Prospect Resources

Annual Report 2019

Leading the way in the Battery Revolution

Corporate Directory

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

SECRETARY
Andrew Whitten

PRINCIPAL OFFICE
AUSTRALIA
Suite 6, 245 Churchill Ave
Subiaco, WA 6008

ZIMBABWE
169 Arcturus Road
Greendale, Harare

REGISTERED OFFICE
Suite 6, 245 Churchill Ave
Subiaco, WA 6008
Telephone: (08) 9217 3300
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

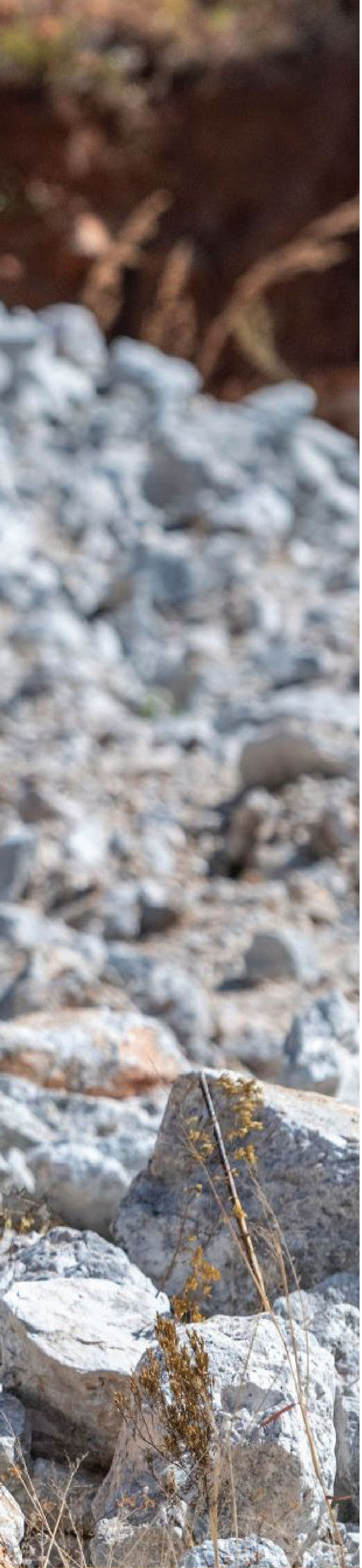


Table of Contents

Highlights of 2018/2019

Key management and operations personnel appointed

Sam Hosack – Managing Director, Prospect Resources, appointed July 2018

Trevor Barnard – General Manager, Prospect Resources Lithium Zimbabwe, appointed July 2018

Mining lease granted for Arcadia
Aug 2018

DFS released for Arcadia
Nov 2018

Presidential ground-breaking ceremony at Arcadia
Dec 2018

Increase of ownership of Arcadia to 87%
Feb 2019

Winning of Mining Indaba Junior Miner Battlefield
Feb 2019

Arcadia granted Special Economy Zone (SEZ) Status
Feb 2019

Value engineering decreases capex and opex
Mar 2019

Petalite recovery test works increased recovery
Apr 2019

Market update on offtake, financial discussions and corporate activity
June 2019

Share placement and exercise of management options
June 2019

Chairman's Report

Dear Shareholders,

I am pleased to provide this Annual Report of your Company's performance in FY2019. This year, we have focused and strengthened Prospect Resources, enhanced our capabilities and knowledge, developed a management team with a culture to achieve success and further progressed the world class Arcadia Lithium Project.

Strategy and Progress

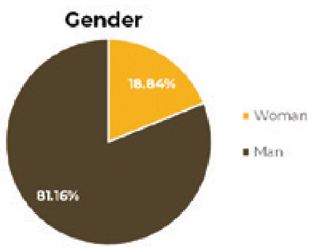
At Prospect Resources our purpose is to lead Africa in the battery mineral revolution. We are courageous, driven and ethical in our approach as we identify, prove, develop and operate in Africa to deliver sustainable long term value for our stakeholders. 2019 has been a year where we have continued to focus on securing long term success and sustainability of our business.

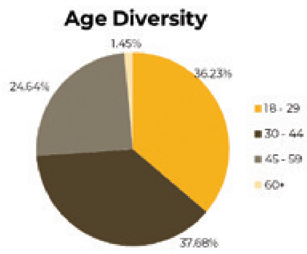
In Prospect Resources life as a Company, we have rapidly transitioned from exploration, discovery, completion of feasibility studies and now into financing & development of the Arcadia Lithium Project. It has been less than 3 years from the first drill hole to completion of a Definitive Feasibility Study that validates Arcadia as a world class and globally unique asset, where this rapid progressing of the Company has occurred at a faster rate than our peers.

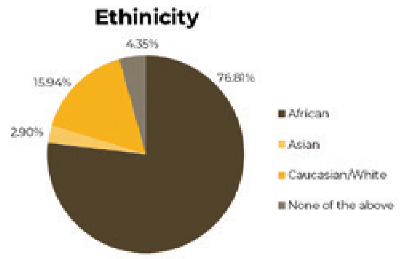
The great work of the past and the continued focus on Arcadia place the Company in the strongest possible position to attract the right financial partners to join us on this exciting journey as we become Africa's leading lithium producer.

It is a core belief of Prospect's Board of Directors that the intrinsic value of a company lies with its people, and ultimately, investors and financiers back people to develop projects. We have built a team of technically capable and dynamic individuals, with a track record of success who are focused on the successful development of Arcadia and delivering value to shareholders. Prospect has not solely focused on developing a team of technically sound and dynamic individuals', but also sought to be a business that supports diversity in its workforce.

Our vision is to be Africa's leading lithium business







Prospect is now in the stages of transitioning into development from exploration. With that has come the need to build out our capabilities to ensure a successful development of Arcadia that is effective, safe and to budget. As the Company passes through funding and into development & production, Prospect is in a strong position to capitalise on the rise of lithium.

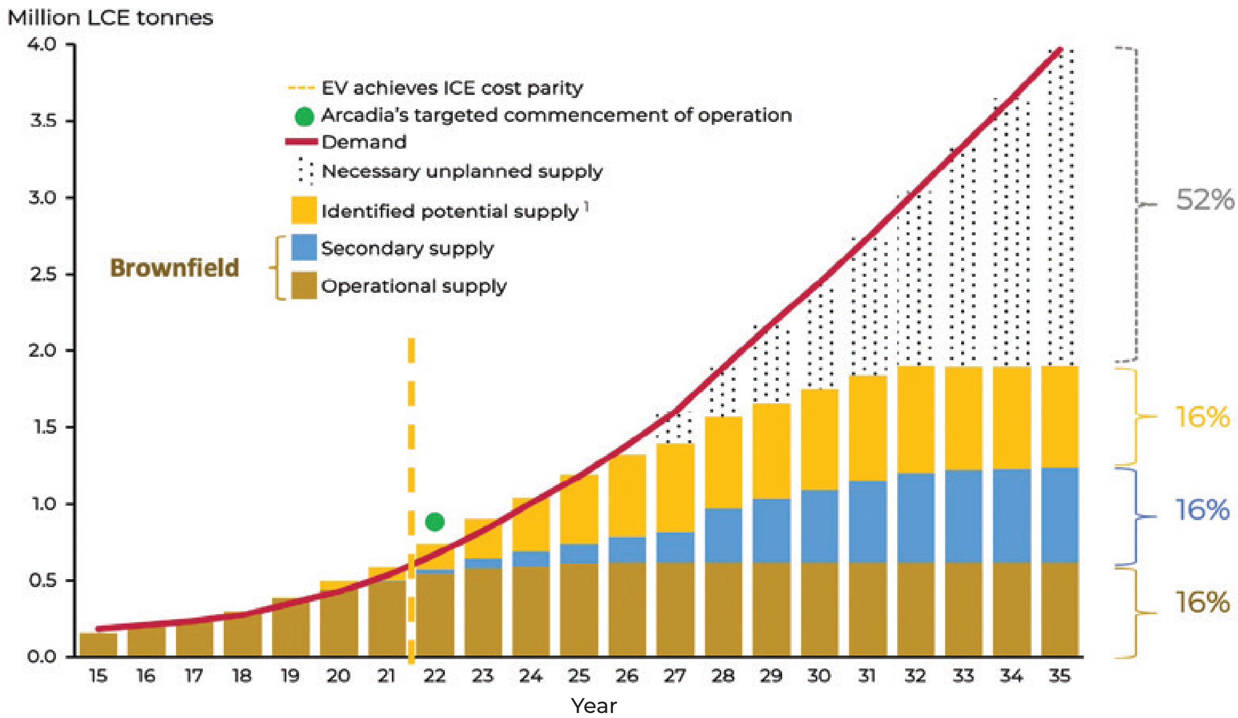
In the Company's plans to develop the world leading Arcadia Lithium Project, we are placing immense value on sustainability. Sustainability means putting health and safety first, being environmentally sustainable and supporting our communities. The wellbeing of our people, the community and environment is considered foremost in everything we do, and we are invested into securing the social license to operate. To enable this, we will build on the quality of our relationships, our operational and environmental performance, our social impacts and the lasting benefits and legacy we create.

Lithium, a long term strategy

In line with our long-term strategy, we see lithium as a robust and sustainable thematic that has and will continue to fundamentally revolutionise the way we live. Lithium's ability to store, use and transfer energy has already touched the globe through our use of smart phones for global communication, electric grid stability and storage to power our homes, electric vehicles to drive us, induction cooktops that provides heat for us to cook our food and many more uses.

In all markets experiencing rapid growth in demand and long lead times of supply, there are periods of volatility of prices. FY2019 is an example of this, with double digit growth in demand and the first wave of lithium hard rock producers coming online in rapid response. Over the past year the volatility in prices have given rise to the school of thought of oversupply and further compression of prices. In cycles whether they be economic, commodity or other, it is the emotions at the extreme highs and lows that can mask the opportunity. Prospect has a long-term view of the lithium market and see that within the two years, the improvement in battery technology and the cost of electric vehicles reaching parity with internal combustion engine vehicles, will accelerate this growth as they will be the catalyst for large scale adoption.

Simplification of Benchmark Mineral Intelligence long-term forecast



1. Identified potential supply is a collection of BenchmarMinerals Intelligence's highly probable, probable and possible supply categories

Although our strategy is exposed to the rapid growth of the electric vehicle revolution, it is securely underpinned by the mature and dependable glass & ceramics market, which is the second largest market for lithium. Our globally unique position within the lithium market allows us to divert our products to multiple markets and therefore in turn, manage our market and customer risks. Although the focus globally is on the electric vehicle demand to come, the glass & ceramics market offers consistent demand, spread of geo-political risk as there is large demand from Europe and the potential for premium prices for Prospect Resources products. This niche is something we are exploring further and will be a key consideration in our strategy for future projects and acquisitions.

Zimbabwe

In line with our strategic focus in lithium, our geographic focus in Zimbabwe is also key to our long-term success. Throughout 2019, Zimbabwe has undergone further development following the general election in 2018. President Mnangagwa has placed investor attraction as the key marketing focus on Zimbabwe, with its mantra "Zimbabwe is open for business".

Although we do not participate in or hold a political agenda, we are focused on working with government to deliver positive outcomes for Prospect Resources and all of our stakeholders. 2019 has been a transitional year with the government in February 2019 moving away from a currency that was pegged to the USD, to now a floating currency. This has lead to short term volatility and disruption but is a crucial step in Zimbabwe developing as a nation that will yield long term value and improved fiscal stability.

Prospect is excited to be a part of the Zimbabwe story and will play a critical part in the country's development over the coming decades.

On behalf of the Board, I would like to thank you for your valuable contribution and continued support. While we remain vigilant about the short term market outlook, our long term view remains positive and we are well placed to meet demand for the lithium the world needs well into the future. I am confident that Prospect Resources, led by Sam Hosack and his management team, has the right assets and capability, and your Company is well placed to deliver shareholder value and returns.

Thank you for your continued support of Prospect Resources.

Hugh Warner
Executive Chairman

27 September 2019

Managing Director's Report

Dear Shareholders,

What a year it has been for Prospect Resources. In reflecting on the past year, I am amazed and proud with the achievements of the team. Since my appointment as Managing Director in July 2018, the Company has taken the world class Arcadia Lithium Project ("Arcadia" or "the Project") through a number of de-risking steps to successfully demonstrate its strong economics and global significance as a key player in the lithium market. In advancing Arcadia, adding a team of talented professionals with regional expertise, securing a tier one offtake partner and devising a clear strategy forward, we have a formula for success and a clear opportunity for shareholders.

