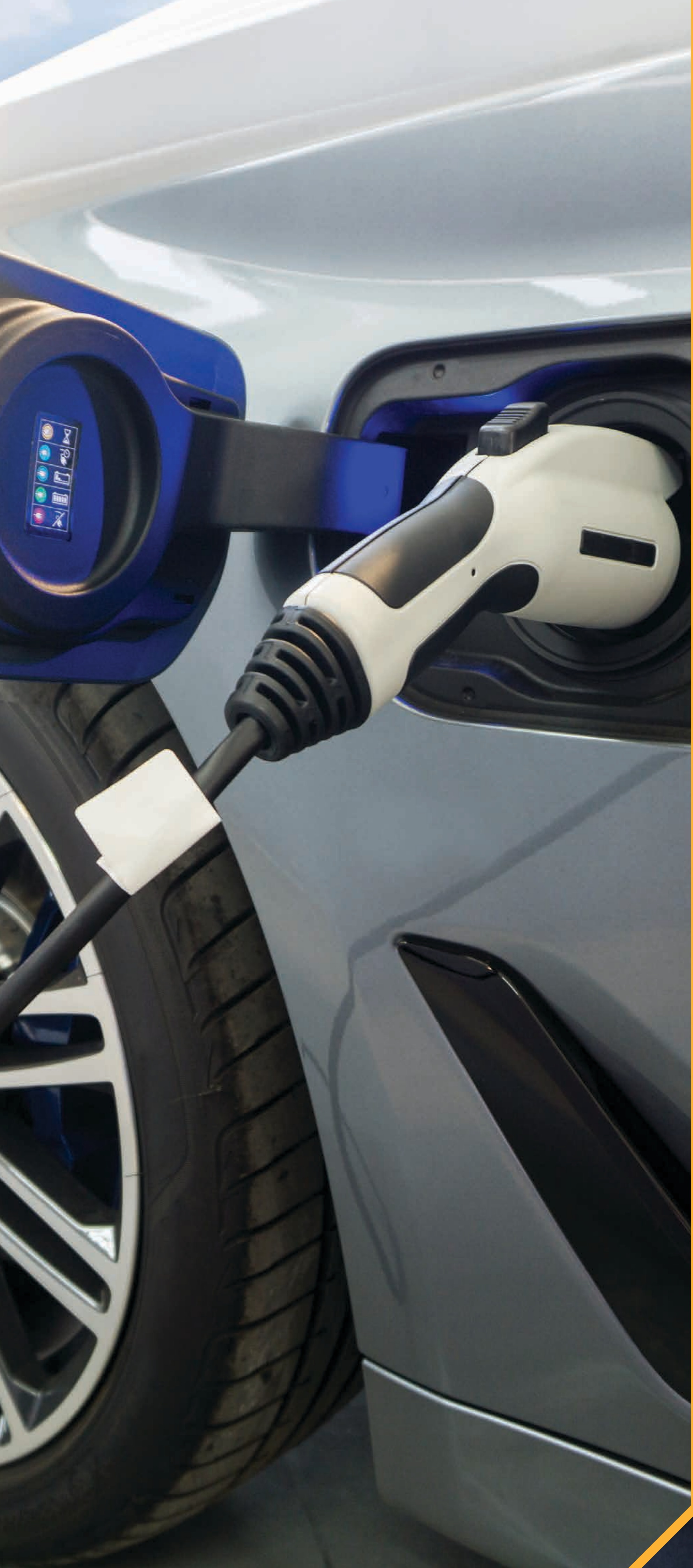
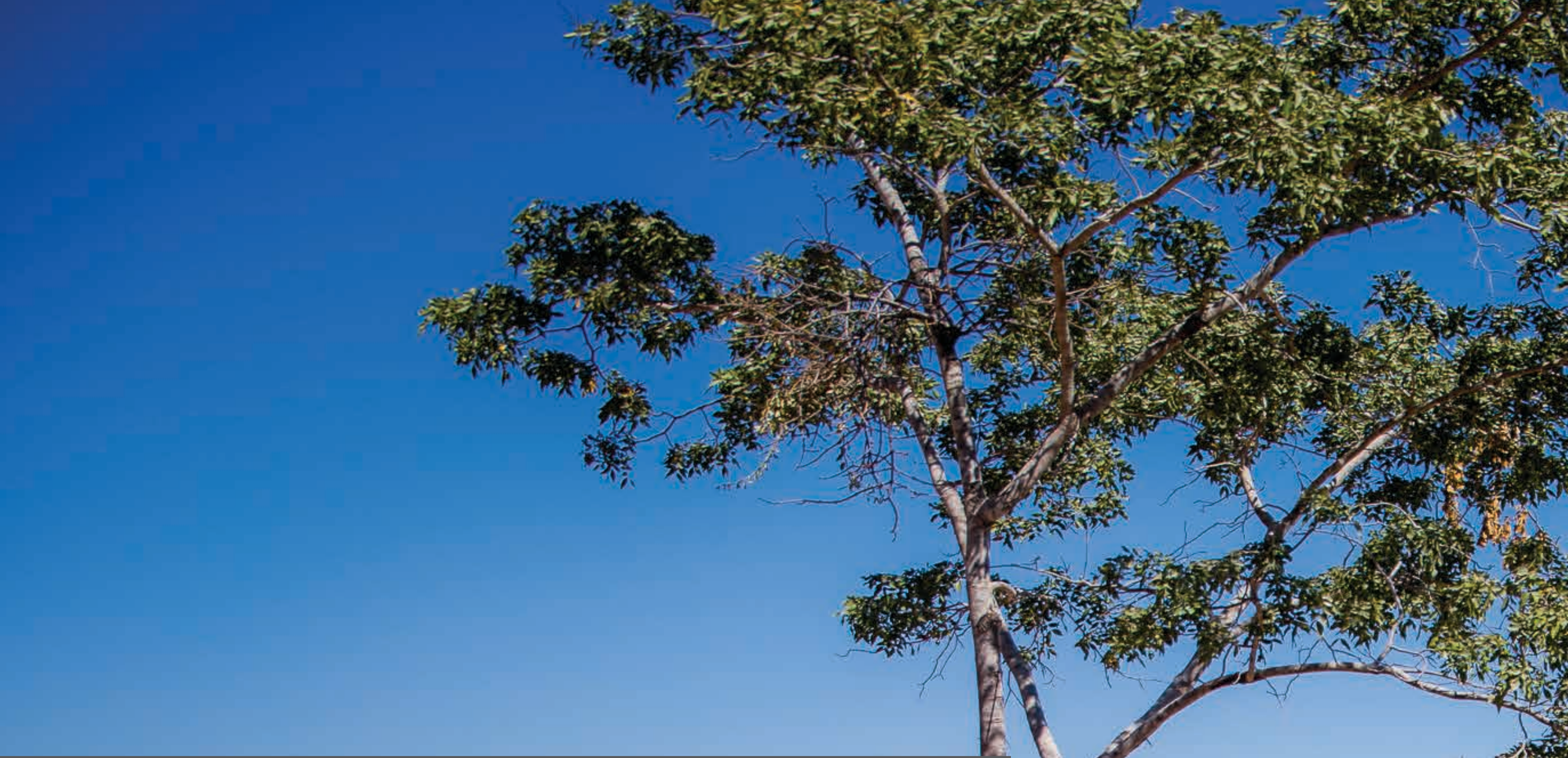


Prospect Resources

# Half-Year Financial Report

31 December 2021



# 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

## 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:
https://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**

# Table of Contents

# 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 2021.

# 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.

Mark Wheatley

Duncan (Harry) Greaves

Gerry Fahey

Zivanayi (Zed) Rusike

Dev Shetty

HeNian Chen

Meng Sun (alternate director to Mr Chen)

Sam Hosack

# REVIEW OF OPERATIONS

Below is a summary of key operational announcements made during the half-year ended 31 December 2021 outlining the key milestones achieved.

