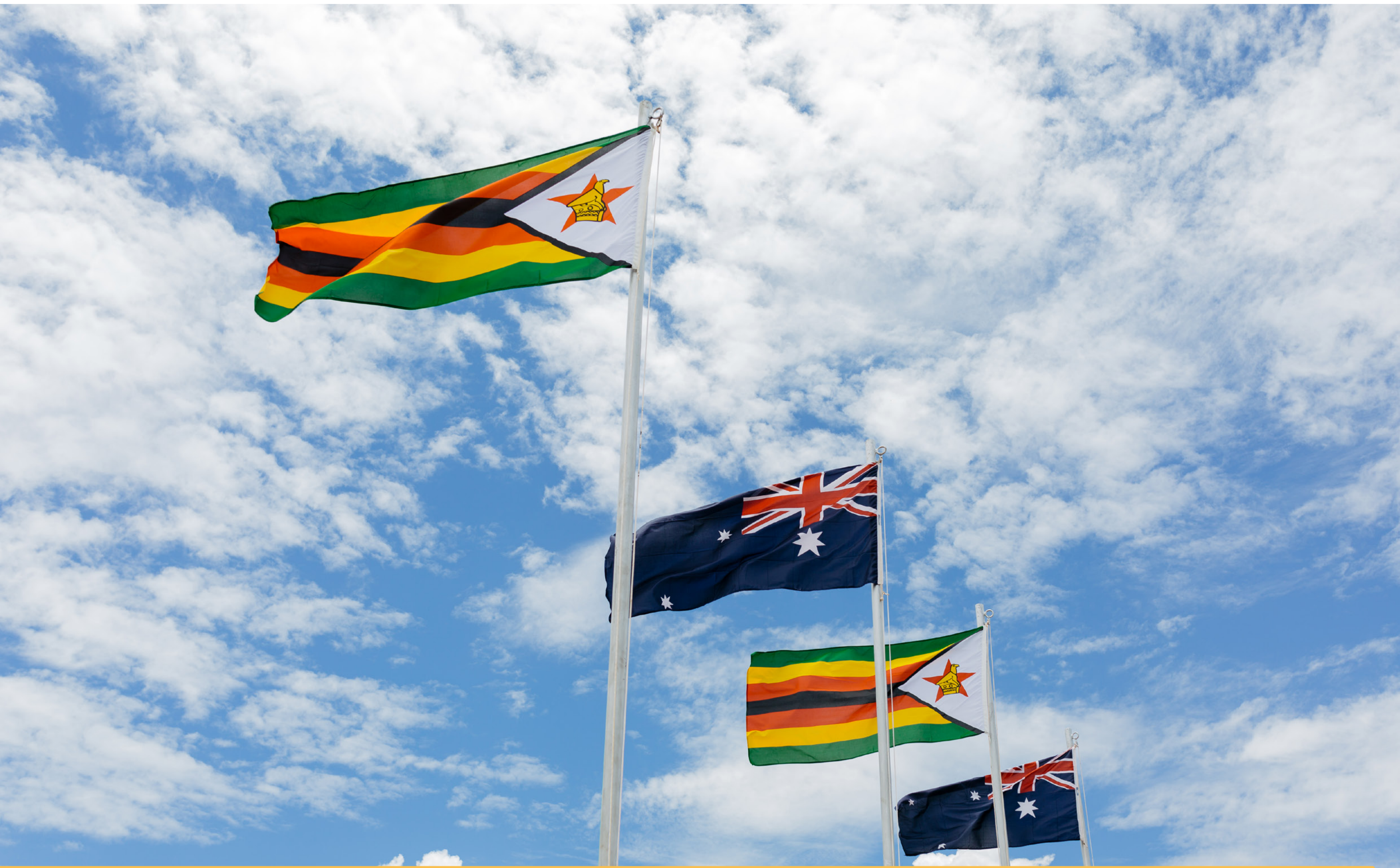
Sam Hosack
Managing Director

16 March 2021

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.