In my Managing Director's statement from August 2018, I stated that "My mandate is to take the Company from being an exciting exploration focused company, through development, to being a successful mining company". I stand by this statement and have made it central in everything that we do. The first step in this transition was the development and completion of Arcadia's Definitive Feasibility Study ("DFS"). The study took the knowledge collected from our Preliminary Feasibility Study, updated market and sales information and rigour to deliver bankability allowing for the swift transition into development.

The outcomes of the 2.4Mtpa DFS highlight Arcadia as a robust project and as a critical asset in the long-term supply of lithium. Following the completion of the DFS, we moved onto the optimisation and value engineering of Arcadia to maximise the potential returns for financiers and shareholders. These initiatives positioned Arcadia in the lowest quartile operating cost, lowest quartile capital intensity, upper quartile for capital returns based on Internal Rate of Return ("IRR") and to generate strong returns for shareholders throughout the market cycle.

This is a huge achievement for management and an exciting realisation of Arcadia's potential value for shareholders.

Leading the way in the battery revolution

Along with validating Arcadia's potential, we drove hard to secure Special Economic Zone ("SEZ") status and the raft of benefits that it provisions. In March 2019, we received this SEZ status, which enables Prospect to transact, operate and trade in foreign currency and to retain those funds offshore. This is of huge advantage as it will allow us to operate competitively, attract global talent, demonstrate to our lenders our ability to repay their loans in hard currency and deal with global customers.

In pursuit of greater value from Arcadia, Prospect successfully secured an additional 17% interest in the Project taking our ownership to 87%. The purchase of project equity was via a combination of cash & script that strengthens Prospect's position in Arcadia and will deliver value to shareholders. While this transaction has not yet closed there are no expected impediments.

As we seek to rapidly move into development it was only natural to commence construction of primary elements such as the contractors camp and on-site shared facilities. The international perception is that operating in Zimbabwe is challenging, while this may be true for domestic based business the reality is export generators such as Prospect Resources that operate within a SEZ will provide the company with significant opportunity. We view the ability to rapidly progress through the development cycle as a key deliverable to delivering returns to all stakeholders. With this in mind, we are targeting commissioning within 18 months post financial close of the financing agreements.

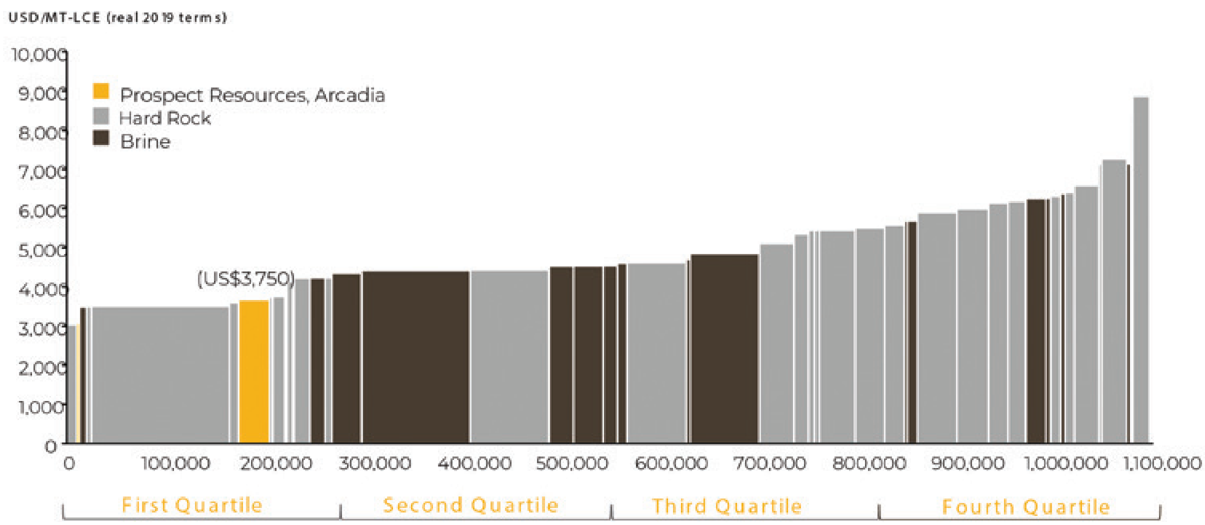
During the year we observed changes in the lithium market, as the supply chain underwent development and new supply coming online. There has been difficulties in the market, particularly with battery producers being unable to keep up with the automakers' battery requirements, yet there is a market perception that lithium is in oversupply, which highlights the opaqueness of the market.

We see the battery market undergoing reorganisation with upstream and downstream players adapting to prevailing market conditions, with the forecasted near term demand expected to surpass existing production capacity. This coupled with the inability of the potential projects to rapidly capitalise on the change in dynamics, suggests a rapidly changing market environment and growing deficit. Notwithstanding this, the quality and scale of Arcadia continues to attract high quality offtake partners in addition to our cornerstone partner Sinomine Resources.

Although demand is undergoing double digit growth, the Electric Vehicle ("EV") revolution is still in its infancy. Mass adoption generally occurs through one of two mechanism: policy and/or price. Our model, and that of market experts, sees current global policy structurally shift in the automotive industry through the imposition of charges and fines for not adhering to CO^2 emission targets. In line with automakers rushing to meet their emissions targets, there have been technological advancements in battery technology that by 2022 are expected to make EV's cost parity with Internal Combustion Engines. We see the reducing upfront cost as a catalyst for mass adoption and an acceleration of EV uptake, leading to acceleration of demand for battery minerals.

Putting the demand for lithium from the battery market to one side, Arcadia's ability to sell directly into the premium glass & ceramics markets highlights that Prospect is not "just another player" but rather "the key player". From discussions with potential customers and the validation by leading market consultant Benchmark Minerals, Arcadia's ultra-low iron petalite is a true game changer and gives Prospect a competitive advantage over its peers (both hard rock and brines). Prospect will be the largest ultra low iron petalite and low iron petalite producer enabling us to capitalise on the 17% of global lithium consumption into this supply-constrained technical market.

Lithium industry brine and hard rock total cost curve - 2025[1]



[1] Notes on cost curves:

- Total cost includes capital repayment and royalty costs
- Hard rock includes pegmatite, petalite, lepidolite, jadarite and clay resources
- For operations producing spodumene/petalite, freight costs to processing point are included, as is a conversion margin to lithium carbonate
- Prospect Resources modelled using Feasibility Study costs of $278/tonne with shipping and conversion charges added

During the past 12 months Prospect has pursued an extensive fund-raising exercise and engaged in a multitude of discussions with potential funders of the Project. Whilst this process has taken longer than initially envisaged, we are delighted to report that our efforts have yielded a promising shortlist of reputable Development Finance Institutions ("DFI") that have rigorously evaluated Arcadia and expressed their keen interest to participate in the funding of the Project Costs associated with the development of Arcadia. We have engaged with these DFIs not just as sources of funding, but with a view of securing credible long-term strategic partners and supporters of our corporate mission underpinned by growth and development.

Accordingly the Company has progressed these discussions to a point where we believe that a syndicate of these DFIs will commit to providing sufficient funds via a combination of senior debt facilities and equity subscriptions, and the management team continues to work assiduously to conclude these negotiations and enter into binding agreements, which will soon allow Prospect to announce further relevant details to the market.

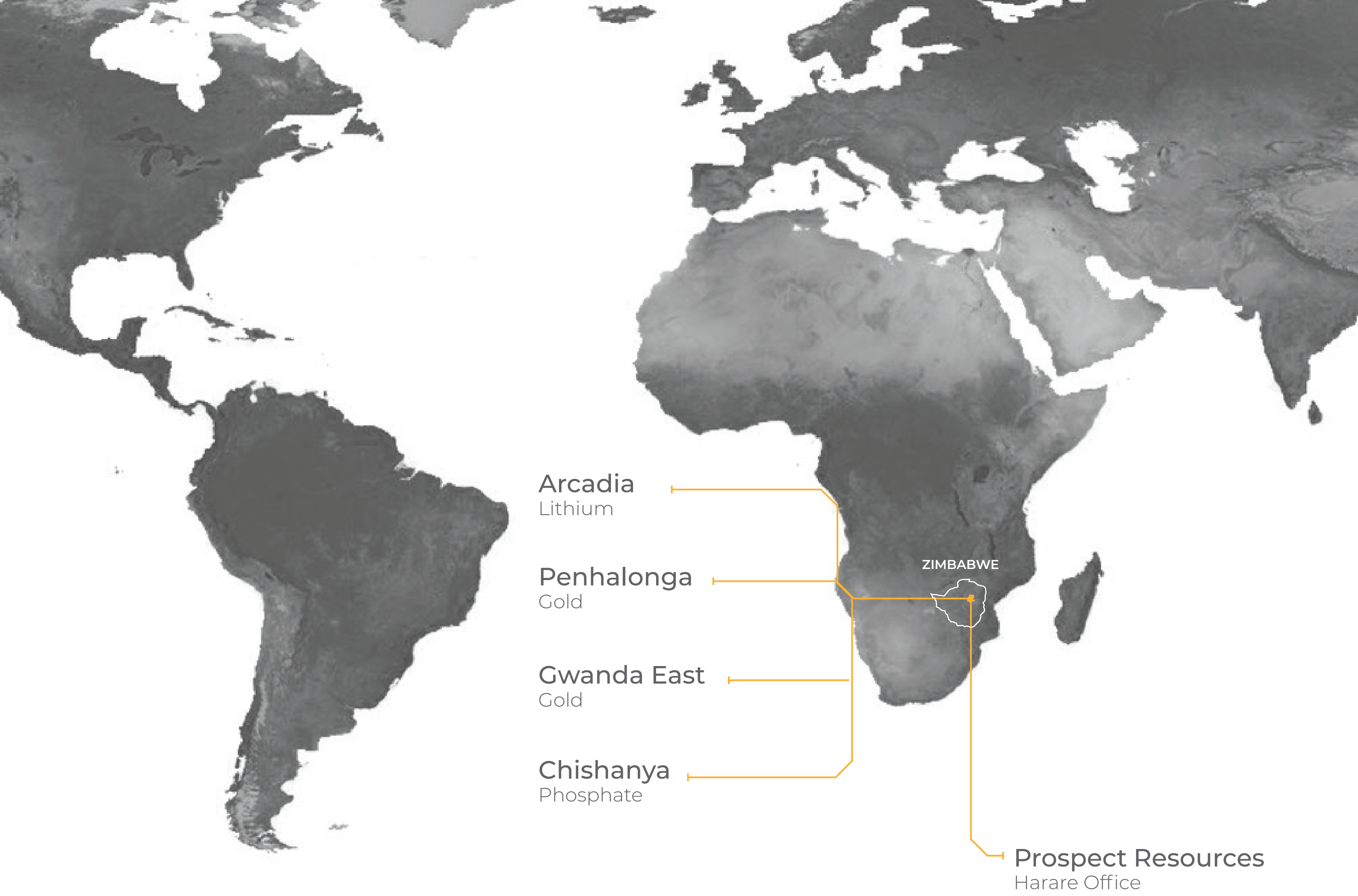
As Managing Director, I am confident that the Prospect team has the determination, experience and energy to meet my initial goal. This is in delivering Arcadia as a de-risked project, getting the Project fully-funded, developed and into production and in doing so, fulfilling our commitment to maximising the returns to all stakeholders. This commitment extends to the immediate community in which we operate, our supportive and patient shareholders, our potential financiers, our business partners and the Zimbabwean population at large as host country to this lucrative project.

This will be the 1st major mining project to come onstream in the post Mugabe Zimbabwe, the significance of this is well recognised by the Government of Zimbabwe. As such we greatly appreciate and applaud the proactive stance taken by the Minister of Mines The Honourable Winston Chitando, officials within his ministry and various branches of Government that we work closely with to secure the approvals and legislative support required to give our potential development partners the comfort to believe in Prospect Resources and Zimbabwe .

Our success is ultimately measured by achieving all of our objectives and we are confident in our ability to achieve this outcome.