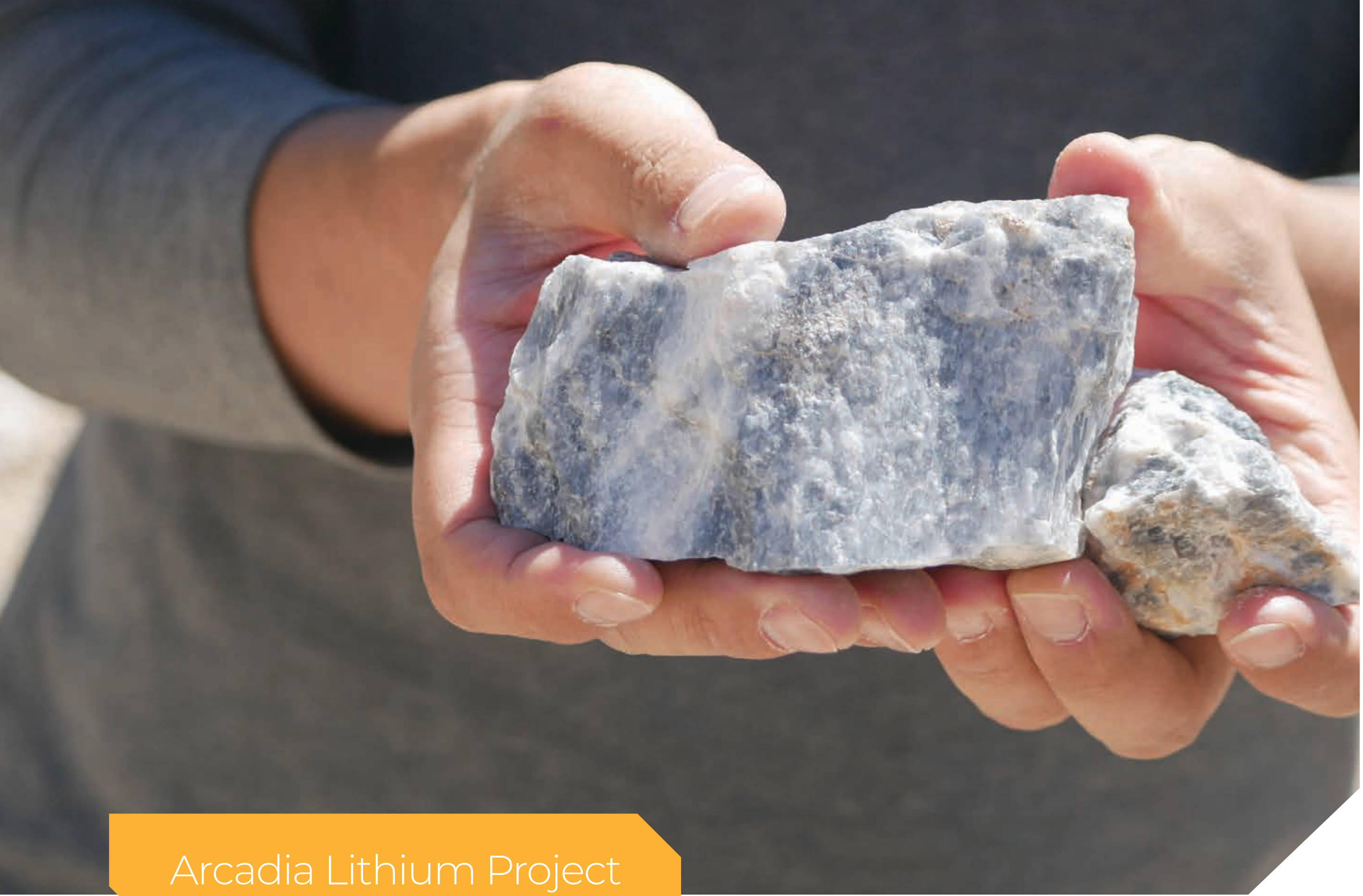
Please also refer to the Company's website (www.prospectresources.com.au) as an additional source of information on Prospect.

**December 2021 Quarter**

| | |
|---|---|
| 24 December 2021 | Letter to shareholders – Notice of Annual General Meeting |
| 24 December 2021 | Notice of Annual General Meeting/Proxy Form |
| 23 December 2021 | Prospect sells interest in Arcadia for US$378M |
| 14 December 2021 | Arcadia Direct Optimised Feasibility Study |
| 22 November 2021 | Partnership Process update |
| 10 November 2021 | Salary sacrifice update |
| 29 October 2021 | $18 Million Placement to Advance Arcadia |
| 26 October 2021 | Quarterly Activities and Cashflow Report September 2021 |
| 11 October 2021 | Arcadia Staged Optimised Feasibility Study |
| 4 October 2021 | Prospect delivers bulk technical grade petalite shipment |

**September 2021 Quarter**

| | |
|---|---|
| 30 September 2021 | Appendix 4G and Corporate Governance Statement |
| 30 September 2021 | Annual Report to shareholders |
| 7 September 2021 | Penhalonga Gold Option Executed |
| 23 August 2021 | Arcadia Partnership Process and OFS Update |
| 4 August 2021 | Chishanya Rare Earth Project Update |
| 29 July 2021 | Quarterly Activities and Cashflow Report June 2021 |
| 22 July 2021 | Prospect increases equity stake in Arcadia to 87% |
| 20 July 2021 | Arcadia spodumene samples ready for shipment |
| 1 July 2021 | Arcadia Pilot Plant officially opened |



# Arcadia Lithium Project

## Binding Agreements Executed for Sale of Arcadia to Huayou Cobalt

On 23 December 2021, Prospect announced that it had, through its 100% owned subsidiary Prospect Minerals Pte Ltd (**PMPL**), executed a binding Share Sale Agreement (**SSA**) with Huayou International Mining (**Hong Kong**) Limited (a subsidiary of Huayou Cobalt (**Huayou**), for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Limited (**PLZ**), owner of the Arcadia lithium project (Transaction).

Huayou agreed to purchase PMPL's 87% shareholding in PLZ and associated intercompany loan for approximately US$377.8M in upfront cash consideration. The Transaction represents the culmination of the strategic partnership process undertaken by Prospect since August 2021.

After careful evaluation, the Prospect Board of Directors, in conjunction with its financial and legal advisers, formed the view that the sale of its shareholding in PLZ to Huayou on the terms and conditions of the SSA delivers the most attractive risk-adjusted, post-tax value outcome for Prospect shareholders, compared to other proposed development options for Arcadia under either Prospect or joint venture ownership.

Subject to Completion of the Proposed Transaction, Prospect intends to distribute the bulk of the net sale proceeds (after Zimbabwe capital gains tax and transaction costs) to Shareholders.

Prospect currently estimates this distribution will be in the range of $430 million to $450 million, or between approximately $0.92 to $0.96 per Share (fully diluted)[1] (**Proposed Distribution**) and will be paid as an unfranked dividend and equal capital reduction or share buy-back. Based on advice received to-date, Prospect expects the unfranked dividend component to comprise a minimum of 75% of the Proposed Distribution for tax purposes, including if structured as a buy-back.

Prospect also plans to retain a cash balance to progress its other battery metal projects in Zimbabwe, and evaluate, acquire and advance new battery metal projects globally. Prospect currently estimates it will retain between $30 million and $60 million[2], or between $0.06 and $0.13 per Share (fully diluted)[3].

Completion of the Proposed Transaction is also subject to several other conditions precedent, including requisite Chinese approvals being obtained by Huayou, several Zimbabwean regulatory approvals and exemptions and termination of an existing offtake agreement with Sinomine Resource (Hong Kong) International Trading Co. Limited (**Sinomine**) (a deed of termination and release to give effect to this condition precedent whereby Sinomine will receive an amount of US$8M has now been executed, as announced by the Company on 18 January 2022).

1 Calculated based on fully diluted Shares on issue of 468,273,535.
2 This estimate includes existing cash of approximately $20 million plus estimated cash received from the exercise of Options (maximum of $11.4 million), less estimated Zimbabwe capital gains tax, transaction costs (including the agreed payment to Sinomine of US$8 million) and other expenditure between now and Completion.
3 Calculated based on fully diluted Shares on issue of 468,273,535.

Subject to all conditions precedent being satisfied or waived, Prospect currently anticipates the Proposed Transaction completing in late Q1 or Q2 2022. The Proposed Transaction will deliver several benefits to Prospect Shareholders, including:

- sale of the Arcadia Project at an implied Purchase Price per Share representing a material premium to market prices of Prospect Shares prior to announcement;
- realisation of a significant cash return to Shareholders;
- avoidance of the risks associated with development and future operation of the Arcadia Project; and
- the opportunity for Prospect Shareholders to retain their shareholdings in Prospect and participate in the next phase of the Company's evolution.

## Chinese Regulatory Approvals

Subsequent to the end of the half, Huayou has notified Prospect that it has obtained filing notice from the National Development and Reform Commission (**NDRC**) and the foreign exchange registration supervised by the State Administration of Foreign Exchange (**SAFE**) for the Transaction. All Chinese regulatory approvals required under conditions precedent to the Transaction have been received and those conditions are now satisfied.