Stantons International Audit and Consulting Pty Ltd trading as
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16 March 2021

The 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 review of the financial statements of Prospect Resources Limited for the half-year ended 31 December 2020, 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 review; and

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

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

Samir Tirodkar
Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	Half-year ended 31 December 2020	Half-year ended 31 December 2019
		$'000	$'000
Revenue from continuing operations	3(a)	351	136
Cost of sales	3(b)	-	(268)
Depreciation expense		(9)	(57)
Development costs expensed		(97)	(473)
Employee benefits expenses		(474)	(734)
Exploration and evaluation expenditure expensed		-	(1)
Impairment of exploration and evaluation expenditure		-	20
Occupancy expenses		(25)	(26)
Share based payments – options expense	10	(175)	-
Other administration expenses		(759)	(1,300)
Loss before income tax		(1,188)	(2,703)
Income tax		-	(5)
Loss after tax		(1,188)	(2,708)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,935)	60
Other comprehensive income/(loss) for the period net of tax		(2,935)	60
Total comprehensive loss for the period		(4,123)	(2,648)
Loss attributable to:			
Equity holders of the Company		(1,219)	(2,602)
Non-controlling interests		31	(106)
		(1,188)	(2,708)
Total comprehensive loss attributable to:			
Equity holders of the Company		(4,301)	(2,570)
Non-controlling interests		178	(78)
		(4,123)	(2,648)
Loss per share (cents per share)			
Basic loss for the half-year	11	(0.40)	(1.10)
Diluted loss for the half-year	11	(0.40)	(1.10)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

	Notes	31 December 2020	30 June 2020
		$'000	**$'000**
ASSETS			
Current Assets			
Cash and cash equivalents	4	5,457	1,698
Trade and other receivables		470	458
Assets held for sale	5	-	298
Other current assets		1,020	711
Total Current Assets		6,947	3,165
Non-Current Assets			
Property, plant and equipment		460	550
Exploration and evaluation expenditure	6(a)	17	-
Mine properties	6(b)	22,127	24,257
Intangible assets		508	581
Total Non-Current Assets		23,112	25,388
TOTAL ASSETS		30,059	28,553
LIABILITIES			
Current Liabilities			
Trade and other payables	7	479	509
Provisions		139	171
Total Current Liabilities		618	680
TOTAL LIABILITIES		618	680
NET ASSETS		29,441	27,873
EQUITY			
Contributed equity	8(b)	70,945	65,429
Reserves		9,849	12,756
Accumulated losses		(50,309)	(49,090)
Total Equity Attributable to Shareholders of Parent Company		30,485	29,095
Non-controlling interests		(1,044)	(1,222)
TOTAL EQUITY		**29,441**	**27,873**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	Half-year ended 31 December 2020	Half-year ended 31 December 2019
		$'000	$'000
Cash flows from operating activities			
Receipts - other income		5	-
Government tax credits and rebates		55	-
Payments to suppliers and employees		(1,097)	(2,349)
Payments for development expenditure expensed		(105)	(461)
Payments for exploration expenditure expensed (net of gold sales)		-	(1)
Net cash (used in) operating activities		**(1,142)**	**(2,811)**
Cash flows from investing activities			
Interest received		2	14
Payments for development costs		(844)	(2,091)
Payments for plant and equipment		(33)	(58)
Proceeds from sale of plant and equipment		14	-
Proceeds from non refundable deposit		277	-
Net proceeds from assets held for sale	5	266	-
Loan to minority interests		(27)	-
Payments for exploration expenditure (net of gold sold)		(10)	-
Payments for intangible assets		-	(112)
Net cash (used in) investing activities		**(355)**	**(2,247)**
Cash flows from financing activities			
Proceeds from issue of shares		6,000	720
Capital raising costs		(484)	-
Net cash from financing activities		**5,516**	**720**
Net increase / (decrease) in cash and cash equivalents		4,019	(4,338)
Cash and cash equivalents at beginning of period		1,698	5,474
Effects of exchange rate changes on the balance of cash held in foreign currencies		(260)	(3)
Cash and cash equivalents at end of period	4	**5,457**	**1,133**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes In Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued shares	Option reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interests	Total Equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2020	65,429	10,847	1,909	(49,090)	29,095	(1,222)	27,873
Loss for the period	-	-	-	(1,219)	(1,219)	31	(1,188)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	(3,082)	-	(3,082)	147	(2,935)
Total comprehensive loss for the period	-	-	(3,082)	(1,219)	(4,301)	178	(4,123)
Issue of ordinary shares for cash	6,000	-	-	-	6,000	-	6,000
Share capital raising costs	(484)	-	-	-	(484)	-	(484)
Options issued	-	175	-	-	175	-	175
At 31 December 2020	70,945	11,022	(1,173)	(50,309)	30,485	(1,044)	29,441
At 1 July 2019	61,870	10,847	1,296	(44,701)	29,312	(1,028)	28,284
Loss for the period	-	-	-	(2,602)	(2,602)	(106)	(2,708)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	32	-	32	28	60
Total comprehensive loss for the period	-	-	32	(2,602)	(2,570)	(78)	(2,648)
Issue of ordinary shares for cash	720	-	-	-	720	-	720
Share capital raising costs	(36)	-	-	-	(36)	-	(36)
At 31 December 2019	62,554	10,847	1,328	(47,303)	27,426	(1,106)	26,320