Sam Hosack
Managing Director

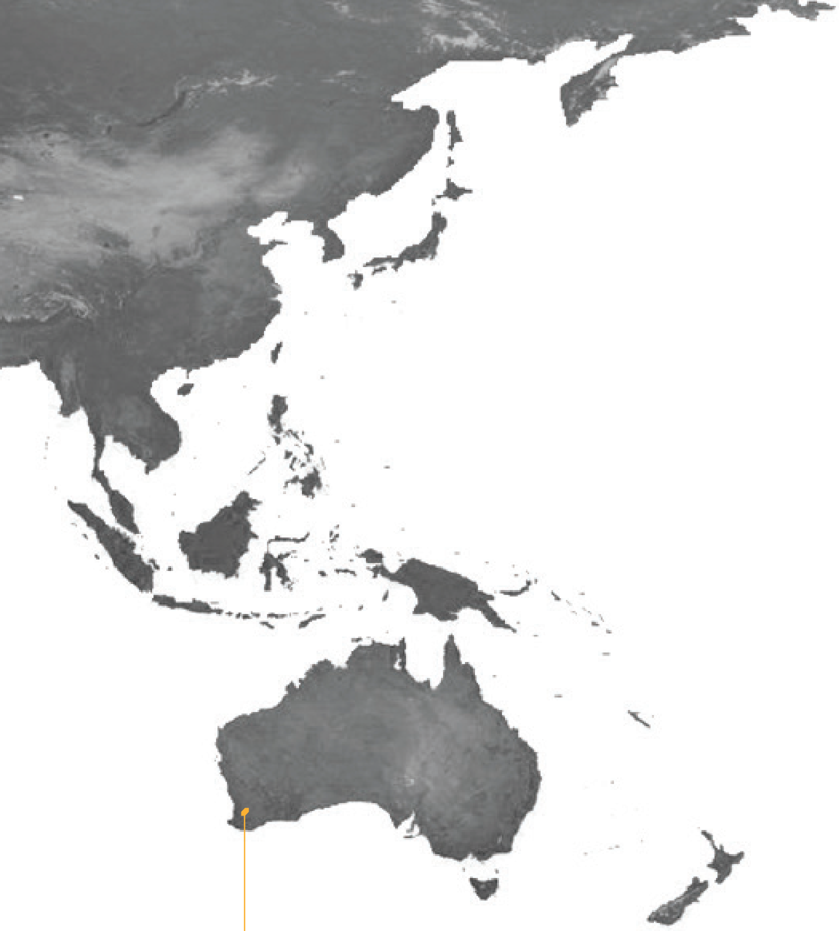
27 September 2019



Review of Operations

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

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



Key Announcements

September 2018 Quarter

16 July	Appointment of Sam Hosack as Managing Director
1 August	Appointment of Key Operations Personnel
21 August	Grant of Mining Lease over the Arcadia Lithium Mine
29 August	Managing Director's Update
30 August	Investor Presentation – Africa Down Under
10 September	Change of Share Registry to Automic Registry Services
11 September	Prospect Receives US$10 Million Export Finance Facility
28 September	Prospect Issues Annual Report to Shareholders

December 2018 Quarter

3 October	PSC increases ownership of the Arcadia Lithium Mine to 87%
26 October	Appointment of Investor Relations Manager
30 October	Option on Lipropeg Lithium Project Signed
31 October	Quarterly Activities Report
31 October	Quarterly Cashflow Report
19 November	Arcadia DFS confirms leading Lithium Project
19 November	Arcadia DFS Investor Presentation
3 December	Groundbreaking ceremony at Arcadia Lithium Project
11 December	PSC exports lithium carbonate samples

Review of Operations

March 2019 Quarter

1 February	Quarterly Activities Report
1 February	Quarterly Cashflow Report
4 February	Prospect Corporate Presentation - 2019
28 February	Arcadia approved for Special Economic Zone status
5 March	Arcadia project economics update
15 March	Half Yearly Report and Accounts
20 March	Investor Presentation March 2019

June 2019 Quarter

5 April	Petalite testwork results deliver increased recovery
1 May	Quarterly Activities Report
1 May	Quarterly Cashflow Report
10 May	Notice of General Meeting/Proxy Form
16 May	Sale of DRC Assets
17 May	Sinomine commences construction of Hydroxide Plant
5 June	Consolidation/split - PSC
5 June	Corporate presentation
6 June	Market update
11 June	Results of meeting
17 June	Option exercise and share placement

Arcadia Lithium Project

Location

The Arcadia Lithium Project is located approximately 35 km east of Harare, Zimbabwe providing convenient access to skilled and semi-skilled labour. A Mining Lease has been granted over an area of more than 10 km2 and Environmental Approvals are in place. The Project is located close to major highways and railheads, with the Beira Port being less than 580 km away by rail/road transport. Grid power access via switchyard is within 4 km of the Project with 20 MVA capacity. There is surplus groundwater available.

Geology

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

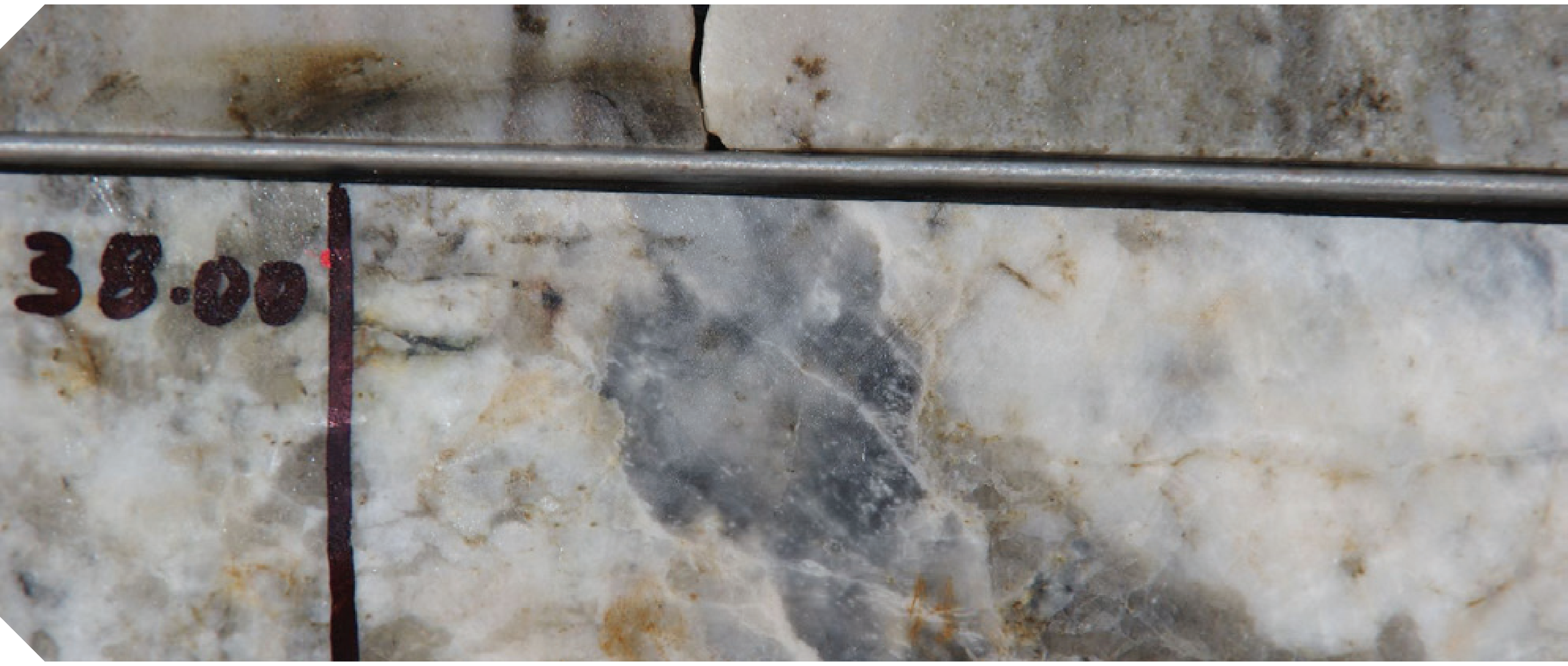
A total of 194 RC and 111 diamond drill holes have been drilled on the project (26,682m).

JORC Mineral Resource and Ore Reserve Estimates

The Ore Reserve hosts ~ 868,000 t contained lithium carbonate equivalent (LCE) and supports a 12 year mine life.

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

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



Arcadia JORC Mineral Resource Statements (24 October 2017)

High Grade Zone - 1% Li_2O Cut-off

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

Global Resource - 0.2% Li_2O Cut-off

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

Arcadia Project Highlights

Prospect released the outcomes of its Definitive Feasibility Study ("DFS") on 19 November 2018. The pre-tax NPV (10% discount rate) of the project base case is US$511m, at a long-term Lithium Carbonate ("LC") price of US$12,000 per tonne FOB Beira (based on a CIF China price as per the Sinomine Offtake Agreement). The life of mine average price for spodumene and petalite concentrate applied in the study is US$689/t FOB and US$457/t FOB respectively.

The key parameters and financial outcomes for the 2.4 Mtpa DFS are set out below:

Operating Parameters	Units	Value
Life Of Mine Modelled (All Open Pit)	Years	12
Plant Throughput	Mtpa	2.4
Average Lithia Head Grade	%	1.35%
Average Lithia Recovery	%	67.9%
Average Life Of Mine Spodumene Production	ktpa	212
Average Life Of Mine Petalite Production	ktpa	216

Capital and Operating Costs	Units	Value
Average Life Of Mine Cash Operating Cost (FOB)[1]	US$/t conc.	285
Capital Costs (Carried To Positive Cash Flow)	US$M	165
Sustaining Capital	US$M	29
Life Of Mine Spodumene Concentrate Price	US$/t	689
Life Of Mine Petalite Concentrate Price	US$/t	457

[1] Cash operating cost include mining, processing, general administration and selling costs, transport and loading, royalty and government marketing costs and are net of Ta2O5 by-product credits

Financial Summary	Units	Value
Average Annual Free Cash Flow from Operations (Pre-tax)	US$M	104
Average Annual Free Cash Flow from Operations (Post-tax)	US$M	90
Life of Mine Revenue (excl. Ta Credits)	US$M	2,934
Average Annual EBITDA	US$M	106
Pre-Tax NPV^{10}	US$M	511
Pre-Tax IRR	%	44
Post Tax NPV^{10}	US$M	458
Post Tax IRR	%	42
Operating Margin	%	38
Payback Period (From Commencement of Production)	Years	2.5

On 5 March 2019, the Group announced that value engineering had successfully demonstrated that the Arcadia Lithium Project will be able to use High Pressure Grinding Rolls ("HPGR") in its process design, resulting in:

- Reduction in capital expenditure by US$2.3m (1.4%) to US$163m
- Reduction of operating expenditure by US$7/t or 2.46% (approx. US$3.2m p.a.) to US$278/t.
- Increase NPV^{10} by US$22m to US$533m, increased average EBITDA by US$3m to US$109m.

Special Economy Zone

The Group has received Special Economic Zone ("SEZ") status. SEZ status at Arcadia provides Prospect with an extensive list of benefits that includes; tax relief and exemptions and the ability to hold and operate foreign currency accounts, as well as exemptions and reductions of costs & trade barriers associated with the import of raw materials and capital goods through to the exportation of concentrates. The incentives and benefits to be received from the SEZ status, reinforces the financial outcomes of the Project outlined in the DFS.

Arcadia Pilot Plant

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

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

Other Projects

Penhalonga – Gold

Zimbawe

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 1.8km^2, 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/km^2 is one of the richest belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes. Prospect also owns a number of lead tenements within the Mutare Greenstone Belt.

Chishanya – Phosphate

Zimbawe

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 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The deposit is a series of un-exploited phosphate bearing, apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland. The potential for Rare Earth Elements (REEs) has also never previously been assessed.

Gwanda East - Gold

Zimbawe

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

Democratic Republic of Congo

Following on decision to scale back exploration activities, and to focus on and further advance the Arcadia Lithium Project, Prospect Resources sold its exploration business in the Democratic Republic of Congo to New Energy Metals Limited.

Competent Person Statement

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

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

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

Directors' Report

Directors' Report

The Directors of Prospect Resources Limited ("the Company") submit hereby the annual report of the Company and its subsidiaries, (together the "Consolidated Entity" or "Group") for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

OFFICERS AND DIRECTORS

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

Name	Particulars
Hugh Warner	Executive Chairperson
Sam Hosack	Managing Director (appointed 14 July 2018)
Duncan (Harry) Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr Chen

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

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS AND RESULTS

The Group has recognised a loss after tax from continuing operations of $5,753,000 (2018: Loss $5,640,000). The loss is consistent with the prior year as the Group progresses the Arcadia Project and prepares for the next stage, being its financing and development.