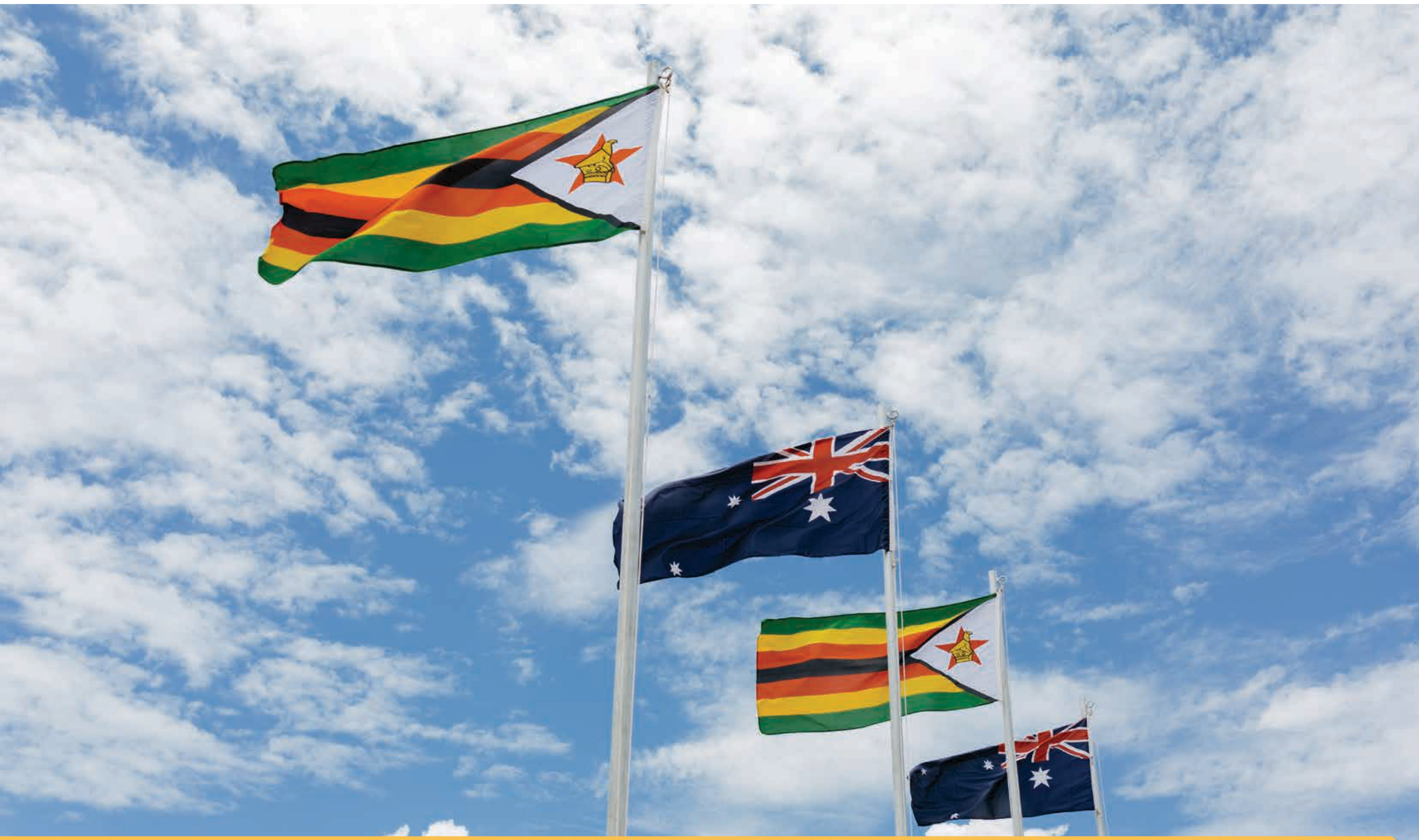
## Shareholder Approval

Subsequent to the end of the period, Prospect advised that at the Company's Extraordinary General Meeting held on 28 February 2022 shareholders approved the Transaction by passing the resolution set out in the Notice of Meeting dated 25 January 2022 by way of a poll. In accordance with ASX Listing Rule 3.13.2 and Section 251AA(2) of the Corporations Act..

## Offtake Agreement

Subsequent to the end of the period, Prospect advised that it had executed a Deed of Termination and Release (Termination Deed) with Sinomine with respect to the offtake and marketing arrangements between Prospect, Prospect Lithium Zimbabwe (Pvt) Limited (PLZ) and Sinomine (Sinomine Resource (Hong Kong) International Trading Co. Limited (Sinomine)) (see Prospect ASX release dated 4 April 2018 for further details on the Offtake Agreement).

The terms of the Termination Deed take effect upon completion of the Transaction. The effect will be that the Offtake Agreement is terminated and Prospect, PLZ and Sinomine are released from their respective obligations, and Sinomine will receive an amount of US$8 million as required under the Termination Deed. If the Transaction is not completed, the terms of the Termination Deed do not take effect, and the status quo prevails. Termination of the Offtake Agreement is a condition precedent to completion of the Transaction. The parties to the Transaction have confirmed that this condition precedent will have been satisfied once the Termination Deed takes effect, and Huayou has confirmed to Prospect that it will not rely on this condition precedent as a reason not to proceed to completion if all other conditions precedent have been satisfied or waived.



## Arcadia Staged and Direct Optimised Feasibility Studies

During the half, the Company released the "Staged" and "Direct" Optimised Feasibility Studies (OFS) for Arcadia. The studies were prepared by leading engineering consultants, Lycopodium, with assistance from Prospect and select external contributors. These two studies confirmed the strong technical and economic viability of Arcadia under both a dual-stage and single-stage development pathway to 2.4Mtpa throughput.

Table 1 below presents the key outcomes from both studies. For full OFS details, please refer to Prospect ASX announcements dated 11 October 2021 (Arcadia Staged Optimised Feasibility Study) and 14 December 2021 (Arcadia Direct Optimised Feasibility Study).

Table 1: Key Arcadia Direct and Staged OFS outcomes

| ARCADIA OPTIMISED FEASIBILITY STUDY (DIRECT AND STAGE OFS): KEY OUTCOMES | | | | | |
|---|---|---|---|---|---|
| **Key metric (100% project basis)** | **Unit** | | **Direct OFS** | | **Staged OFS** |
| **Price deck utilised** | | **High prices** | **Base prices** | **Low prices** | |
| Annual process throughput | Mtpa | 2.4 | 2.4 | 2.4 | 2.4 |
| Initial life-of-mine (LOM) (Ore Reserve) | years | 18.3 | 18.3 | 18.3 | 20.0 |
| Average head grade (Ore Reserve) | % Li2O | 1.19 | 1.19 | 1.19 | 1.19 |
| Average production –spodumene | ktpa conc. | 147 | 147 | 147 | 133 |
| Average production – technical petalite | ktpa conc. | 94 | 94 | 94 | 86 |
| Average production – chemical petalite | ktpa conc. | 24 | 24 | 24 | 22 |
| Pre-production capital expenditure | US$m | 192 | 192 | 192 | 140 |
| Stage 2 capital expenditure | US$m | - | - | - | 72 |
| Sustaining capital expenditure | US$m | 36 | 36 | 36 | 39 |
| Post tax investment to positive cash | US$m | 202 | 202 | 202 | 148 |
| C1 cash operating cost | US$/t conc. | 369 | 357 | 345 | 378 |
| All-In-Sustaining-Cost (AISC) | US$/t conc. | 376 | 364 | 353 | 386 |
| **LOM average SC6 reference price** | **US$/t SC6** | **1,019** | **892** | **736** | **736** |
| **IRR (pre-tax, real basis, ungeared)** | **%** | **72** | **61** | **48** | **35** |
| **Pre-tax NPV10% (real basis, ungeared)** | **US$m** | **1,399** | **1,022** | **646** | **465** |
| **IRR (post-tax, real basis, ungeared)** | **%** | **71** | **60** | **47** | **34** |
| **Post-tax NPV10% (real basis, ungeared)** | **US$m** | **1,268** | **929** | **590** | **408** |
| **Average annual EBITDA (post-tax)** | **US$m** | **232** | **175** | **118** | **97** |
| **Project net cashflow (post-tax)** | **US$m** | **3,504** | **2,597** | **1,690** | **1,468** |
| **Payback period (from first production)** | **Years** | **3.0** | **3.3** | **3.6** | **5.4** |