The accompanying notes form part of these financial statements

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(b) Basis of Preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prospect Resources Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 16 March 2021.

(c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(d) below.

(d) New and Amended Standards Adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2020 affected any of the amounts recognised in the current period or any prior period.

The Group has adopted the new Conceptual Framework for Financial Reporting, which is applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of this Conceptual Framework from 1 January 2020 has not led to any changes in accounting or disclosure for the Group, but the new Conceptual Framework may be referred to if accounting matters arise that are not addressed by accounting standards.

The Group has adopted the new definition of Material included in AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments provide a new definition of material which now extends materiality consideration to obscuration and clarify that materiality now depends on the nature or magnitude of information.

The Group has adopted the new definitions of Business and associated guidance in AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business, which is applicable to annual reporting periods beginning on or after 1 January 2020. The amendments clarify the minimum requirements for a business, narrowing the definition of business and of outputs, and also provide guidance to help entities assess whether an acquired process is substantive.

(e) Going concern

For the period ended 31 December 2020, the Group recorded a loss of $1,188,000 (2019: loss $2,708,000) and had net cash outflows from operating and investing activities of $1,497,000 (2019: outflow $5,058,000). As at reporting date, the Group had cash and cash equivalents of $5,457,000. 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.

The Group's principal objective is to develop the Arcadia Project and as such, it does not presently have a 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.

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 interim financial statements for the half-year ended 31 December 2020 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 interim financial statements.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Prospect Resources Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 13.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(g) Impact of Standards Issued but not yet Applied by the Entity

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2) 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 (the chief operating decision maker) in assessing performance and determining the allocation of resources.

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

	Australia		Zimbabwe		Consolidated	
Geographical segments	**Half-year 2020 $'000**	**Half-year 2019 $'000**	**Half-year 2020 $'000**	**Half-year 2019 $'000**	**Half-year 2020 $'000**	**Half-year 2019 $'000**
Revenue						
Other external revenue	57	14	294	122	351	136
Total segment revenue	**57**	**14**	**294**	**122**	**351**	**136**
Results						
Segment net loss before tax	(1,280)	(2,353)	92	(355)	(1,188)	(2,708)
Depreciation	4	4	5	53	9	57

	31 Dec 2020 $'000	**30 June 2020 $'000**	**31 Dec 2020 $'000**	**30 June 2020 $'000**	**31 Dec 2020 $'000**	**30 June 2020 $'000**
Assets						
Segment assets	5,353	1,901	24,706	26,652	30,059	28,553
Liabilities						
Segment liabilities	519	520	99	160	618	680