During the year, the Group incorporated a subsidiary to undertake project generation and exploration in the Democratic Republic of Congo (DRC) to expand its battery mineral exposure. The Group generated a number of prospective opportunities, but was unable to complete any acquisitions. In order to preserve the Group's cash balances, the Group sold the DRC subsidiary. A loss from discontinued operations of $1,216,000 was realised during the year (2018: $Nil).

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

SIGNIFICANT CHANGES IN STATE AFFAIRS

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

1) At an extraordinary general meeting held on 11 June 2019, the shareholders of the Company resolved to consolidate the capital on a 10:1 basis.

2) The Company issued 23,500,000 new ordinary shares (post consolidation) via a placement to raise $3,995,000 before costs;

3) The Company issued 65,000,000 new ordinary shares (pre consolidation) via exercise of options to raise $325,000 before costs. Additionally, the Company issued 7,840,000 new ordinary shares (post consolidation) via exercise of options to raise $1,176,000 before costs;

4) 85,000,000 options (pre consolidation) expired during the year and 3,660,000 options (post consolidation) expired during the year.

ENVIRONMENTAL REGULATIONS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The directors are not aware of any significant events since the end of the reporting period:

DIVIDENDS

No dividends were recommended or paid during the current year.

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Group will continue to develop the Arcadia Lithium Project and explore and assess battery mineral projects that could provide value for shareholders.

From left to righ: Hugh Warner (Chairman), Harry Greaves (Executive Director) & Sam Hosack (Managing Director)

Information on Directors

Hugh Warner
(Executive Chairperson)
appointed 3 January 2012

Experience and Expertise

Mr Warner holds a Bachelor of Economics from the University of Western Australia. He has broad experience as a public company director, having been a director of a number of publicly listed companies involved in the mining, oil and gas, biotechnology and service industries.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Chairperson

Interests in Shares and Options

16,366,668 ordinary shares and Nil options

Sam Hosack
(Managing Director)
appointed 14 July 2018

Experience and Expertise

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

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

1,000,000 ordinary shares and 4,500,000 options

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

Experience and Expertise

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

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

3,595,794 ordinary shares and Nil options

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

Experience and Expertise

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

Other Listed Current Directorships

Focus Minerals Ltd (appointed 20 April 2011)

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

500,000 ordinary shares and Nil options

Zivanayi (Zed) Rusike (Non-Executive Director)

appointed 26 September 2013

Experience and Expertise

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

Other Current Listed Directorships

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

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

1,740,374 ordinary shares and Nil options

HeNian Chen (Non-Executive Director)

appointed 13 November 2017

Experience and Expertise

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

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

4,932,637 ordinary shares and Nil options

Company Secretary

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

MEETINGS OF DIRECTORS

The number of meetings of the Company's board held during the year ended 30 June 2019 that each Director was eligible to attend, and the number of meetings attended by each Director were:

	Number of Meetings	
Director	**Eligible to attend**	**Attended**
Hugh Warner	1	1
Sam Hosack	1	1
Harry Greaves	1	1
Gerry Fahey	1	1
Zed Rusike	1	-
HeNian Chen	1	1

The Company's business was conducted via circular resolutions.

REMUNERATION REPORT (AUDITED)

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

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

2). Details of remuneration;

3). Service agreements; and

4). Share-based compensation.

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

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

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

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

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

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

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

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

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

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Group's Constitution, and the Corporations Act 2001 as applicable and is set at $500,000. The appointment of non-executive director remuneration within that maximum will be made by the Board having regards to the inputs and value to the Group of the respective contributions by each non-executive director.

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

Performance Based Remuneration

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

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

Group Performance, Shareholder Wealth and Key Management Personnel Remuneration

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

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

Remuneration Report (Audited)

Performance of Prospect Resources Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the financial year ended 30 June 2019 and prior.

	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000
Revenue	3,320	3,892	110	71	10
Net loss before tax	(5,722)	(5,401)	(12,794)	(1,727)	(1,309)
Net loss after tax	(5,753)	(5,640)	(12,794)	(1,727)	(1,309)

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Share price at beginning of year (cents)	35.0*	2.0	2.2	0.3	0.7
Share price at end of year (cents)	22.5	3.5	2.0	2.2	0.3
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(3.52)	(0.32)	(0.76)	(0.18)	(0.19)

* The Company underwent a 10 for 1 share consolidation. The opening share price has been restated, however the data from prior years has not been restated.

Remuneration of Key Management Personnel

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

Directors

Hugh Warner	Executive Chairperson
Sam Hosack	Managing Director (appointed 14 July 2018)
Harry Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zed Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director

Executives

Trevor Barnard	General Manager (appointed 1 August 2018)
Roger Tyler	Chief Geologist
Chris Hilbrands	Chief Financial Officer
Lee John	General Manager – Operations (ceased KMP 31 July 2018)

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

REMUNERATION REPORT (AUDITED) CONTINUED

2) Details of remuneration

2019		SHORT TERM		POST EMPLOYMENT	EQUITY	OTHER		
	Salary & Fees $	Bonus $	Other $	Superannuation $	Options $	Leave Accruals $	Total $	Performance %
Non-Executive Directors								
Z Rusike	24,000	-	-	-	-	-	24,000	-
G Fahey	21,918	-	-	2,082	-	-	24,000	-
H Chen (i)	21,918	-	-	2,082	-	-	24,000	-
Executive Directors								
H Warner	228,311	-	-	21,689	-	7,318	257,318	-
S Hosack (ii)	309,582	100,000	-	29,304	534,985	16,351	990,222	54%
H Greaves	250,000	-	-	-	-	-	250,000	-
Executives								
T Barnard (iii)	244,486	-	-	-	-	-	244,486	-
R Tyler	227,928	-	-	-	-	-	227,928	-
C Hilbrands	182,648	-	-	17,352	-	2,342	202,342	-
L John (iv)	20,833	-	-	-	-	-	20,833	-
Total	1,531,624	100,000	-	72,509	534,985	26,011	2,265,129	24%

Note

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

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

(iii) Trevor Barnard was appointed General Manager on 1 August 2018.

(iv) Lee John ceased being a KMP on 31 July 2018, upon the appointment of Trevor Barnard. Biomet Engineering, an entity associated with Lee John, was paid or is payable $20,833 to 31 July 2018.

REMUNERATION REPORT (AUDITED) CONTINUED

2018	Salary & Fees $	SHORT TERM Bonus $	Other $	POST EMPLOYMENT Superannuation $	EQUITY Options $	Total $	Performance %
Non-Executive Directors							
Z Rusike	24,000	-	-	-	-	24,000	-
G Fahey	21,918	-	-	2,082	-	24,000	-
H Chen (i)	13,881	-	-	1,319	-	15,200	-
M Nhlanhla (ii)	21,000	-	12,000	-	-	33,000	-
Q Yu (iii)	6,000	-	-	-	-	6,000	-
Executive Directors							
H Warner	228,311	-	-	21,689	-	250,000	-
H Greaves	250,000	-	-	-	-	250,000	-
Executives							
S Hosack	4,296	75,000	-	408	247,304	327,008	76%
R Tyler	210,413	-	-	-	-	210,413	-
L John (iv)	250,000	150,000	-	-	161,158	561,158	55%
C Hilbrands	91,324	-	-	8,676	-	100,000	-
Total	1,121,143	225,000	12,000	34,174	408,462	1,800,779	31%

Notes

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

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

(iii) Qingjiao Yu resigned on 13 November 2017.

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

Short term incentives

In 2019, Sam Hosack is entitled to a first year anniversary bonus of $100,000 on 14 July 2019. This has been recognised in the current year.

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

3) Service agreements

Executive Directors

Hugh Warner and Harry Greaves entered into an Executive Services Agreement commencing 1 June 2016 with a total annual salary of $250,000 per annum inclusive of superannuation (if applicable) from 1 August 2016.

Sam Hosack entered into an Executive Services Agreement commencing 13 May 2018 with a total annual salary of $35,000 per annum inclusive of superannuation. The total annual salary increased to $350,000 per annum inclusive of superannuation upon his appointment to Managing Director which occurred on 14 July 2018. Mr Hosack received a $75,000 sign on bonus and was issued 45,000,000 options (pre consolidation). Mr Hosack is contracted to receive a $100,000 first anniversary bonus which becomes due on 14 July 2019.

Non-Executive Directors

Non-Executive directors entered into either a Non-Executive Services Agreement or Consultancy Agreement commencing 1 June 2016, or if later on commencement of appointment, with a total annual salary of $24,000 per annum inclusive of superannuation (if applicable).

REMUNERATION REPORT (AUDITED) CONTINUED

Other Executives

Trevor Barnard signed a consulting agreement with a subsidiary of the Company commencing 1 August 2018, for ZAR2,640,000 per annum (approx. AUD$266,000).

Roger Tyler signed a twelve month fixed term contract with a subsidiary of the Company commencing 15 March 2017, renewed on 15 March 2018 and 15 March 2019, for US$72,000 per annum. In addition, Roger Tyler entered into a consultancy agreement with Prospect Resources Limited commencing 1 July 2016 with a total annual remuneration of US$60,000 increasing to US$90,000 from 1 September 2016.

Chris Hilbrands entered into an Executive Services Agreement commencing 1 June 2016 with a total annual remuneration of $100,000 inclusive of superannuation. The total annual salary increased to $200,000 per annum inclusive of superannuation effective from 1 July 2018.

Lee John ceased being a KMP on 31 July 2018, upon the appointment of Trevor Barnard. Lee John entered into an Executive Services Agreement commencing 1 December 2016 with a total annual remuneration of $250,000. A discretionary bonus of $Nil has been recognised for FY2019 (2018: $150,000).

Termination

For all Directors and Executives other than Mr Hosack, Mr Tyler and Mr Barnard, terms of employment require that the Company provide the Executive with six months' written notice. The Directors or Executive may terminate their employment at any time and will be entitled to six months' salary. The Company can terminate an Executive's employment by giving one months notice if the Executive commits or becomes guilty of gross misconduct and summarily without notice if convicted of any major criminal offence. Mr Hosack and Mr Tyler terms of employment require that the Company or Executive provide the other with three months' notice, while Mr Barnard's requires that the Company or Executive provide the other with 30 days notice.

4) Share-based compensation

The Company issued Nil options to directors or key management personnel during the financial year (2018: 8,000,000 options post consolidation). 9,375,000 options (post consolidation) were exercised and 7,160,000 options (post consolidation) expired during the year.

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

Options series	Grant date	Grant date fair value*	Exercise price*	Expiry date	Vesting date
(1) Issued 14/12/15	20/11/15	$0.0194	$0.05	19/11/18	(i)
(2) Issued 22/07/16	22/07/16	$0.5763	$0.15	15/06/19	(ii)
(3) Issued 21/07/17	21/07/17	$0.0460	$0.50	31/12/18	21/07/17
(4) Issued 13/05/18	13/05/18	$0.1740	$0.60	12/05/22	14/10/18

(i) Options vested once 20 business day VWAP has exceeded 10 cents. These options vested during a prior year

(ii) Options vested once 20 business day VWAP has exceeded 30 cents. These options vested during a prior year.

* The Company undertook a 1:10 share consolidation during the year. The above disclosures have been restated where appropriate to reflect the post consolidation values.

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

		During the financial year					
	No. options granted during 2019	No. vested (post consolidation)	Grant date	Expiry date	Fair value per option at grant date $	Exercise price per option $	Value of options granted at the grant date $
(4) S Hosack	-	4,500,000	13/05/18	12/05/22	0.174	0.60	782,289 (i)

(i) The value of options granted during the financial year is calculated as at the grant date using Black-Scholes. $534,985 of this cost has been recognised in the financial year (2018: $247,304).

REMUNERATION REPORT (AUDITED) CONTINUED

No options were granted during the year. The value of rights or options over ordinary shares in the Company exercised by each key management person during the reporting period is detailed below.