## Pilot Plant

On 4 October 2021, Prospect announced that the first 25 tonne container of technical grade petalite concentrate from the Arcadia Pilot Plant was shipped to offtaker Sibelco, with inventory onsite of over 70 tonnes as at 31 December 2021. The Pilot Plant results were consistent with previous lab scale test work and confirm the amenability of the Arcadia Ore Reserves to the production of an ultra-low iron, technical grade petalite concentrate product containing >4.0% $Li_2O$, <0.06% $Fe_2O_3$.and <1.0% combined alkali ($Na_2O$ and K2O). The quality of the petalite concentrate in the shipment, as shown in the table below, exceeds the specifications set out in Prospect's offtake agreement with Sibelco.

| | Lithium Grade | Iron | Combined Alkali | |
|---|---|---|---|---|
| | $Li_2O$ | $Fe_2O_3$ | $Na_2O$ | $K_2O$ |
| Pilot Plant Shipment | 4.66% | 0.04% | 0.15% | 0.05% |
| Technical Grade Specification in Sibelco Offtake | >4.00% | <0.06% | max 0.50% | max 0.50% |

The pilot plant operated throughout the half-year and a total of 2,236t of ore was treated through the DMS plant yielding 347t of technical grade petalite. The pilot plant optimisation program resulted in an improvement in petalite recoveries to over 55%. A total of 210t of technical grade concentrate was dispatched to Sibelco during the half-year generating cash proceeds of $236,000 netted against cash used by the discontinuing operations within the Consolidated Statement of Cash Flows.

# Corporate

On 29 October 2021, Prospect announced the placement of approximately 45 million new shares to institutional and sophisticated investors at an issue price of A$0.40 per share to raise A$18M in new equity (before costs). The principal use of funds was to accelerate engineering studies, continue to operate the pilot plant and to progress the partnership process.

Prospect finished the half with a cash balance of approximately A$20M Inclusive of cash held in discontinuing operations. This balance excludes the US$20M deposit received in relation to the Transaction (see Prospect ASX announcement dated 23 December 2021). The Company confirms there are 428,523,535 shares on issue and 39,750,000 options outstanding as at 31 December 2021. All Director and Employee options, totalling 24,250,000, have now vested on signing of the XX Share Sale Agreement. The signing of the Share Sale Agreement tiggered a change in control event the Group agreed to sell all or a substantial part of the assets or business of the Group to a third party, which was not the result of an internal restructure.

## Executive Remuneration Arrangements

As previously announced, in April 2020, all Prospect employees (including Prospect Board members) agreed to take a significant reduction in salary in order to reduce overall business costs during a period of heightened global uncertainty. The Prospect Board is greatly appreciative of the actions of all Prospect personnel during this challenging period.

Having achieved significant cost savings and with a reduction in uncertainty in global economic outlook, in June 2021 the Prospect Board resolved to revert all salaries to their pre-reduction levels, commencing from 1 July 2021. At this time, the Prospect Board also expressed the intent to reimburse the full value of foregone salary to all employees should the Company achieve a positive FID on Arcadia or a change of control event taking place.

As a result, the Prospect Board resolved to amend contractual rights for all Prospect employees (exclusive of Prospect non-executive directors) so as to approve the payment of a salary sacrifice recognition amount (totalling the respective foregone salary of each employee from April 2020 to June 2021) in the event of any of the following occurring: (a) a positive FID on Arcadia; (b) a change of control event taking place with respect to Arcadia or Prospect; or (c) termination without cause.

The total of all potential salary sacrifice recognition payments was approximately A$770,000 (inclusive of the amounts payable to Mr Hosack and Mr Greaves).

# Other Projects – Zimbabwe

## Step Aside – Lithium

During the period, Prospect's wholly owned subsidiary, Promin Resource Holdings (Pte) Ltd, has acquired a potentially high grade lithium deposit located approximately 8km north of Arcadia. The Step Aside claim comprises approximately 140 hectares and is located in the Harare Greenstone Belt, west of the Mashonganyika Fault. The potential of the area has been confirmed by positive regional stream and soil sample geochemistry results. Four mineralized pegmatites have been mapped from east to west within a meta-dolerite host rock. These mineralized pegmatites are all roughly parallel to each other, lying in a north-south orientation and have dip angles of 40-45˚ to the west.

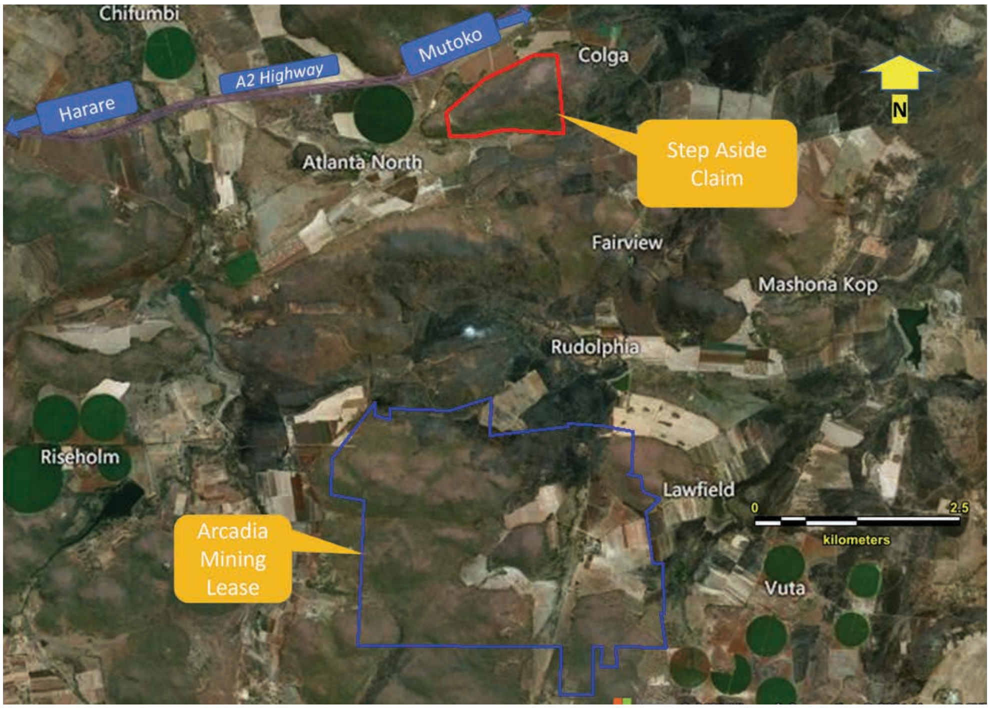


Figure 1: Locality Map of Step Aside, 8km north of Arcadia

An exploration program is underway, with the commencement of rock chip sampling and if successful a trenching and drilling exercise to help with determining the sub-surface strike extensions. This will provide greater detail as to the thickness and strike length of any potential underlying pegmatite.

## Chishanya – Carbonatite Project

lowing a rock chip sampling program to investigate the potential prospectivitiy of the Chishanya Carbonatite Project (Chishanya) for economic rare earth element concentrations, Prospect does not plan to undertake any further exploration activities on this project.

The knowledge gained at Chishanya has assisted the team in understanding the regional geology and Prospect is evaluating other early-stage projects in Zimbabwe for their prospectivity for rare earth elements.

## Penhalonga – Gold

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

- 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.

On 7 September 2021, the Company announced that Luzich Resources (Africa) LLC, an affiliate of Luzich Partners LLC ("Luzich"), executed the option agreement ("Agreement") to buy 100% of the Company's Penhalonga Gold Project and pay the balance of the US$1M total Agreement consideration, with the full amount received in the period.

# Financial Results

Prospect finished the half-year with cash and cash equivalents of $19,846,000, excluding $212,000 classified as cash attributable to discontinuing operations.

| | Half-year ended 31 December 2021 | Half-year ended 31 December 2020 |
|---|---|---|
| | $'000 | $'000 |
| Reported loss after tax from continuing operations | (2,164) | (1,043) |
| Loss from discontinuing operations | (225) | (145) |
| Sale of Penhalonga Gold Project | (956) | (277) |
| Development, exploration and evaluation expenditure expensed | 109 | 97 |
| Share based payments expense | 699 | 175 |
| **Loss after adjustment for sale of Penhalonga Gold Project, exploration expenditure and share based payments** | **(2,537)** | **(1,193)** |

The loss after adjustment for the sale of the Penhalonga Gold Project, development, exploration and evaluation expenditure and share based payments has increased from the prior period as the Group undertook a structured process considering various funding options in relation to funding and development of Arcadia.