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3) (a). REVENUE

	Half-year ended 31 Dec 2020 $'000	Half-year ended 31 Dec 2019 $'000
Sale of merchandise	-	83
Farm income	-	31
Government tax credits and rebates	55	-
Sale of assets	289	-
Other income	5	8
Interest revenue	2	14
	351	136

3) (b). COST OF SALES

Cost of sales from merchandise	-	218
Cost of sales from farming	-	50
	-	268

4) CASH AND CASH EQUIVALENTS

For the purposes of the half-year statement of cashflows, cash and cash equivalents are comprised of the following:

	31 Dec 2020 $'000	30 Jun 2020 $'000
Cash at bank and in hand	**5,457**	**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 Australian to Zimbabwe Dollar exchange rate at 31 December 2020 was 63.00 (30 June 2020: 43.74) and is considered legal tender in Zimbabwe. The Group holds AUD$1,000 in Zimbabwe Dollars (30 June 2020: AUD$13,000) which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe.

5) ASSETS HELD FOR SALE

	31 Dec 2020 $'000	30 Jun 2020 $'000
Property – 169 Arcturus Road, Harare	**-**	**298**

During the prior year, the directors resolved to sell the company's property asset and accepted an offer which completed during the current period.

	31 Dec 2020 $'000
Carrying value of asset held for sale	298
Gain or loss on asset held for sale	-
Foreign exchange loss	(32)
Net proceeds from assets held for sale	266

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

6) EXPLORATION, EVALUATION & MINE PROPERTIES

		12 Months
	31 Dec 2020 $'000	30 Jun 2020 $'000
Total expenditure incurred and carried forward in respect of specific projects		
Exploration & Evaluation Expenditure		
Gwanda East – Gold	-	-
Chishanya	17	-
Mine Properties		
Arcadia – Lithium	22,127	24,257
	22,144	24,257

(a) Exploration & Evaluation Expenditure		
Opening balance	-	-
Expenditure incurred	17	-
Impairment of exploration & evaluation expenditure	-	21
Proceeds from gold sales from exploration and evaluation ore	-	(21)
Closing balance	17	-

(b) Mine Properties		
Mines Under Construction		
Opening balance	24,257	21,084
Transfer from exploration & evaluation expenditure		
Expenditure incurred	513	2,726
Effect of foreign currency exchange differences	(2,643)	447
Closing balance	22,127	24,257

7) TRADE AND OTHER PAYABLES

	31 Dec 2020 $'000	30 Jun 2020 $'000
Trade creditors	91	143
Accruals	352	341
Related party payable	2	-
Unearned trading income	13	18
Other payables	21	7
	479	509

No trade creditors are past due and are normally settled on 30 – 60 day terms.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

8) CONTRIBUTED EQUITY

(a) Issued share capital	31 Dec 2020	30 Jun 2020
	Shares	Shares
Ordinary shares fully paid	332,090,371	285,936,524

(b) Movement in ordinary share capital	Number of shares	$'000
Balance at 1 July 2019	235,951,758	61,870
Issue of shares via placement	49,984,766	3,705
Cost of capital raisings		(146)
Balance at 30 June 2020	285,936,524	65,429
Issue of shares via placement	46,153,847	6,000
Cost of capital raising		(484)
Balance at 31 December 2020	332,090,371	70,945

9) OPTION RESERVE

	31 Dec 2020 Options	31 Dec 2020 $'000	30 Jun 2020 Options	30 Jun 2020 $'000
(a) Options at the end of the period	11,750,000	11,022	4,500,000	10,847

(b) Movement in options

Date	Details	Number of option	Fair value issue price	$'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	7,250,000		175
Balance at 31 December 2020		11,750,000		11,022

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

10) SHARE BASED PAYMENTS

Options

The share based payments expense was $175,000 (31 December 2019: Nil). The following table lists the inputs to the model used:

No. of options	**1,812,500**	**1,812,500**	**1,812,500**	**1,812,500**
Grant date	17/11/2020	17/11/2020	17/11/2020	17/11/2020
Share price	$0.125	$0.125	$0.125	$0.125
Exercise price	$0.24	$0.24	$0.24	$0.24
Interest rate	0.11%	0.11%	0.11%	0.11%
Expiry date	05/11/2023	05/11/2023	05/11/2023	05/11/2023
Volatility	100%	100%	100%	100%
Fair value at grant date	$0.060	$0.060	$0.060	$0.060
Vesting condition and period	<1>	<2>	<3>	<4>

<1> options vest for being employed 6 months from grant date.
<2>options vest for being employed 12 months from grant date.
<3>options vest upon first shipment of on-spec product from the pilot plant before 30 June 2021.
<4>options vest upon final investment decision by the board for first commercial scaled project before 31 December 2021.

11) LOSS PER SHARE

	Half-year ended 31 Dec 2020	**Half-year ended 31 Dec 2019**
Basic and diluted loss per share (cents per share)	(0.40)	(1.10)
Amount used in the calculation of basic EPS		
Loss after income tax attributable to members of Prospect Resources Limited ($'000)	(1,219)	(2,602)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	303,996,725	235,977,584

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

12) EVENTS AFTER BALANCE DATE

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

1) On 11 January 2021, the Company announced the proposed issue of 2,000,000 unlisted options exercisable at $0.24 and expiring 7 January 2025. These options are subject to shareholder approval.

2) On 9 February 2021, the Company announced it had issued 4,500,000 unlisted options exercisable at $0.26 and expiring 3 February 2025.

3) On 8 March 2021, the Company announced the proposed issue of 6,000,000 unlisted options exercisable at $0.26 and expiring 3 February 2025. These options are subject to shareholder approval.

4) The Company has entered into a property lease for a period of 2 years, with monthly rental payments of $2,810 exclusive of outgoings.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

13) INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2020. The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

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

* 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$200k during the period.

14) CONTINGENT LIABILITIES

The Group has no contingent liabilities.

15) 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 totalling $14,000.

The Group has commitments for orders placed on the Arcadia pilot plant totalling $700,000.

The Group has entered into contracts with its directors and certain executives whereby minimum notice periods have been provided by the Group. This totals $310,000.

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, totalling up to 700,000 tonnes.

The Group entered into a conditional agreement to acquire a further 17% in the Arcadia Lithium Project, increasing its ownership from 70% to 87%. At completion, the Group is required to issue 9,497,680 new ordinary shares and pay cash of $1,187,210.

DIRECTORS' DECLARATION

In the opinion of the Directors of Prospect Resources Limited ("the Company")

(a) the financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) in the directors' opinion, as set out in Note 1(e), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Sam Hosack
Managing Director

Perth, 16 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PROSPECT RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Prospect Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Prospect Resources Limited, does not comply with the *Corporations Act 2001 including*:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 16 March 2021.

Material Uncertainty Regarding Going Concern

We draw attention to note 1(e) of the financial report, which describes that the financial report has been prepared on a going concern basis. At 31 December 2020 the consolidated entity had net assets of $30,059,00, cash and cash equivalents of $5,457,000 and net working capital surplus of $6,329,000. The consolidated entity had incurred a loss after tax for the period ended 31 December 2020 of $1,188,000 and had net cash outflows from operating activities of $1,142,000.

The ability of the consolidated entity to continue as a going concern and meet its mine development, exploration, administration, and other commitments is dependent upon the future successful raising of necessary funding through equity or borrowings, successful exploitation of the consolidated entity 's mine properties, and/or sale of core assets. In the event that the consolidated entity cannot raise further equity, or long-term borrowings the Group may not be able to meet its liabilities as they fall due or realise its assets in the normal course of business.