	Value of options exercised in year $(a)
Z Rusike	95,000
G Fahey	95,000
H Warner	285,000
S Hosack	-
H Greaves	285,000
T Barnard	-
R Tyler	95,000
C Hilbrands	95,000
	950,000

(a) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2019	Opening balance*	Granted as compensation	On exercise of options	Net other change	Closing balance
Z Rusike	1,240,374	-	500,000	-	1,740,374
G Fahey	-	-	500,000	-	500,000
H Chen	4,932,637	-	-	-	4,932,637
H Warner	12,866,668	-	3,500,000	-	16,366,668
S Hosack	-	-	1,000,000	-	1,000,000
H Greaves	2,095,794	-	1,500,000	-	3,595,794
T Barnard	-	-	1,375,000	-	1,375,000
R Tyler	-	-	500,000	-	500,000
C Hilbrands	615,000	-	500,000	-	1,115,000
L John	-	-	-	-	-
	21,750,473	-	9,375,000	-	31,125,473

* The Company undertook a 1:10 share consolidation during the period. The shares disclosed above are post this share consolidation.

REMUNERATION REPORT (AUDITED) CONTINUED

Options Held at 30 June 2019	Opening balance*	Granted as compensation	Exercised	Transferred**	Lapsed ***	Closing balance	Vested during the year	Vested and exercisable
Z Rusike	500,000	-	(500,000)	-	-	-	-	-
G Fahey	1,500,000	-	(500,000)	-	(1,000,000)	-	-	-
H Chen	-	-	-	-	-	-	-	-
H Warner	5,000,000	-	(3,500,000)	-	(1,500,000)	-	-	-
S Hosack	4,500,000	-	(1,000,000)	1,000,000	-	4,500,000	4,500,000	4,500,000
H Greaves	5,000,000	-	(1,500,000)	(3,406,667)	(93,333)	-	-	-
T Barnard	-	-	(1,375,000)	1,375,000	-	-	-	-
R Tyler	1,500,000	-	(500,000)	(933,333)	(66,667)	-	-	-
C Hilbrands	1,500,000	-	(500,000)		(1,000,000)	-	-	-
L John	3,500,000	-	-		(3,500,000)	-	-	-
	23,000,000	-	(9,375,000)	(1,965,000)	(7,160,000)	4,500,000	4,500,000	4,500,000

* The Company undertook a 1:10 share consolidation during the period. The options disclosed above are post this share consolidation.

** During the year, the Company allowed the holders of options who were not going to exercise their options to transfer options to other employees or a strategic investor.

*** Refer above for the expiry dates of option series 2 and 3 which lapsed during the year.

(End of Remuneration Report)

Additional Information

a) Shares under option

At the date of signing this report, the Company has 4,500,000 unlisted options over ordinary shares under issue (30 June 2018: 31,000,000 post consolidation). These options are exercisable as follows:

Details	No of options*	Grant Date	Expiry Date	Conversion Price $
Management incentive options	4,500,000	13/05/2018	12/05/2022	0.60
	4,500,000			

Share options carry no rights to dividends and no voting rights. During the year, Nil capital raising fee options were exercised (2018: 1,000,000 post consolidation).

* The Company undertook a 1:10 share consolidation during the period. The options disclosed above are post this share consolidation.

b) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and any executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

c) Agreement to indemnify officers

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

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

Directors' Report

d) Proceedings on Behalf of the Company

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

e) Auditor

Stantons International is the appointed auditor.

f) Indemnity of Auditor

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

g) Audit Services

During the financial year $55,000 (excluding GST) was paid or payable for audit services provided by Stantons International (2018: $41,000). Non related audit firms have been paid or are payable $25,000 for audit services of subsidiaries (2018: $23,000).

h) Non-audit Services

Non-audit services totaling $30,000 (2018: $Nil) were provided by the auditor or any entity associated with the auditor. The fees paid related to the preparation of an Independent Experts Report. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

i) Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 70 of the Annual Report.

j) Corporate Governance Statement

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 27 September 2019 released to ASX and posted on the Company's website www.prospectresources.com.au/company/corporate-governance.

Signed in accordance with a resolution of the directors.

Sam Hosack
Managing Director

Perth, Western Australia

Dated 27 September 2019

Directors' Declaration

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

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

- i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year then ended; and
- ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

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

(d) the audited remuneration disclosures set out on pages 24 to 30 of the Directors' Report comply with accounting standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

Sam Hosack
Managing Director

Perth, Western Australia

Dated 27 September 2019

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from continuing operations	5(a)	3,320	3,892
Cost of sales	5(b)	(2,614)	(2,575)
Depreciation expense		(92)	(61)
Development costs expensed		(905)	-
Employee benefits expenses		(1,619)	(707)
Exploration and evaluation expenditure expensed		(118)	(1,565)
Impairment of exploration and evaluation expenditure	11	(132)	(651)
Occupancy expenses		(59)	(52)
Project generation expense		(784)	(705)
Share based payment – options expense	17(a)	(535)	(547)
Other administrative expenses		(2,184)	(2,430)
Loss before tax		(5,722)	(5,401)
Income tax	6	(31)	(239)
Loss after tax from continuing operations		(5,753)	(5,640)
Discontinued operations			
Loss for the year from discontinued operations	27	(1,216)	-
Loss for the year		(6,969)	(5,640)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		843	525
Other comprehensive income for the year, net of tax		843	525
Total comprehensive loss for the year		(6,126)	(5,115)
Loss attributable to:			
Equity holders of the Company		(7,152)	(5,581)
Non-controlling interests		183	(59)
		(6,969)	(5,640)
Total comprehensive loss attributable to:			
Equity holders of the Company		(6,050)	(5,206)
Non-controlling interests		(76)	91
		(6,126)	(5,115)
Loss per share			
Basic loss per share (cents)	24	(3.52)	(3.24)
Diluted loss per share (cents)	24	(3.52)	(3.24)
Loss per share - continuing operations			
Basic loss per share (cents)	24	(2.92)	(3.24)
Diluted loss per share (cents)	24	(2.92)	(3.24)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

as at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Current Assets			
Cash and cash equivalents	7	5,474	16,393
Trade and other receivables	8	328	325
Inventories		-	228
Other current assets	9	644	365
Total Current Assets		6,446	17,311
Non-Current Assets			
Property, plant and equipment	10	1,411	1,358
Exploration and evaluation expenditure	11	-	11,430
Mine properties	11	21,084	-
Intangible assets	12	499	151
Total Non-Current Assets		22,994	12,939
Total Assets		29,440	30,250
Current Liabilities			
Trade and other payables	13	982	1,217
Provisions	14	131	-
Tax liabilities	6(c)	-	251
Total Current Liabilities		1,113	1,468
Non-Current Liabilities			
Provisions	14	43	41
Total Non-Current Liabilities		43	41
Total Liabilities		1,156	1,509
Net Assets		28,284	28,741
Equity			
Contributed equity	15(b)	61,870	56,736
Reserves	16(a)	12,143	10,483
Accumulated losses	16(e)	(44,701)	(37,526)
Total Equity Attributable to Shareholders of Parent Company		29,312	29,693
Non-controlling interests		(1,028)	(952)
Total Equity		28,284	28,741

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		3,424	3,713
Payments to suppliers and employees		(9,591)	(6,946)
Payment for development costs expensed		(1,250)	-
Payments for exploration expenditure expensed (net of gold sold)		(118)	(1,606)
Income tax paid		(282)	-
Net cash flows used in operating activities	7(a)	(7,817)	(4,839)
Cash flows from investing activities			
Interest received		98	48
Payments for development costs		(9,346)	-
Payment for property, plant and equipment		(577)	(864)
Proceeds from sale of property, plant and equipment		93	-
Payments for exploration expenditure and acquisition of tenements (net of gold sold)		(132)	(5,410)
Payment for intangible assets		(348)	(151)
Net cash flows used in investing activities		(10,212)	(6,377)
Cash flows from financing activities			
Proceeds from issue of shares		3,995	20,150
Proceeds from exercise of options		1,501	-
Capital raising costs		(362)	(239)
Net cash flows from financing activities		5,134	19,911
Net (decrease)/increase in cash and cash equivalents		(12,895)	8,695
Cash and cash equivalents at beginning of year		16,393	7,339
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,976	359
Cash and cash equivalents at end of year	7	5,474	16,393

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the Year Ended 30 June 2019

	Issued Capital $'000	Option Reserves $'000	Foreign currency Translation reserve $'000	Accumulated Losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 30 June 2017	36,976	9,614	(204)	(31,945)	14,441	(1,043)	13,398
Loss for the year	-	-	-	(5,581)	(5,581)	(59)	(5,640)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	375	-	375	150	525
Total comprehensive loss for the year	-	-	375	(5,581)	(5,206)	91	(5,115)
Issue of ordinary shares for cash	20,516	-	-	-	20,516	-	20,516
Issue of ordinary shares upon exercise of options	150	-	-	-	150	-	150
Share capital raising costs	(906)	151	-	-	(755)	-	(755)
Options issued	-	547	-	-	547	-	547
Balance at 30 June 2018	56,736	10,312	171	(37,526)	29,693	(952)	28,741
Loss for the year	-	-	-	(7,152)	(7,152)	183	(6,969)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	1,102	-	1,102	(259)	843
Total comprehensive loss for the year	-	-	1,102	(7,152)	(6,050)	(76)	(6,126)
Issue of ordinary shares for cash	3,995	-	-	-	3,995	-	3,995
Issue of ordinary shares upon exercise of options	1,501	-	-	-	1,501	-	1,501
Share capital raising costs	(362)	-	-	-	(362)	-	(362)
Options issued	-	535	-	-	535	-	535
Disposal of Prospect Cobalt Pte Ltd	-	-	23	(23)	-	-	-
Balance at 30 June 2019	61,870	10,847	1,296	(44,701)	29,312	(1,028)	28,284

The accompanying notes form part of these financial statements

Note 1: Corporate Information

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on XX September 2019.

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

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

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

Note 2: Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

Historical cost convention

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

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

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

Critical accounting estimates

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

Comparative figures

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

(b) Principles of Consolidation

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

(c) Going Concern

For the year ended 30 June 2019, the Group recorded a loss of $6,969,000 (2018: loss $5,640,000) and had net cash outflows from operating and investing activities of $18,029,000 (2018: $11,216,000). As at reporting date, the Group had cash and cash equivalents of $5,474,000. 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 financial statements for the year ended 30 June 2019 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.

(d) Application of new and revised Accounting Standards

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which became effective for financial reporting periods commencing on or after 1 January 2018.

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The Company has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in a changes in accounting policies. This change in policy is relatively consistent with previous policy and has therefore not had a material impact. The Company has applied the modified retrospective application approach in which only the initial period of application applies AASB 15. No adjustments were made as a result of adopting AASB 15.

Note 2. Summary of Significant Accounting Policies (Continued)

(d) Application of new and revised Accounting Standards (continued)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 Financial Instruments, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Group's financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

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

AASB 16: *Leases applies to annual reporting periods beginning on or after 1 January 2019.*

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

During the year, the Group had 2 leases which could be cancelled on 2 - 3 months notice with the total obligation being $15,000. The adoption of AASB 16 does not have a significant impact on the financial report.

Other standards not yet applicable

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) Revenue recognition

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

Sale of Goods

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

Farming Income

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

Interest Income

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

(g) Cash and Cash Equivalents

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

(h) Income Tax

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

(i) Trade and other receivables

Trade receivables

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

Other receivables

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

(j) Inventories

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

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

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

(k) Property, plant and equipment

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(l) Exploration expenditure

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

Note 2. Summary of Significant Accounting Policies (Continued)

(m) Mine properties

Mines under construction

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

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

Mine properties and property, plant and equipment

(i) Initial recognition

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

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

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

(ii) Depreciation/amortisation

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Stripping (waste removal) costs

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

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

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

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

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

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

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

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

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

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

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

Major maintenance and repairs

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

(m) Mine properties (continued)

Borrowing costs

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

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

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

(n) Intangible Assets

Software

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

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

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

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

IT development and software - 12 years

(o) Investments in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

(q) Provision

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

Provision for site restoration and rehabilitation

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

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

(r) Trade and other payables

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

(s) Financial Instruments

Recognition, initial measurement and derecognition

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

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

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

Classification and measurement

Financial assets

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

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

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortised cost

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

(s) Financial Instruments (continued)

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

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

Financial Liabilities

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

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

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

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

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Comparative information

The Group applied AASB 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under AASB 139. As the Company does not have significant financial instruments that would be classified differently under AASB 9, the adoption of AASB 9 does not have a material effect on the information disclosed in prior year.