## Events after balance date

As disclosed within the financial statements the group is working toward satisfaction of the conditions precedent for completion of the SSA with Huayou International Mining (Hong Kong) Limited for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Limited. In January 2022, the SSA conditions precedent requiring Chinese Regulatory Approvals and the execution of a Termination Deed with Sinomine with respect to the offtake and marketing arrangements were satisfied. On 25 February 2022, PSC received the approval of its shareholders (for the purpose of ASX Listing Rule 11.2) for the Transaction and confirmed the amendments required to Special Economic Zone Licence reflecting the proposed changes to the shareholding of PLZ have been acknowledged by the Zimbabwe Investment Development Agency, satisfying another 2 condition precedents.

Both Prospect and Huayou are focussing on the remaining condition precedents to be finalised by 22 April 2022 to conclude the Transaction.

Subsequent to 31 December 2021, 1,500,000 of the 6,250,000 vested Employee incentive options have been exercised by staff, resulting in the issue of 1,153,705 shares in the Group.

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

## 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 11 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**
8 March 2022

# 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.*

# Auditor's Independence Declaration

Stantons

PO Box 1908
West Perth WA 6872
Australia

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West Perth WA 6005
Australia

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

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

8 March 2022

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 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 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

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Russell Bedford
*taking you further*

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Note | Half-year ended 31 December 2021 $'000 | Half-year ended 31 December 2020 Restated[i] $'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 4 | 1,087 | 339 |
| Depreciation expense | | (32) | (9) |
| Development costs expensed | | (109) | (97) |
| Employee benefits expenses | | (1,200) | (474) |
| Interest expense | | (3) | - |
| Occupancy expenses | | (6) | (25) |
| Share based payments – options expense | 13 | (699) | (175) |
| Other administration expenses | | (1,202) | (602) |
| **Loss from continuing operations before income tax** | | **(2,164)** | **(1,043)** |
| Income tax | | - | - |
| **Loss from continuing operations after tax** | | **(2,164)** | **(1,043)** |
| | | | |
| Loss from discontinuing operations | | (225) | (145) |
| | | | |
| **Loss for the period** | | **(2,389)** | **(1,188)** |
| | | | |
| **Other comprehensive income / (loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | 1,035 | (2,935) |
| Other comprehensive income / (loss) for the period net of tax | | **1,035** | **(2,935)** |
| | | | |
| **Total comprehensive loss for the period from operations** | | **(1,354)** | **(4,123)** |
| Loss attributable to: | | | |
| Equity holders of the Company | | (2,634) | (1,219) |
| Non-controlling interests | | 245 | 31 |
| | | **(2,389)** | **(1,188)** |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the Company | | (1,549) | (4,301) |
| Non-controlling interests | | 195 | 178 |
| | | **(1,354)** | **(4,123)** |
| | | | |
| **Loss per share** | | **Cents** | **Cents** |
| Basic and diluted loss for the half-year | | | |
| From continuing operations | 14 | (0.62) | (0.38) |
| From discontinuing operations | 14 | (0.05) | (0.02) |

[i] See Note 1(h) for details relating to the restatement of the prior period as a result of the recognition of a disposal group as a discontinuing operation during the current period.

The accompanying notes form part of these financial statements

# Consolidated Statement of Financial Position

## AS AT 31 DECEMBER 2021

| | Note | 31 December 2021 $'000 | 30 June 2021 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 19,846 | 7,877 |
| Trade and other receivables | | 155 | 553 |
| Assets held for sale | 6 | - | - |
| Other current assets | 7 | 27,684 | 282 |
| | | **47,685** | **8,712** |
| Assets included in disposal group classified as discontinuing | 2 | 31,302 | - |
| **Total Current Assets** | | **78,987** | **8,712** |
| | | | |
| Non-Current Assets | | | |
| Investment in listed securities | | 18 | 18 |
| Property, plant and equipment | | 78 | 526 |
| Exploration and evaluation expenditure | 8(a) | 425 | 91 |
| Mine properties | 8(b) | - | 25,605 |
| Intangible assets | | - | 308 |
| **Total Non-Current Assets** | | **521** | **26,548** |
| **TOTAL ASSETS** | | **79,508** | **35,260** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 28,883 | 930 |
| Lease liability | | 56 | 43 |
| Provisions | 10 | 104 | 94 |
| | | 29,043 | **1,067** |
| Liabilities included in disposal group classified as discontinuing | 2 | 1,135 | - |
| **Total Current Liabilities** | | **30,178** | **1,067** |
| | | | |
| **Non-Current Liabilities** | | | |
| Lease liability | | - | 33 |
| Provisions | 10 | 11 | 204 |
| **Total Non-Current Liabilities** | | 11 | 237 |
| **TOTAL LIABILITIES** | | **30,189** | **1,304** |
| **NET ASSETS** | | **49,319** | **33,956** |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 11(b) | 96,941 | 76,647 |
| Reserves | | 6,598 | 11,239 |
| Accumulated losses | | (55,182) | (52,548) |
| **Total Equity Attributable to Shareholders of Parent Company** | | **48,357** | **35,338** |
| Non-controlling interests | 16(b) | 962 | (1,382) |
| **TOTAL EQUITY** | | **49,319** | **33,956** |

The accompanying notes form part of these financial statements

# Consolidated Statement of Cash Flows

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Note | Half-year ended 31 December 2021 $'000 | Half-year ended 31 December 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from other income | | - | 5 |
| Government tax credits and rebates | | - | 55 |
| Payment to suppliers and employees | | (1,632) | (1,097) |
| Payment for development costs expensed | | (371) | (105) |
| Payment for exploration expenditure expensed | | - | - |
| **Net cash (used in) continuing operations** | | **(2,003)** | **(1,142)** |
| Net cash (used in) discontinuing operations | | (192) | - |
| **Net cash (used in) operating activities** | | **(2,195)** | **(1,142)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | 5 | 2 |
| Payment for development costs | | (164) | (844) |
| Payment for property, plant and equipment | | (60) | (33) |
| Proceeds from sale of property, plant and equipment | | 16 | 14 |
| Proceeds from sale of subsidiary | 16(a) | 1,041 | 277 |
| Net proceeds from assets held for sale | 6 | 126 | 266 |
| Loan to minority interests | | - | (27) |
| Payment for additional interest in subsidiary | | (1,187) | - |
| Payment for exploration expenditure and acquisition of tenements | | (227) | (10) |
| **Net cash (used in) continuing investing activities** | | **(450)** | **(355)** |
| Net cash (used in) discontinuing investing activities | | (2,373) | - |
| **Net cash (used in) investing activities** | | **(2,823)** | **(355)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment for lease | | (23) | - |
| Proceeds from issue of shares | 11 | 18,000 | 6,000 |
| Capital raising costs | 11 | (793) | (484) |
| **Net cash from financing activities** | | **17,184** | **5,516** |
| | | | |
| Net increase in cash and cash equivalents | | 12,166 | 4,019 |
| Cash and cash equivalents at beginning of period | | 7,877 | 1,698 |
| Cash attributable to discontinuing operations | 2 | (212) | - |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 15 | (260) |
| **Cash and cash equivalents at end of period** | 5 | **19,846** | **5,457** |

The accompanying notes form part of these financial statements

# Consolidated Statement of Changes in Equity

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

| | Issued shares | Option reserve | Foreign currency translation reserve | Other reserves | Accumulated losses | Attributable to owners of the parent | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 July 2021** | **76,647** | **11,656** | **(417)** | **-** | **(52,548)** | **35,338** | **(1,382)** | **33,956** |
| | | | | | | | | |
| Loss for the period | - | - | - | - | (2,634) | (2,634) | 245 | (2,389) |
| *Other comprehensive income:* | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | 1,085 | - | - | 1,085 | (50) | 1,035 |
| **Total comprehensive loss for the period** | **-** | **-** | **1,085** | **-** | **(2,634)** | **(1,549)** | **195** | **(1,354)** |
| | | | | | | | | |
| Issue of ordinary shares for cash | 18,000 | - | - | - | - | 18,000 | - | 18,000 |
| Issue of ordinary shares for additional interest in subsidiary | 3,087 | - | - | - | - | 3,087 | - | 3,087 |
| Share capital raising costs | (793) | - | - | - | - | (793) | - | (793) |
| Increase in ownership in subsidiary | - | - | - | (4,484) | - | (4,484) | 208 | (4,276) |
| Non-controlling interests benefit from debt-to-equity swap | - | - | - | (1,941) | - | (1,941) | 1,941 | - |
| Options issued | - | 699 | - | - | - | 699 | - | 699 |
| **At 31 December 2021** | **96,941** | **12,355** | **668** | **(6,425)** | **(55,182)** | **48,357** | **962** | **49,319** |
| | | | | | | | | |
| **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 |
| Options issued | - | 175 | - | - | - | 175 | - | 175 |
| Share capital raising costs | (484) | - | - | - | - | (484) | - | (484) |
| **At 31 December 2020** | **70,945** | **11,022** | **(1,173)** | **-** | **(50,309)** | **30,485** | **(1,044)** | **29,441** |

The accompanying notes for part of these financial statements

# Condensed Notes to the Consolidated Financial Statements

## 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 2021, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 8 March 2022.