Our conclusion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REVIEW REPORT

Stantons International

Responsibility of the Directors for the Financial Report

The directors of the Prospect Resources Limited, are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

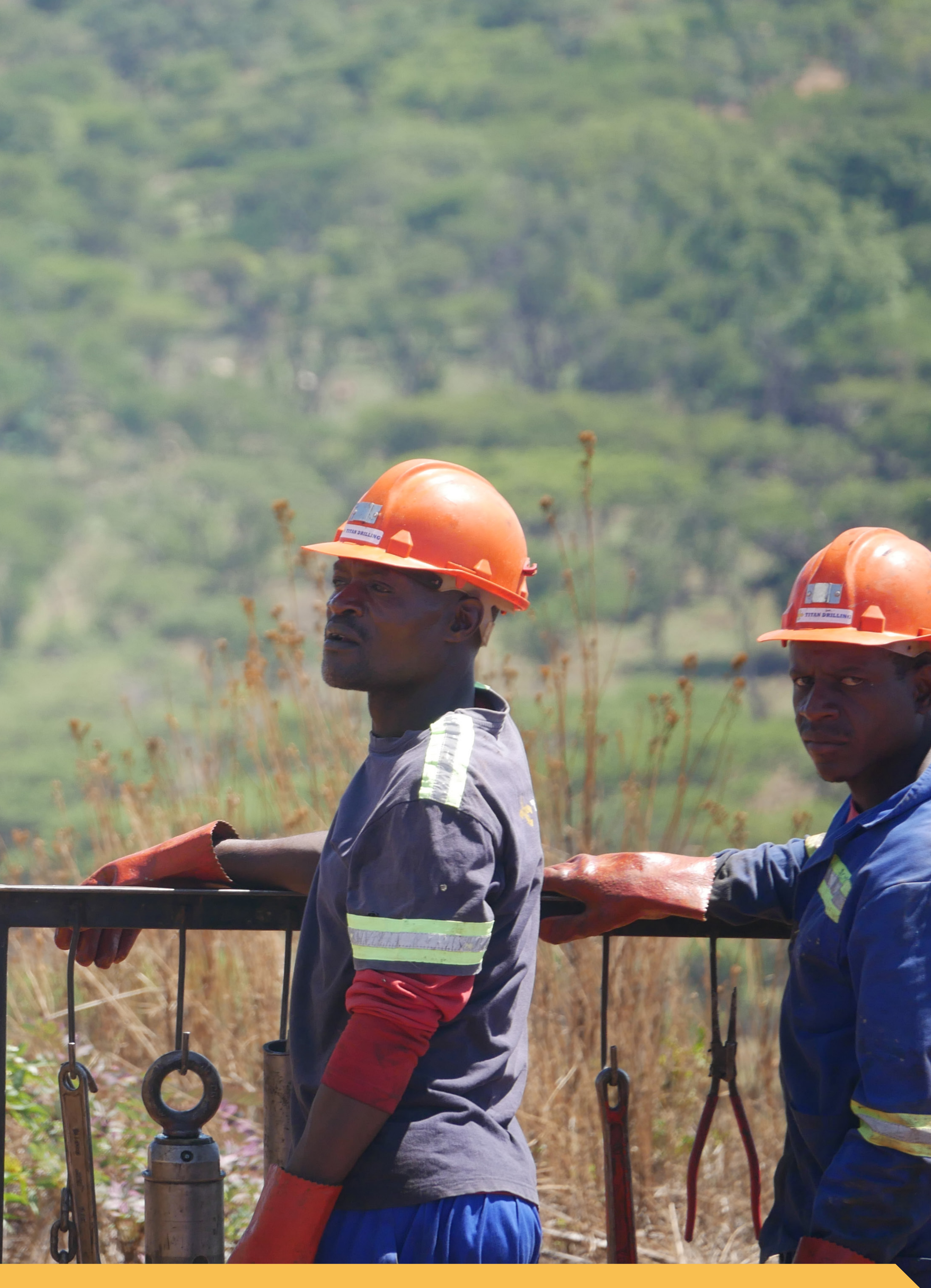
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia

16 March 2021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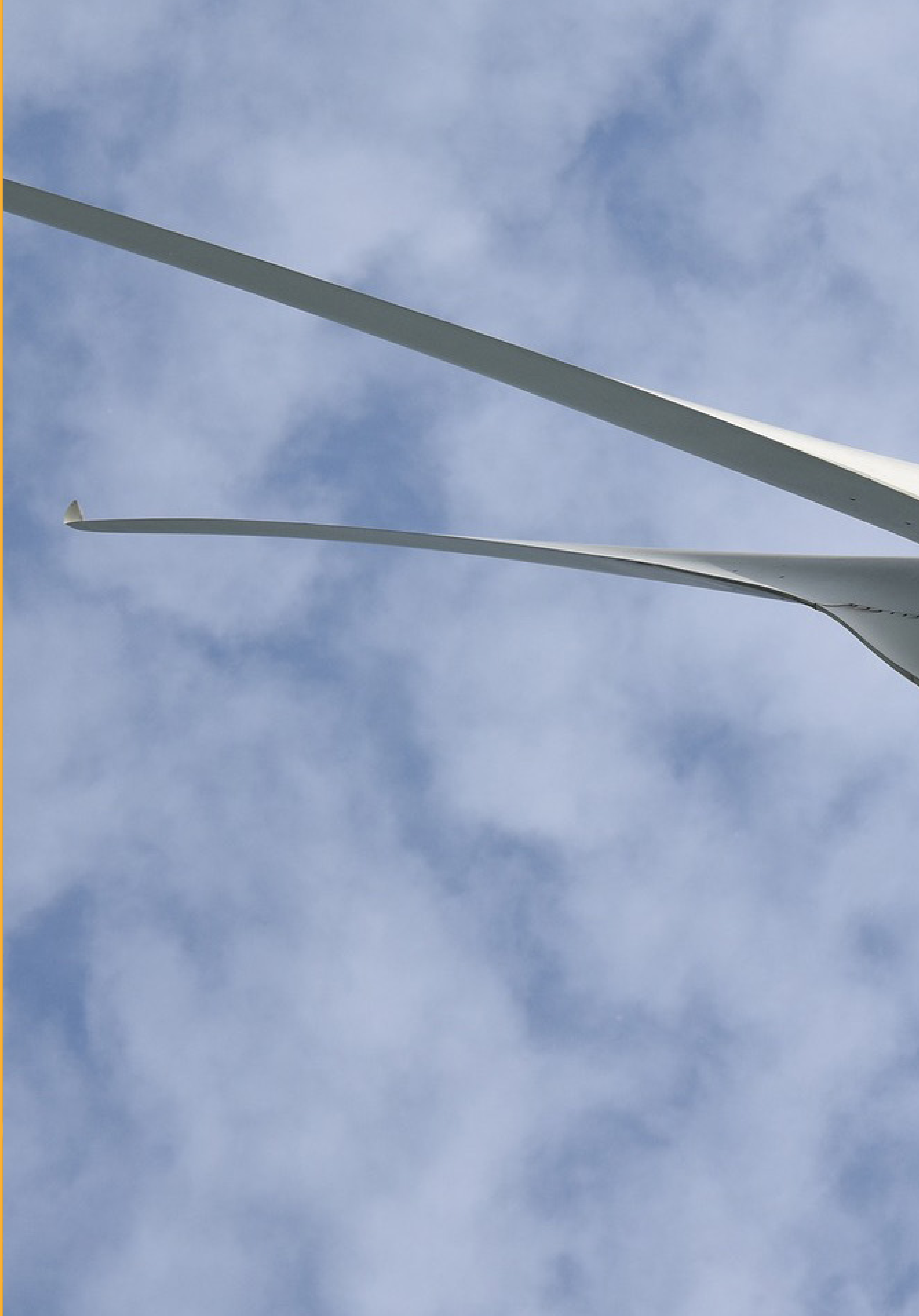

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