Classification

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available for sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

(t) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

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

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

(u) Contributed equity

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

Note 2. Summary of Significant Accounting Policies (Continued)

(v) Earnings per share

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

(w) Goods and Services Tax (GST)

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

(x) Dividends

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

(y) Impairment of Assets

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

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

(z) Share based payment transactions

Equity settled transactions

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

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

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

(aa) Critical Accounting Judgement and Key Sources of Uncertainty

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

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

Key Estimates

Ore reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (the JORC Code).

The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, productions techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

Exploration an evaluation expenditure

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

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's Exploration & Evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established.

Note 2. Summary of Significant Accounting Policies (Continued)

Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Mine Properties

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

Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

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

Changes in estimates are accounted for prospectively.

Rehabilitation Provision

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

Share based payments

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

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve. The fair value calculation and inputs to the Black Scholes model are shown at Note 17(a).

Impairment

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

Deferred tax assets

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

(bb) Rounding of Amounts

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

Note 3. Financial Risk Management

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

(a) Market Risk

(i) Interest Rate Risk

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

	Floating interest rate	1 year or less	Over 1 year to 5 years	More than 5 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2019						
Financial Assets						
Cash and deposits	4,707	-	-	-	767	5,474
Trade and other receivables	-	-	-	-	328	328
	4,707	-	--	-	1,095	5,802
Weighted average interest rate	1.32%	-	-	-	-	1.13%
Financial liabilities						
Trade and other payables	-	-	-	-	518	518
	-	-	-	-	518	518
Weighted average interest rate	-	-	-	-	-	-
30 June 2018						
Financial Assets						
Cash and deposits	11,094	-	-	-	5,299	16,393
Trade and other receivables	-	-	-	-	325	325
	11,094	-	-	-	5,624	16,718
Weighted average interest rate	1.49%	-	-	-	-	1.01%
Financial liabilities						
Trade and other payables	-	-	-	-	855	855
Tax liabilities	-	-	-	-	251	251
	-	-	-	-	1,106	1,106
Weighted average interest rate	-	-	-	-	-	-

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Group. A movement in interest rates of +/- 100 basis points will result in less than a +/- $47,000 (2018: $111,000) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

Note 3. Financial Risk Management (continued)

(ii) Price Risk

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

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

(iii) Currency risk

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

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

	2019 $'000	2018 $'000
Cash and cash equivalents - USD	662	3,858
Cash and cash equivalents - ZWL	50	-
Trade and other payables - USD	(462)	(612)
Trade and other payables - ZWL	(22)	-
Total Exposure	228	3,246

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2019 against the USD and ZWL would have resulted in an increased loss of $20,000 (2018: $325,000) and $3,000 (2018: $Nil) respectively. A 10% weakening of the AUD would have resulted in a decreased loss of $20,000 (2018:$ 325,000) against the USD and $3,000 (2018: $Nil) against the ZWL, assuming all other variables remain constant. The Group does not currently hedge against currency risk.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Effective interest rate and repricing analysis

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

(e) Fair value of financial instruments

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

Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2019

Note 4. Segment Information

Identification of reportable segments

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

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

	Australia		Zimbabwe		Consolidated	
Geographical segments	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue						
Other external revenue	431	169	2,889	3,723	3,320	3,892
Total segment revenue	431	169	2,889	3,723	3,320	3,892
Results						
Segment net profit/(loss) before tax	(6,348)	(5,182)	626	(219)	(5,722)	(5,401)
Assets						
Segment assets	5,381	16,034	24,059	14,216	29,440	30,250
Liabilities						
Segment liabilities	538	640	618	869	1,156	1,509
Depreciation	6	1	86	60	92	61

The amount of non-current assets added during the year in Australia $35,000 and Zimbabwe $10,125,000 (2018: Australia $Nil and Zimbabwe $5,899,000).

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

Note 5(a). Revenue from Continuing Operations

	Consolidated	
	2019 $'000	2018 $'000
Sale of merchandise	2,677	3,106
Farm income	169	520
Research and development tax credit	333	121
Other income	43	97
Interest revenue	98	48
	3,320	3,892

Note 5(b). Cost of Sales

Cost of sales from merchandise	2,440	2,218
Cost of sales from farming	174	357
	2,614	2,575

Note 6. Income Tax

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

	Consolidated	
	2019 $'000	2018 $'000
Loss before income tax expense	(5,722)	(5,401)
	(5,722)	(5,401)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	(1,574)	(1,485)
Tax effect of differential corporate tax rates	14	110
Tax effect of amounts which are not deductible (taxable) income:	1,572	96
Under recognition of prior year tax expense	(403)	(556)
Foreign exchange adjustment on tax losses brought forward [1]	3,974	-
Tax losses not (used)/recognised	(3,552)	2,074
Income tax expense	31	239

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	11,697	24,096
Potential tax benefit (Australia 27.5%, Zimbabwe 0% -25.75%)	2,715	6,349

(1) During the year, the Zimbabwe Government introduced a domestic currency called the Zimbabwe Dollar (ZWL). The Group is required to lodge its tax returns in Zimbabwe in local ZWL, with all carried forward tax losses being restated from USD to ZWL at 1:1. The closing exchange rate between the AUD/ZWL at 30 June 2019 was $4.74:1. This has resulted carried forward losses being devalued by 4.74:1.

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. The deferred tax liabilities of the Group relate to capitalised exploration costs. The Group's Arcadia Project has obtained Special Economic Zone status which results in a 0% tax rate for the 5 years, then 15% thereafter. The deferred tax liabilities of the Group are estimated as $Nil (2018: $2,790,000).

(c) Current tax liability

Income tax payable	-	251

Note 7. Cash And Cash Equivalents

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank	5,474	16,393

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 exchange rate at 30 June 2019 was 6.62 to the US dollar and is considered legal tender in Zimbabwe. The Group holds AUD$50,000 in Zimbabwe Dollars which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe.

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

	Consolidated	
	2019 $'000	2018 $'000
Operating loss after tax	(6,969)	(5,640)
Non-cash items		
Depreciation	117	61
Share based payments - options	535	547
Impairment of capitalised exploration and evaluation expenditure	132	651
Loss on disposal of subsidiary	133	-
Loss on sale of property, plant and equipment	69	-
Foreign exchange difference	(1,719)	(119)
Interest received	(98)	(48)
Changes in operating assets and liabilities		
(Increase) in operating trade and other receivables	(3)	(241)
Decrease / (increase) in inventories	228	(228)
(Increase) in other assets	(279)	(324)
Increase in operating trade and other payables	157	251
Increase in provisions	131	-
Decrease) / increase in tax liabilities	(251)	251
Net cash flows used in operating activities	(7,817)	(4,839)

(b) Non-cash transactions

During the current year, the Company did not enter into any non-cash financing activities. During the prior year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- issued 20,000,000 options (pre consolidation) as part of capital raising costs which had a fair value of $151,000, as described in Note 17(a).
- issued 10,320,002 shares (pre consolidation) as part of capital raising costs which had a fair value of $516,000, as described in Note 17(a).

Note 8. Trade and Other Receivables

	Consolidated	
	2019 $'000	2018 $'000
GST/VAT receivable	172	141
Related party receivable (refer note 22(b))	27	36
Research and development tax credit receivable	-	121
Other receivables	129	27
	328	325

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

Note 9. Other Current Assets

	Consolidated	
	2019 $'000	2018 $'000
Deposits	9	38
Prepayments	626	56
Other	9	271
	644	365

Note 10. Property, Plant And Equipment

	Consolidated	
	2019 $'000	2018 $'000
Buildings	569	554
Plant and machinery	509	655
Vehicles	64	96
Office equipment	269	53
	1,411	1,358

Note 10. Property, Plant And Equipment (Continued)

Reconciliation of Property, plant and equipment - 2019	Building $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	556	819	171	74	1,620
Additions	-	102	169	306	577
Disposals	-	(52)	(206)	(26)	(284)
Effect of foreign currency exchange differences	30	(159)	8	3	(118)
Closing balance at cost	**586**	**710**	**142**	**357**	**1,795**
Opening accumulated depreciation	(2)	(164)	(75)	(21)	(262)
Depreciation	(15)	(84)	(60)	(74)	(233)
Disposals	-	10	61	8	79
Effect of foreign currency exchange differences	-	37	(4)	(1)	32
Closing accumulated depreciation	**(17)**	**(201)**	**(78)**	**(88)**	**(384)**
Net written down value	**569**	**509**	**64**	**269**	**1,411**

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

	Consolidated	
	2019 $'000	2018 $'000
Depreciation	233	128
Depreciation transferred to capitalised mine properties	(116)	(67)
Depreciation per Note 7(a)	117	61
Depreciation from discontinued operations	(25)	-
Depreciation recognised in statement of profit or loss and other comprehensive income	92	61

Note 11. Exploration, Evaluation & Mine Properties

	Consolidated	
	2019 $'000	2018 $'000
Total expenditure incurred and carried forward in respect of specific projects:		
Exploration & Evaluation Expenditure		
Gwanda East – Gold	-	-
Arcadia – Lithium	-	11,348
Good Days - Lithium	-	74
Verdale - Lithium	-	8
Mine Properties		
Arcadia – Lithium	21,084	-
	21,084	11,430

(a) Exploration & Evaluation Expenditure

Opening balance	11,430	6,443
Acquisition of tenements	-	68
Expenditure incurred	424	5,467
Impairment of exploration and evaluation expenditure	(132)	(651)
Transfer to mines under construction	(11,348)	-
Proceeds from gold sales from exploration and evaluation ore	(374)	(159)
Effect of foreign currency exchange differences	-	262
Closing balance	-	11,430

(b) Mine Properties

Mines Under Construction		
Opening balance	-	-
Expenditure incurred	9,156	-
Impairment of mine properties	-	-
Transfer from exploration and evaluation expenditure	11,348	-
Effect of foreign currency exchange differences	580	-
Closing balance	21,084	-

The Board of Directors undertook an impairment review of the Group's exploration, evaluation & mine properties as at 30 June 2019 resulting in an impairment charge for the current year of $132,000 (2018: $651,000). The current year impairment relates to the Group's claims at Good Days and Verdale (2018: claims at Gwanda East).

Note 12. Intangible Assets

	Consolidated	
	2019 $'000	2018 $'000
Capitalised ERP costs (under construction)	499	151
Opening balance	151	-
Additions	339	151
Effect of foreign currency exchange differences	9	-
Closing balance	499	151

Note 13. Trade and Other Payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	508	842
Accruals	254	362
Unearned trading income	210	-
Other payables	10	13
	982	1,217

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

Note 14. Provisions

	Consolidated	
	2019 $'000	2018 $'000
Current		
Employee entitlements	131	-
Non-current		
Provision for rehabilitation	43	41

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

Note 15. Contributed Equity

	2019 Shares	2018 Shares
(a) Issued share capital		
Ordinary shares fully paid	235,951,758	1,981,114,971

(b) Movement in ordinary share capital

Details	Number of shares	$'000
Balance at 30 June 2017	1,594,128,296	36,976
Issue of shares via placements	366,666,673	20,000
Issue of shares upon exercise of options	10,000,000	150
Issue of shares as part of cost of capital raisings	10,320,002	516
Cost of capital raising	-	(906)
Balance at 30 June 2018	1,981,114,971	56,736
Issue of shares via exercise of options	65,000,000	325
Share consolidation (1 for 10)	(1,841,503,213)	-
Issue of shares upon exercise of options	7,840,000	1,176
Issue of shares via placement	23,500,000	3,995
Cost of capital raising	-	(362)
Balance at 30 June 2019	235,951,758	61,870

On 11 June 2019, shareholders approved a 1 for 10 share consolidation.