### (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

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

### (e) 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.

### (f) Going concern

For the period ended 31 December 2021, the Group recorded a loss (including that incurred by the discontinuing operations) of $2,389,000 (2020: loss $1,188,000) and had net cash outflows from operating and investing activities (including those used in discontinuing operations) of $5,018,000 (2020: outflow $1,497,000). As at reporting date, the Group had cash and cash equivalents of $20,058,000 including the cash holdings within the disposal group classified as held for sale of $212,000.

On 23 December 2021, Prospect announced that it had, through its 100% owned subsidiary Prospect Minerals Pte Ltd (**PMPL**), executed a binding Share Sale Agreement (**SSA**) with Huayou International Mining (Hong Kong) Limited (a subsidiary of Huayou Cobalt (**Huayou**), for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Limited (**PLZ**), owner of the Arcadia lithium project (Transaction).

Huayou agreed to purchase PMPL's 87% shareholding in PLZ and associated intercompany loan for approximately US$377.8M in upfront cash consideration. Subject to all conditions precedent being satisfied or waived, Prospect currently anticipates the Proposed Transaction completing in late Q1 or Q2 2022.

Subject to Completion of the Proposed Transaction, Prospect intends to distribute the bulk of the net sale proceeds to Shareholders.

Prospect also plans to retain a cash balance to progress its other battery metal projects in Zimbabwe, and evaluate, acquire and advance new battery metal projects globally. Prospect currently estimates it will retain between $30 million and $60 million.

The Group believes it currently has enough funds to support the activities outlined in the Directors' Report for the next 12 months.

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

### (g) Principles of Consolidation

The consolidated financial statements incorporate all 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 16.

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.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Non-current assets (or disposal groups) held for sale or discontinuing operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell expect for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (or disposal group) are classified as discontinuing when a restructuring, transaction or other event when pursuant to a single plan, the Group is disposing of that operation in its entirety and the operation represents a separate major activity or geographical area of operations. Assets, liabilities, revenues, expenses and cash flows attributed to a discontinuing operation are recognised and measured in accordance with the requirements of other Accounting Standards and in line with the accounting policies of the Group.

In the case where a disposal group is defined as a discontinuing operation during the current period, the comparative information provided is restated for the prior period as if it had always been discontinuing.

## 2) DISPOSAL GROUPS CLASSIFIED AS DISCONTINUING OPERATIONS

On 23 August 2021 the Group announced it had decided to commence a structured process giving interested parties the opportunity to put forward proposals to fully fund the Arcadia project. Following this process, on 23 December 2021, the Group announced it had executed a binding agreement for the sale of its 87% interest in the Arcadia project subject to the completion of certain conditions.

At the date of this report some conditions are still to be completed however management considers the progress of the transaction terms sufficient to meet the requirements to define the planned sale of its 87% share in Prospect Lithium Zimbabwe (Pvt) Ltd and Thornvlei Farming Enterprises (Pvt) Limited as assets held for sale at the end of the period. The associated assets and liabilities are consequently presented as attributable to discontinuing operations.

The amounts presented in the Consolidated Statement of Profit and Loss and Comprehensive Income under discontinuing operations represents the loss incurred on the Group's share in its subsidiaries disclosed as discontinuing in accordance with Note 1(h).

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| **Assets and liabilities of discontinuing operations** | | |
| Assets classified as discontinuing | | |
| Cash (Note 5) | 212 | - |
| Property plant and equipment | 518 | - |
| Trade receivables and other current assets | 505 | - |
| Exploration evaluation and mine properties (Note 8(b)) | 29,757 | - |
| Intangible assets | 310 | - |
| **Total assets of discontinuing operations** | **31,302** | **-** |
| | | |
| Liabilities directly associated with assets classified as discontinuing | | |
| Trade creditors | 867 | - |
| Employee entitlements | 68 | - |
| Provision for rehabilitation | 200 | - |
| **Total liabilities of discontinuing operations** | **1,135** | **-** |

## 3) SEGMENT INFORMATION

### (a) 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.

### (b) Geographical segments

| | Australia | | Zimbabwe | | Consolidated | |
|---|---|---|---|---|---|---|
| | Half-year 2021 $'000 | Half-year 2020 Restated $'000 | Half-year 2021 $'000 | Half-year 2020 Restated $'000 | Half-year 2021 $'000 | Half-year 2020 Restated $'000 |
| **Revenue** | | | | | | |
| Other external revenue | 131 | 57 | 956 | 282 | 1,087 | 339 |
| Discontinuing operations | - | - | 87 | 12 | 87 | 12 |
| **Total segment revenue** | **131** | **57** | **1,043** | **294** | **1,174** | **351** |
| | | | | | | |
| **Results** | | | | | | |
| Segment net (loss) / income before tax - continuing operations | (3,098) | (1,280) | 934 | 237 | (2,164) | (1,043) |
| Segment net (loss) before tax - discontinuing operations | - | - | (225) | (145) | (225) | (145) |
| **Segment net (loss) / income before tax** | **(3,098)** | **(1,280)** | **709** | **92** | **(2,389)** | **(1,188)** |
| Depreciation from continuing operations | 29 | 4 | 3 | 5 | 32 | 9 |

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 47,669 | 7,804 | 31,839 | 27,456 | 79,508 | 35,260 |
| **Liabilities** | | | | | | |
| Segment liabilities | 28,986 | 678 | 1,203 | 626 | 30,189 | 1,304 |

## 4) REVENUE FROM CONTINUING OPERATIONS

| | Half-year ended 31 Dec 2021 $'000 | Half-year ended 31 Dec 2020 Restated $'000 |
|---|---|---|
| Government tax credits and rebates | - | 55 |
| Sale of subsidiary | 956 | 277 |
| Sale of assets held for sale | 126 | - |
| Other income | - | 5 |
| Interest revenue | 5 | 2 |
| **Total Revenue from Continuing Operations** | **1,087** | **339** |

## 5) CASH AND CASH EQUIVALENTS

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| **Total Cash and Cash Equivalents** | **19,846** | **7,877** |

Cash and cash equivalents exclude the cash holdings within the disposal group attributed to discontinuing operation of $212,000 (Note 2).

## 6) ASSETS HELD FOR SALE

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Equipment | 16 | 141 |
| Provision for Impairment | (16) | (141) |
| **Total Assets Held for Sale** | **-** | **-** |

During the period the Group sold equipment that had previously been recorded at nil net realisable value for $126,000. The proceeds are recognised as revenue (Note 4).

## 7) OTHER CURRENT ASSETS

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Prepayments | 48 | 269 |
| Deposits[i] | 27,636 | 13 |
| **Total Other Current Assets** | **27,684** | **282** |

[i] Included within Deposits is $27.6M (US$20.0M) paid by the purchaser of the Arcadia Project into a trust account of the Company's legal advisors on signing the agreement. This deposit is forfeited by the buyer in certain circumstances if the transaction does not proceed and where the Group is not in default. The Group may forfeit the deposit if certain conditions are not met. An accrual is recognised to the same amount until such time as all conditions are satisfied by the Group (Note 9).

## 8) EXPLORATION, EVALUATION AND MINE PROPERTIES

| | | 12 months |
|---|---|---|
| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
| Total expenditure incurred and carried forward in respect of specific projects | | |
| | | |
| **Exploration & Evaluation Expenditure** | | |
| Chishanya – Carbonatite – Rare Earth Elements | 198 | 91 |
| Shawa – Carbonatite – Rare Earth Elements | 69 | - |
| Step Aside – Lithium | 158 | - |
| | | |
| **Mine Properties** | | |
| Arcadia – Lithium | - | 25,605 |
| **Total Exploration & evaluation expenditure** | **425** | **25,696** |
| | | |
| **(a) Exploration & Evaluation Expenditure** | | |
| Opening balance | 91 | - |
| Acquisition of tenements | 158 | 91 |
| Expenditure incurred | 173 | - |
| Effect of foreign currency exchange differences | 3 | - |
| **Closing balance** | **425** | **91** |
| | | |
| **(b) Mine Properties – Mines Under Construction** | | |
| Opening balance | 25,605 | 24,257 |
| Expenditure incurred | 3,399 | 4,036 |
| Rehabilitation asset | - | 193 |
| Proceeds from sale of lithium carbonate produced through the pilot plant | (236) | - |
| Impairment of exploration and evaluation expenditure | 64 | (823) |
| Effect of foreign currency exchange differences | 925 | (2,058) |
| | 29,757 | 25,605 |
| Transfer to Assets classified as discontinuing (Note 2) | (29,757) | - |
| **Closing balance** | **-** | **25,605** |

In the prior year the Board of Directors undertook an impairment review of the Group's exploration, evaluation & mine properties resulting in an impairment of the Mines under Construction asset of $823,000 in that year. 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. During the current period some of these items were sold resulting in a $64,000 reversal of the provision.

The proposed sale of the Group's share in Prospect Lithium Zimbabwe (Pvt) Ltd (Note 2) encapsulates the Mines Under Construction of the Group. The transfer of these assets to current on execution of the SSA and their presentation as discontinuing, reduces the balance of the Mine Properties asset of the Group to nil as at the end of the half-year.

## 9) TRADE AND OTHER PAYABLES

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Related party payables | 405 | 6 |
| Trade payables | 446 | 385 |
| Accruals | 468 | 518 |
| Refundable deposit[i] | 27,564 | - |
| Other payables | - | 21 |
| **Total Trade and other payables** | **28,883** | **930** |

[i] The Deposit reported within Note 7 Other Current Assets may be forfeited by the Group if certain conditions are not met. A refundable deposit is recognised for the same amount until such time as all conditions are satisfied by the Group.

## 10) PROVISIONS

| | 31 Dec 2021 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Current | | |
| Employee entitlements | 104 | 94 |
| | | |
| Non-current | | |
| Employee entitlements | 11 | 11 |
| Provision for rehabilitation | - | 193 |
| Total Non-current provisions | 11 | 204 |
| | | |
| **Total Provisions** | **115** | **298** |

## 11) CONTRIBUTED EQUITY

| | 31 Dec 2021 Shares | 30 Jun 2021 Shares |
|---|---|---|
| **(a) Issued share capital** | | |
| Ordinary shares fully paid | 428,523,535 | 374,025,855 |

| **(b) Movement in ordinary share capital** | **Number of shares** | **$'000** |
|---|---|---|
| **Balance at 1 July 2020** | **285,936,524** | **65,429** |
| Issue of shares via placement and rights issue | 46,153,847 | 6,000 |
| Issue of shares | 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** |
| Issue of shares to acquire additional ownership in subsidiary - 22 July 2021 | 9,497,680 | 3,087 |
| Issue of shares via placement - 5 November 2021 | 45,000,000 | 18,000 |
| Cost of capital raising | - | (793) |
| **Balance at 31 December 2021** | **428,523,535** | **96,941** |

## 12) OPTION RESERVE

| | 31 Dec 2021 Options | 31 Dec 2021 $'000 | 30 Jun 2021 Options | 30 June 2021 $'000 |
|---|---|---|---|---|
| **(a) Options at end of period** | **39,750,000** | **12,355** | **39,750,000** | **11,656** |

| **(b) Movement in options** | **Details** | **Number of options** | **$'000** |
|---|---|---|---|
| **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** |
| 17 November 2021 | | - | 36 |
| 23 December 2021 | | - | 663 |
| **Balance at 31 December 2021** | | **39,750,000** | **12,355** |

## 13) SHARE BASED PAYMENTS

### (a) Recognised Share-Based Payments Expense

The share based payments expense was $699,121 (31 December 2020: $175,000) with $699,121 recognised in the statement of financial performance (2020: $175,000). No options were granted during the period. The share based payment expense results from options granted in the prior periods.

### (b) Options

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) | (ii) | (iii) | (ii) |

(i) Employee options vesting conditions

(a) 1,562,500 options vested upon employment at 6 months from grant date in the prior period and a further 1,562,500 options vested upon employment at 12 months from grant date;

(b) The remaining 3,125,000 options vested on 23 December 2021 in line with (ii) below.

(ii) The terms of the options provided for their vesting on a Change in Control Event, covering a change of control at both a corporate and project level. The signing of the SSA triggered a change in control event as the Group has agreed to sell all or a substantial part of the assets or business of the Group (the Arcadia Project) to a third party, which was not the result of an internal restructure.

(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

## 13) 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 | 17/11/2020 | 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 |

## 14) LOSS PER SHARE

| | Half-year ended 31 Dec 2021 | Half-year ended 31 Dec 2020 Restated |
|---|---|---|
| Basic and diluted loss per share (cents per share) | | |
| - From continuing operations | (0.62) | (0.38) |
| - From discontinuing operation | (0.05) | (0.02) |
| Amount used in the calculation of basic EPS | | |
| Loss after income tax attributable to members of Prospect Resources Limited ($'000) | | |
| - From continuing operations | (2,444) | (1,167) |
| - From discontinuing operations | (190) | (52) |
| | | |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share | **396,083,595** | **303,996,725** |

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.

## 15) EVENTS AFTER BALANCE DATE

As disclosed within the financial statements the group is working toward satisfaction of the conditions precedent for completion of the SSA with Huayou International Mining (Hong Kong) Limited for the sale of its 87% shareholding in Prospect Lithium Zimbabwe (Pvt) Limited and of Thornvlei Farming Enterprises (Pvt) Limited. In January 2022, the SSA conditions precedent requiring Chinese Regulatory Approvals and the execution of a Termination Deed with Sinomine with respect to the offtake and marketing arrangements were satisfied. On 25 February 2022, PSC received the approval of its shareholders (for the purpose of ASX Listing Rule 11.2) for the Transaction and confirmed the amendments required to Special Economic Zone Licence reflecting the proposed changes to the shareholding of PLZ have been acknowledged by the Zimbabwe Investment Development Agency, satisfying another 2 condition precedents.

Both Prospect and Huayou are focussing on the remaining condition precedents to be finalised by 22 April 2022 to conclude the Transaction.

Subsequent to 31 December 2021, 1,500,000 of the 6,250,000 vested Employee incentive options have been exercised by staff resulting in the issue of 1,153,705 shares in the group.

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

## 16) INTEREST IN SUBSIDIARIES

### (a) Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2021. 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 pla'ce of business.

| | Principal activity | Country incorporation | Ownership and voting interest Dec 2021 | Jun 2021 |
|---|---|---|---|---|
| Prospect Minerals Pte Ltd | Holding company | Singapore | 100% | 100% |
| Promin Resource Holdings Pte Ltd | Holding company | Singapore | 100% | - |
| Prospect Lithium Zimbabwe (Pvt) Limited | Exploration & evaluation | Zimbabwe | 87% | 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% |
| Breattaking Investments Private Limited | Exploration & evaluation | Zimbabwe | 100% | - |
| Market Street (Private) Limited | Exploration & evaluation | Zimbabwe | 100% | - |

During the prior year the Group entered into an option agreement to sell Coldawn Investments (Private) Limited, which holds the Penhalonga Gold Project, for US$1 million. The Group received a non-refundable deposit of US$250,000 during the prior year. The option agreement was executed during the current period and the balance of US$750,000 (AU$1.041M) was received completing the sale.

### (b) Transactions with non-controlling interests

On 22 July 2021, Prospect Minerals Pte Ltd acquired an additional 17% of the issued shares of Prospect Lithium Zimbabwe (Pvt) Limited for cash consideration of $1,187,000 and the issue of 9,497,680 shares in Prospect Resources Limited valued at $3,087,000.