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

Note 16. Reserves and Accumulated Losses

(a) Reserves

	Consolidated	
	2019 $'000	2018 $'000
Share based payments reserves (refer to Note 16(c))	10,847	10,312
Foreign currency translation reserve (refer to Note 16(d))	1,296	171
Total reserves	12,143	10,483

(b) Movement in options

Date	Details	Number of options	Fair value issue price	$'000
Balance at 30 June 2017		190,000,000		9,614
21/07/2017	Options issued	65,000,000	$0.0046	299
14/12/2017	Options exercised	(10,000,000)	-	-
06/02/2018	Options issued	20,000,000	$0.0075	151
13/05/2018	Options issued	45,000,000	$0.0174	248
Balance at 30 June 2018		310,000,000		10,312
11/10/2018	Options exercised	(5,000,000)		-
19/11/2018	Options exercised	(60,000,000)		-
31/12/2018	Options expired	(65,000,000)		-
06/02/2019	Options expired	(20,000,000)		-
11/06/2019	Consolidation (1 for 10)	(144,000,000)		-
15/06/2019	Options exercised	(7,840,000)		-
15/06/2019	Options expired	(3,660,000)		-
	Share based payment expense	-		535
Balance at 30 June 2019		4,500,000		10,847

(c) Share Based Payments Reserve

	2019 Number of Options	2019 $'000	2018 Number of Options	2018 $'000
Movement in reserve				
Balance at the beginning of the year	31,000,000*	10,312	190,000,000	9,614
Options issued	-	535	130,000,000	698
Options exercised	(14,340,000)	-	(10,000,000)	-
Options expired	(12,160,000)	-	-	-
Balance at the end of the year	4,500,000	10,847	310,000,000	10,312

* Restated opening balance to be post 1 for 10 share consolidation

Note 16. Reserves and Accumulated Losses (continued)

(d) Foreign Currency Translation Reserve

	2019 $'000	2018 $'000
Movement in reserve		
Opening balance	171	(204)
Currency translation differences	1,102	375
Disposal of DRC subsidiaries	23	-
Closing balance	1,296	171

Nature and Purpose of Reserves

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

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

(e) Accumulated Losses

	Consolidated	
	2019 $'000	2018 $'000
Accumulated losses at beginning of year	(37,526)	(31,945)
Net loss attributable to equity holders of the Company	(7,152)	(5,581)
Disposal of DRC subsidiaries	(23)	-
Accumulated losses at end of year	(44,701)	(37,526)

Note 17. Share-Based Payments

(a) Recognised share-based payment expense

Options

The share based payments expense was $535,000 (2018: $698,000), with $535,000 recognised in the statement of financial performance (2018: $547,000) and $Nil recognised as a cost of equity (2018: $151,000). The following table lists the inputs to the model used:

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

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

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

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

The above disclosures relate to the previously financial year and are pre 1 for 10 consolidation.

Shares

The share based payments expense was $Nil (2018: $516,000). The following table lists the inputs used

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

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

Note 17. Share-Based Payments (continued)

(b) Summary of options granted

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

	2019 No	2019 WAEP	2018 No	2018 WAEP
Outstanding at the beginning of the year	31,000,000*	$0.323	190,000,000	$0.012
Granted during the year	-	-	130,000,000	$0.061
Exercised during the year	(14,340,000)	(0.105)	(10,000,000)	($0.015)
Expired during the year	(12,160,000)	(0.477)	-	-
Outstanding at the end of the year	4,500,000	0.600	310,000,000	$0.032

* Restated opening balance to be post 1 for 10 share consolidation

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 is 2.87 years (2018: 1.16 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.60 (2018: $0.005 - $0.10 pre consolidation).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was N/a (2018: $0.0095 pre consolidation).

(f) Share options exercised during the year

14,340,000 options (post consolidation) were exercised in 2019 (2018: 10,000,000 pre consolidation).

Note 18. Commitments For Expenditure

(a) Exploration Commitments

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

	Consolidated	
	2019 $'000	2018 $'000
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-

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

(b) Operating Lease Commitments

The Group has two operating lease commitments for office rentals and can cancel these with between 2 and 3 months' notice totaling $15,000.

(c) Other Commitments

The Group has commitments for US$50,000 for the Arcadia Project.

The Group has entered into contracts with its directors and certain executives whereby minimum notice periods (usually six months) have been provided by the Group. This totals $1,000,000 as at 30 June 2019 (2018: $815,000).

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 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.

Note 19. Contingent Liabilities

The Group has no contingent liabilities

Note 20. Auditor's Remuneration

	Consolidated	
	2019 $'000	2018 $'000
Auditor of the parent entity		
Audit and audit review of the financial reports	55	41
Other Services	30	-
	85	41
Network firm of the parent auditor		
Audit services	-	-
	-	-
Auditor of Subsidiaries		
Audit services	25	23
	25	23

The auditor of Prospect Resources Limited is Stantons International. The auditor of the Zimbabwe subsidiaries is Deloitte (2018: Baker Tilley).

Note 21. Key Management Personnel Disclosures

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

	Consolidated	
	2019 $'000	2018 $'000
Short-term employee benefits	1,657	1,358
Post employment benefits	73	34
Share based payments	535	408
	2,265	1,800

Note 22. Related Party Transactions

(a) Anglo Pacific Ventures Pty Ltd

The Company paid $46,505 (2018: $43,795) to Anglo Pacific Ventures Pty Ltd for rent. Mr Warner is a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

(b) Farvic Consolidated Mines (Private) Limited

The Group is owed $Nil by Farvic (2018: owes $7,000). This amount receivable is interest free and payable on demand. Harry Greaves and Zed Rusike are directors and shareholders of Farvic.

Farvic toll treated the Group's development gold ore under a tribute agreement and invoiced its expected cost of processing, amounting to US$296,092 (A$413,788) (2018: $Nil).

The Group is owed $27,000 by Mixnote Investments (Pvt) Limited (Mixnote), a subsidiary of Farvic (2018: $29,000), refer Note 8.

(c) Hawkmoth Mining and Exploration (Private) Limited

The Company has entered into four loan facility agreements to provide up to a total US$13,950,000 to its 70% owned subsidiary Hawkmoth Mining and Exploration (Private) Limited ('HME'). At 30 June 2019, HME has fully utilised the facility (2018: US$11,994,000). The remaining 30% of HME is owned by Farvic. The loan facility is interest free and there are no fixed repayment terms.

(d) CSA Global Pty Ltd

The Company paid $1,430 (2018: $23,089) to CSA Global Pty Ltd for geological services. Mr Fahey is a Principal Mine Geologist and shareholder of CSA Global Pty Ltd.

Note 23. Subsequent Events

The directors are not aware of any significant events since the end of the reporting period.

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

Note 24. Loss Per Share

	Consolidated	
	2019	2018
Basic loss per share (cents per share)	(3.52)	(3.24)
Basic loss per share from continuing operations (cents per share)	(2.92)	(3.24)
Basic loss per share from discontinuing operations (cents per share)	(0.60)	-
Amount used in the calculation of basic EPS		
· From continuing operations	(5,936)	(5,581)
· From discontinued operations	(1,216)	-
Loss after income tax attributable to members of Prospect Resources Limited ($'000)	(7,152)	(5,581)
· Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings/(loss) per share	203,252,374	172,470,616

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

The Company undertook a 1:10 share consolidation during the year. The numbers disclosed above for the current and prior year are post this share consolidation.

Note 25. Subsidiaries

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

	Principal activity	Country incorporation	Ownership and voting interest 2019	2018
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%
Prospect Cobalt Pte Ltd	Holding company	Singapore	-	100%
Prospect Cobalt Sub 1 Pte Ltd	Holding company	Singapore	-	100%

Note 25(a). Details of Non-Wholly Owned Subsidiaries that have Material Non-Controlling Interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2019 %	2018 %	Profit/(loss) allocated to non-controlling interests 2019 $'000	2018 $'000	Accumulated non-controlling interests 2019 $'000	2018 $'000
Prospect Lithium Zimbabwe	Zimbabwe	30%	30%	68	(29)	37	(28)
Thornvlei	Zimbabwe	30%	30%	(54)	38	(45)	40
Hawkmoth	Zimbabwe	30%	30%	169	(68)	(1,020)	(964)
Coldawn	Zimbabwe	30%	30%	-	-	-	-
				183	(59)	(1,028)	(952)

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

	2019 $'000	2018 $'000
Zimbabwe Subsidiaries		
Current assets	1,086	1,240
Non-current assets	22,338	12,342
Current liabilities	(576)	(823)
Non-current liabilities	(26,275)	(16,268)
Net liabilities	(3,427)	(3,509)
Equity attributable to owners of the Company	(2,399)	(2,557)
Non-controlling interest	(1,028)	(952)
Total equity/(deficit)	(3,427)	(3,509)

Note 25(a). Details of Non-Wholly Owned Subsidiaries that have Material Non-Controlling Interests (continued)

	Year ended 2019 $'000	Year ended 2018 $'000
Revenue	2,889	3,722
Expenses	(2,256)	(3,922)
Profit/(loss) for the year	633	(200)
Profit/(loss) attributable to owners of the Company	450	(141)
Profit/(loss) attributable to the non-controlling interests	183	(59)
Profit/(loss) for the year	633	(200)
Other comprehensive income/(loss) attributable to owners of the Company	(292)	357
Other comprehensive income/(loss) attributable to the non-controlling interests	(259)	150
Other comprehensive income/(loss) for the year	(551)	507
Total comprehensive income/(loss) attributable to owners of the Company	158	216
Total comprehensive income/(loss) attributable to the non-controlling interests	(76)	91
Total comprehensive income/(loss) for the year	82	307
Dividends paid to non-controlling interests	-	-
Net cash inflow / (outflow) from operating activities	510	(140)
Net cash inflow / (outflow) from investing activities	(9,890)	(6,154)
Net cash inflow / (outflow) from financing activities	9,390	6,728
Net cash inflow / (outflow)	10	434

Note 26. Propect Resources Limited Parent Company Information

	2019 $'000	2018 $'000
ASSETS		
Current Assets	5,351	16,033
Non-current Assets	23,104	13,283
TOTAL ASSETS	28,455	29,316
LIABILITIES		
Current Liabilities	538	640
TOTAL LIABILITIES	538	640
EQUITY		
Contributed equity	61,870	56,736
Reserve	10,847	10,312
Accumulated losses	(44,800)	(38,372)
	27,917	28,676
FINANCIAL PERFORMANCE		
Loss for the year	(6,428)	(5,182)
Other comprehensive income	-	-
Total comprehensive loss	(6,428)	(5,182)

Parent Entity Contingencies and Guarantees

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

Parent Entity Commitments

The parent entity has entered into contracts with its directors and certain executives whereby minimum notice periods (usually six months) have been provided by the parent entity. This totals $500,000 (2018: $486,000).

Note 27. Discontinued Operations

(a) Disposal of Prospect Cobalt Pte Ltd and its subsidiaries

On 16 May 2019, the Company announced it had entered into an agreement to sell 100% of its investment in Prospect Cobalt Pte Ltd ('Prospect Cobalt') to New Energy Metals Limited ("NRG"). The sale completed on 28 June 2019. Prospect Cobalt owns a 100% interest in an exploration business in Democratic Republic of Congo. The consideration for the disposal was:

At completion

- A$1,000 and costs of transferring ownership

Additional contingent consideration

- A$50,000 of new shares in NRG's proposed seed capital placing
- A$100,000 of new shares in NRG's proposed IPO placing
- A$1,000,000 on delineation of a JORC Inferred Mineral Resource Estimate of greater the 5Mt at an average grade of greater than 2% copper and greater then 0.5% cobalt on existing or future projects generated by NRG and its subsidiaries in the DRC; and
- A net smelter royalty (NSR) of 1% on any copper and cobalt products produced from existing or future projects generated by NRG and its subsidiaries in the DRC.

As the contingent consideration is uncertain, no amounts have been recognised at 30 June 2019.

(b) Analysis of loss for the year from discontinued operations

The results of the discontinued operations (ie exploration in DRC business) included in the loss for the year are set out below. The DRC operations were created during the financial year, thus comparatives are $Nil.

	2019 $'000	2018 $'000
Loss for the year from discontinued operations		
Loss on disposal	(133)	-
Expenses	(1,082)	-
Loss before tax	(1,215)	-
Attributable income tax expense	(1)	-
Loss for the year from discontinued operations (attributable to owners of the Company)	(1,216)	-

(c) Loss on deconsolidation of subsidiary

	2019 $'000
Net disposal consideration	1
Net assets disposed of	(134)
Loss on deconsolidation before income tax	133

Independent Auditor's Declaration

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

27 September 2019

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

Dear Sirs

RE: PROSPECT RESOURCES LIMITED

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

As Audit Director for the audit of the financial statements of Prospect Resources Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prospect Resources Limited (the Company) and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Material Uncertainty Relating to Going Concern

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

As referred to in Note 2 (c) to the financial statements, the consolidated financial statements have been prepared on the going concern basis. At 30 June 2019, the Group had cash and cash equivalents of $5,474,000, incurred net cash outflows from operating activities totalling $7,818,000 and incurred a loss after income tax of $6,969,000.