Immediately prior to the purchase, the carrying amount of the existing 30% non-controlling interest in Prospect Lithium Zimbabwe (Pvt) Limited was $(208,000). The group recognised a decrease in non-controlling interests of $4,276,000 and a decrease in equity attributable to owners of the parent of $4,484,000. The effect on the equity attributable to the owners of Prospect Resources Limited during the period is summarised as follows:

| | Dec 2021 $'000 | Jun 2021 $'000 |
|---|---|---|
| Carrying amount of non-controlling interests acquired | (208) | - |
| Reattribution of owners controlling interest -Foreign currency translation reserve | (3) | |
| (Consideration) paid to non-controlling interests | (4,274) | - |
| (Excess) of consideration paid recognised in the transactions with non-controlling interests reserve within equity | **(4,484)** | **-** |

## 16) INTEREST IN SUBSIDIARIES (continued)

### (b) Transactions with non-controlling interests (continued)

On 17 December 2021 Prospect Lithium Zimbabwe (Pvt) Limited issued shares as part of a debt-to-equity swap transaction whereby US$10,700,000 owed by Prospect Lithium Zimbabwe (Pvt) Limited to Prospect Minerals Pte Ltd was converted into equity in Prospect Lithium Zimbabwe (Pvt) Limited. This resulted in the recognition of a share premium of $14,930,000 by the group.

Shares in Prospect Lithium Zimbabwe (Pvt) Limited were issued to the extent necessary to maintain the existing ownership profile of Prospect Lithium Zimbabwe (Pvt) Limited. The shares issued to the non-controlling interest to maintain their 13% ownership was completed for nil consideration resulting in a decrease in equity attributable to owners of the parent of $1,941,000 recognised in the transactions with non-controlling interests reserve within equity.

## 17) CONTINGENT LIABILITIES

(a) A term of the Share Sale Agreement (SSA) requires a break fee of US$20,000,000 be paid to the Buyer if any of the following circumstances occur:

- a Competing Transaction completes within 12 months following the recommendation of the Competing Proposal occurring
- in the absence of a Competing Transaction:
  - » any Prospect Director changes, withdraws or adversely qualifies their recommendation; and
  - » the SSA is terminated by the Buyer or the Seller as a result of a condition precedent not being satisfied or waived by the back-stop date; or
- the SSA is terminated due to a failure to complete by the Seller when obliged to do so (where Buyer is not in default) or the Seller Guarantor or Target becomes insolvent.

The break fee is payable only once and is the sole & exclusive remedy in those situations.

(b) Prospect has executed a Deed of Termination and Release (Termination Deed) with respect to the offtake and marketing arrangements between Prospect, Prospect Lithium Zimbabwe (Pvt) Limited (PLZ) and Sinomine. The terms of the Termination Deed take effect upon completion of the binding Share Sale Agreement governing the transaction in Note 2. The effect will be that the Offtake Agreement is terminated and Prospect, PLZ and Sinomine are released from their respective obligations, and Sinomine will receive an amount of US$8 million as required under the Termination Deed. The terms of the Termination Deed only take effect in the event of completion of the Transaction. If the Transaction is not completed, the terms of the Termination Deed do not take effect, and the status quo prevails.

(c) The following contingent liabilities in relation to fees payable to financial and legal advisors supporting the Group on the SSA

- Strategic advisory services
  - » Contingent upon obtaining written confirmation from the Zimbabwe Investment Development Agency that the Special Economic Zone licences are renewable, US$10,000
  - » Contingent upon obtaining written confirmation from the Zimbabwe Investment Development Agency regarding the commencement date for the Special Economic Zone tax incentive, US$60,000
  - » Contingent upon obtaining written approval from the Reserve Bank of Zimbabwe that PLZ can retain its export proceeds offshore, US$60,000
  - » Contingent upon obtaining an export licence, US$10,000
- Success fee of $US5,283,000

## 18) COMMITMENTS

### (a) Operating Commitments

The Group has 3 operating lease commitments for office rental and office equipment totalling $15,000.

The Group also has commitments to legal advisors totalling US$180,000.

### (b) 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 totalling $66,000.

The Group has commitments for orders placed on the Arcadia pilot plant totalling $69,000.

The Group has entered into contracts with its directors and certain executives whereby minimum notice periods have been provided by the Group. This totals $847,000.

The Group has entered into the following offtake agreements that remain on foot unless the Termination Deed comes into affect:

- Offtake agreement to deliver 280,000 tonnes of 6% Li2O spodumene concentrate and 784,000 tonnes of 4% Li2O 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.
- Offtake agreement to deliver up to 100,000 tonnes per annum of high quality, ultra-low iron 4.1% petalite concentratefor 7 years, totalling up to 700,000 tonnes.

# DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 12 to 26 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 2021 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(f), 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, 8 March 2022

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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 2021, 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 2021 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 8 March 2022.

### 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.

# Independent Auditor’s Review Report

**Stantons**

### Auditor’s Responsibility for the Review of the Financial Report

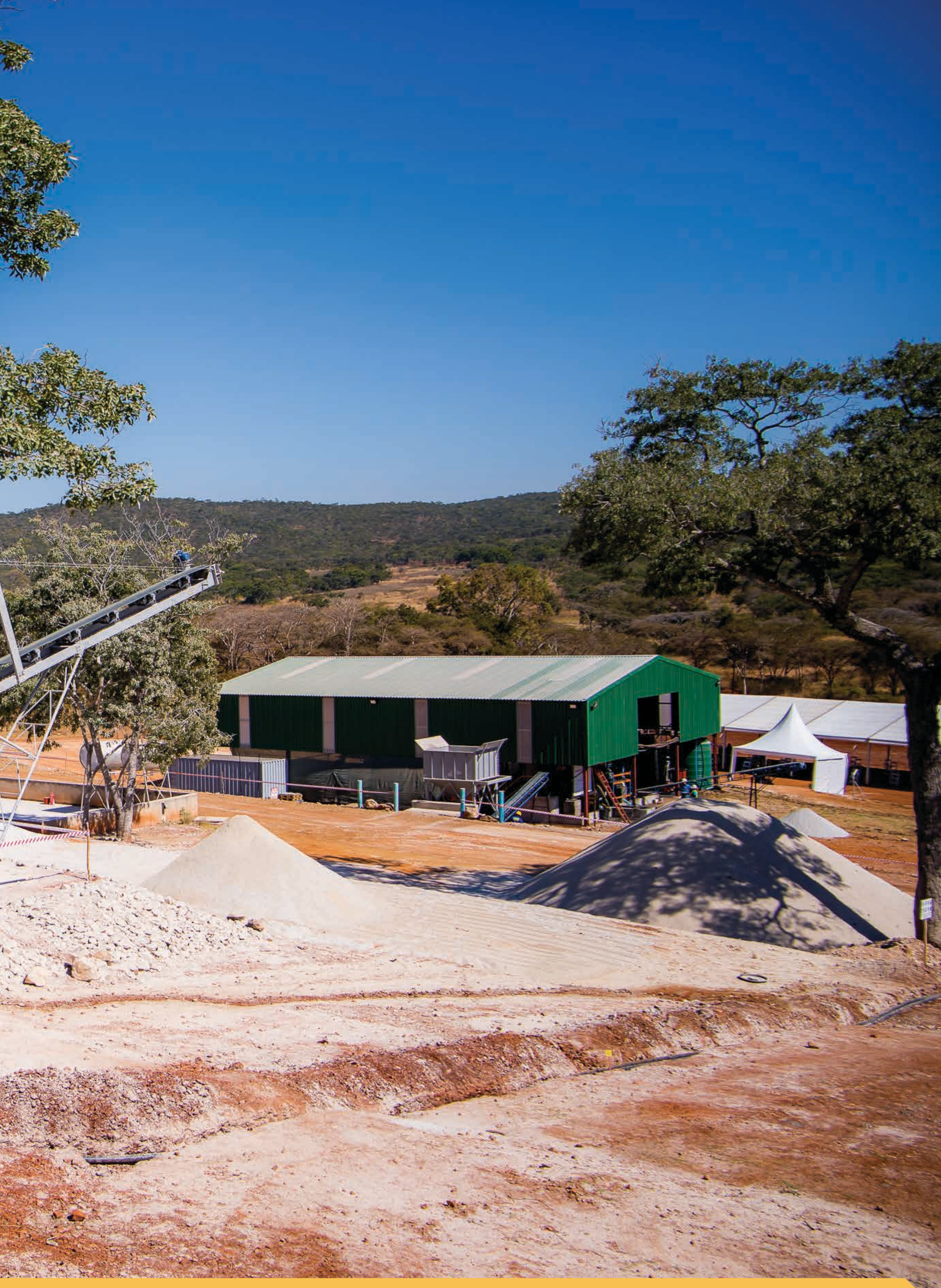
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company’s financial position as at 31 December 2021 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
8 March 2022



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