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

Key Audit Matters

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

Stantons International

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Mine Properties	
As at 30 June 2019, Capitalised Value of Mine Properties totals $21,084,000 (refer to Note 11 of the financial report). The carrying value of Capitalised Mine Properties is a key audit matter due to: ▪ The significance of the total balance (72% of total assets); ▪ The determination by the Board of the completion of the exploration stage at the Arcadia Lithium Project and the subsequent reclassification of the Project to development and therefore, transfer of the capitalised exploration and evaluation costs to Development Costs; ▪ The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in relation to capitalised exploration and evaluation costs (which were subsequently reclassified to development costs) and the application of the requirements of the accounting standard AASB 116, *Property, Plant and Equipment* (AASB 116) in light of any indicators of impairment that may be present; and ▪ The assessment of significant judgements made by management in relation to the Capitalised Mine Properties.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over the Arcadia Lithium Project by corroborating the ownership of the mining lease title to government registries and relevant third-party documentation; ii. Reviewed ASX announcements, minutes and held discussions with the Management to confirm the date of completion of the Definitive Feasibility Study (DFS) and their intention to develop the Arcadia Lithium Project. Corroborated with the subsidiary auditor to ensure the correct cut-off and classification of costs incurred after determination to reclassify exploration and evaluation expenditure to development costs; iii. Evaluation of the directors' assessment and classification of the carrying value of the Mine Properties, ensuring the veracity of the data presented and that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects also against the requirements of AASB 116 and AASB 136 Impairment of Assets; iv. Evaluation of the NPV Model relating to the Arcadia Lithium Project by corroborating the accuracy and relevance of the input data used in the model. Assessed the appropriateness of cash flows projections in the calculation of the net present value, challenging the reasonableness of key assumptions based on our knowledge of the business and announcements made by the Company and published market and industry data; v. Consideration of the requirements of accounting standard AASB 116 and reviewed the financial statements to ensure appropriate disclosures are made.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we

Stantons International

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Stantons International

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.*

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director
West Perth, Western Australia
27 September 2019

ASX Additional Information

ASX Additional Information

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

The shareholder information was applicable as at 26 September 2019.

(a) Substantial Shareholders

The substantial shareholders are:

Name	Number Held	Percentage of Issued Shares
CITICORP NOMINEES PTY LIMITED	26,639,331	11.29%
LORD OF SEVEN HILLS HOLDINGS FZE	25,900,000	10.98%
SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	16,666,667	7.06%
ELLIOT HOLDINGS PTY LTD – HD & DM WARNER	16,366,668	6.94%
MBM CAPITAL PARTNERS LLP	14,125,000	5.99%

(b) Voting Rights

Ordinary Shares

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

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	180,431	0.08%
1,001 – 5,000	1,926,352	0.82%
5,001 – 10,000	2,109,925	0.89%
10,001 – 100,000	18,041,637	7.65%
100,001 and over	213,693,413	90.57%
Total	235,951,758	100.00%

There were 954 holders of less than a marketable parcel of ordinary shares.

(d) Equity Security Holders

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

Name		Number Held	Percentage of Issued Shares
1	CITICORP NOMINEES PTY LIMITED	26,639,331	11.29%
2	LORD OF SEVEN HILLS HOLDINGS FZE	25,900,000	10.98%
3	SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	16,666,667	7.06%
4	MBM CAPITAL PARTNERS LLP	14,125,000	5.99%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	10,810,006	4.58%
6	ARMOURED FOX CAPITAL PROPRIETARY LIMITED	9,941,089	4.21%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,793,836	3.73%
8	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	7,916,667	3.36%
9	MR HUGH WARNER & MS DIANNE WARNER <CBM SUPERFUND A/C>	6,633,334	2.81%
10	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,495,753	2.33%
11	MR JIUMIN YAN	3,725,052	1.58%
12	MR YIFENG CHEN	2,826,812	1.20%
13	MR MR ZIZHAO SHANG	2,550,211	1.08%
14	WILLEC HOLDINGS PTY LTD <THE LECHNER FAMILY A/C>	2,400,000	1.02%
15	MYLES DEVELOPMENT PTY LTD <THE ZHOU FAMILY A/C>	2,244,000	0.95%
16	CONTINENTAL MINERALS LIMITED	2,243,990	0.95%
17	WINGFIELD INVESTMENTS LIMITED	2,239,559	0.95%
18	MR ZHIJUN HONG	2,120,035	0.90%
19	MRS BIN ZHOU	2,065,674	0.88%
20	DELFRO LIMITED	2,000,000	0.85%
	TOTAL	**157,337,016**	**66.68%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 60 cents before 12 May 2022	4,500,000	1

ASX Additional Information

Exploration licenses granted:

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

1) Coldawn Investment (Private) Limited ("Coldawn")

2) Hawkmoth Mining and Exploration (Private) Limited ("Hawkmoth")

3) Prospect Lithium Zimbabwe (Pvt) Limited ("PLZ")

4) Farvic Consolidated Mines (Pvt) Limited ("Farvic")

5) Tannahill Mine (Pvt) Limited ("Tannahill")

6) Mixnote Investments (Pvt) Limited ("Mixnote")

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
ML 38	Zimbabwe	Arcadia	PLZ	70%
37680	Zimbabwe	Arcadia	PLZ	70%
ME284G	Zimbabwe	Arcadia	PLZ	70%
23189	Zimbabwe	Arcadia	PLZ	70%
23190	Zimbabwe	Arcadia	PLZ	70%
23233	Zimbabwe	Arcadia	PLZ	70%
32132	Zimbabwe	Arcadia	PLZ	70%
32133	Zimbabwe	Arcadia	PLZ	70%
32126	Zimbabwe	Arcadia	PLZ	70%
32733	Zimbabwe	Arcadia	PLZ	70%
23277	Zimbabwe	Arcadia	PLZ	70%
23278	Zimbabwe	Arcadia	PLZ	70%
23279	Zimbabwe	Arcadia	PLZ	70%
23276	Zimbabwe	Arcadia	PLZ	70%
23281	Zimbabwe	Arcadia	PLZ	70%
23474	Zimbabwe	Arcadia	PLZ	70%
23630	Zimbabwe	Arcadia	PLZ	70%
23201	Zimbabwe	Arcadia	PLZ	70%
23217	Zimbabwe	Arcadia	PLZ	70%
23468	Zimbabwe	Arcadia	PLZ	70%
23469	Zimbabwe	Arcadia	PLZ	70%
23470	Zimbabwe	Arcadia	PLZ	70%
23471	Zimbabwe	Arcadia	PLZ	70%
23472	Zimbabwe	Arcadia	PLZ	70%
23473	Zimbabwe	Arcadia	PLZ	70%
SG6853	Zimbabwe	Mistress	PLZ	70%
37856	Zimbabwe	Moonstone	PLZ	70%
37857	Zimbabwe	Moonstone	PLZ	70%
12227	Zimbabwe	Penhalonga	Coldawn	70%
20560 BM	Zimbabwe	Penhalonga	Coldawn	70%
10675	Zimbabwe	Penhalonga	Coldawn	70%

ASX Additional Information

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
21795 BM	Zimbabwe	Penhalonga	Coldawn	70%
13166 BM	Zimbabwe	Penhalonga	Coldawn	70%
18879	Zimbabwe	Penhalonga	Coldawn	70%
18880	Zimbabwe	Penhalonga	Coldawn	70%
18881	Zimbabwe	Penhalonga	Coldawn	70%
21748 BM	Zimbabwe	Penhalonga	Coldawn	70%
18666 BM	Zimbabwe	Penhalonga	Coldawn	70%
12212	Zimbabwe	Penhalonga	Coldawn	70%
12213	Zimbabwe	Penhalonga	Coldawn	70%
19474 BM	Zimbabwe	Penhalonga	Coldawn	70%
14135 BM	Zimbabwe	Penhalonga	Coldawn	70%
10338	Zimbabwe	Penhalonga	Coldawn	70%
G3425	Zimbabwe	Penhalonga	Coldawn	70%
18582 BM	Zimbabwe	Penhalonga	Coldawn	70%
G2335	Zimbabwe	Penhalonga	Coldawn	70%
M2873 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2874 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2875 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2876 BM	Zimbabwe	Chishanya	Hawkmoth	70%
30419	Zimbabwe	Greater Farvic	Hawkmoth	70%
31773	Zimbabwe	Greater Farvic	Hawkmoth	70%
31774	Zimbabwe	Greater Farvic	Hawkmoth	70%
32194	Zimbabwe	Greater Farvic	Hawkmoth	70%
32195	Zimbabwe	Greater Farvic	Hawkmoth	70%
32196	Zimbabwe	Greater Farvic	Hawkmoth	70%
32716	Zimbabwe	Greater Farvic	Hawkmoth	70%
33181	Zimbabwe	Greater Farvic	Hawkmoth	70%
33280	Zimbabwe	Greater Farvic	Hawkmoth	70%
36972	Zimbabwe	Greater Farvic	Hawkmoth	70%
36973	Zimbabwe	Greater Farvic	Hawkmoth	70%
36974	Zimbabwe	Greater Farvic	Hawkmoth	70%
36975	Zimbabwe	Greater Farvic	Hawkmoth	70%
36976	Zimbabwe	Greater Farvic	Hawkmoth	70%
36977	Zimbabwe	Greater Farvic	Hawkmoth	70%
36978	Zimbabwe	Greater Farvic	Hawkmoth	70%
36979	Zimbabwe	Greater Farvic	Hawkmoth	70%
36980	Zimbabwe	Greater Farvic	Hawkmoth	70%
36981	Zimbabwe	Greater Farvic	Hawkmoth	70%

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
36982	Zimbabwe	Greater Farvic	Hawkmoth	70%
36983	Zimbabwe	Greater Farvic	Hawkmoth	70%
GA 5243	Zimbabwe	Greater Farvic	Examix	70%
GA 5244	Zimbabwe	Greater Farvic	Examix	70%
779	Zimbabwe	Greater Farvic	Farvic	-(i)
30132	Zimbabwe	Greater Farvic	Farvic	-(i)
32979	Zimbabwe	Greater Farvic	Farvic	-(i)
32980	Zimbabwe	Greater Farvic	Farvic	-(i)
37660	Zimbabwe	Greater Farvic	Farvic	-(i)
37661	Zimbabwe	Greater Farvic	Farvic	-(i)
37662	Zimbabwe	Greater Farvic	Farvic	-(i)
37663	Zimbabwe	Greater Farvic	Farvic	-(i)
37664	Zimbabwe	Greater Farvic	Farvic	-(i)
37665	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2037	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2038	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2039	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2040	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 2041	Zimbabwe	Greater Farvic	Farvic	-(i)
GA 3008	Zimbabwe	Greater Farvic	Farvic	-(i)
GA5200	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5212	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5199	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5221	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5217	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5240	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5227	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5222	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5226	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5241	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5225	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5224	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5197	Zimbabwe	Greater Farvic	Tannahill	-(i)

ASX Additional Information

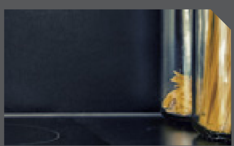
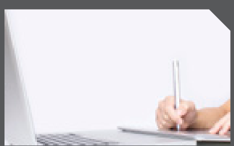
Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
GA 5198	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5242	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5249	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5250	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5251	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5208	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5209	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5252	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5253	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5254	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5245	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5210 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5220	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5532	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5533	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5530	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5528	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5529	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5531	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5460 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5459	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5467	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5469	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5470	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5468	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5472	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5471	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5465	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5458	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA5460 B	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5461	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5481	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5479	Zimbabwe	Greater Farvic	Tannahill	-(i)

ASX Additional Information

Tenement Type & Number	Country	Project	Registered Company Name	% Held at End of Quarter
GA 5480	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5482	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5488	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5478	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5477	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5454	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5455	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5456	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5693 A	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4600	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4601	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4602	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4603	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4604	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4605	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4606	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4597	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4598	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 4599	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5258	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5265	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5207	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5527	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5256	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 6642	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 6643	Zimbabwe	Greater Farvic	Tannahill	-(i)
GA 5466	Zimbabwe	Greater Farvic	Tannahill	-(i)

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




Prospect Resources

+61 8 9217 3300
info@prospectresources.com.au

Suite 6, 245 Churchill Avenue
Subiaco WA 6008 Australia
PO Box 1273

Subiaco WA 6904 Australia

prospectresources.com.au