Prospect Resources

Half-Year Financial Report
31 DECEMBER 2019

Africa's Leading
Lithium Buisiness

Corporate Directory

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

SECRETARY
Andrew Whitten

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ACN 124 354 329

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Directors' Report

The directors of Prospect Resources Limited (the Company or Prospect) and its controlled entities (the Group) submit herewith the financial report of the Group for the half-year ended 31 December 2019.

DIRECTORS

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

Hugh Warner

Sam Hosack

Duncan (Harry) Greaves

Gerry Fahey

Zivanayi (Zed) Rusike

HeNian Chen

Meng Sun (alternate director to Mr Chen)

REVIEW OF OPERATIONS

Below is a summary of key operational announcements made during the half-year ended 31 December 2019 outlining the key milestones achieved.

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

Key Announcements

September 2019 Quarter

19 July	RBZ approves PSC to increase Arcadia ownership to 87%
31 July	Low iron report confirms premium pricing for Arcadia
23 August	MOU signed for power supply to Arcadia
16 September	Prospect Resources presentation - Benchmark World Tour
20 September	Prospect Resources listing on the Frankfurt Stock Exchange
27 September	2019 Annual Report
27 September	Appendix 4G and Corporate Governance Statement

December 2019 Quarter

04 November	Petalite passes glass & ceramics manufacturers process
20 November	Significant increase in Arcadia's Ore Reserve
06 December	Arcadia receives government incentive
12 December	Updated DFS confirms robust lithium mine
12 December	Prospect signs MOU with Uranium One
12 December	Arcadia Updated DFS Presentation - December 2019
16 December	Prospect secures power supply at Arcadia
17 December	Afreximbank mandated to arrange debt facility
30 December	Placement and offtake discussions to advance Arcadia

The half-year was characterised by the advancement of the Arcadia Lithium Project through project finance and offtake.

Petalite Pricing Premium

Prospect is in a unique position as the Arcadia Lithium Project is the only lithium asset that will produce spodumene and petalite lithium concentrates. Petalite is a unique lithium mineral and with only one current producer. In late July, Prospect received Benchmark Minerals Intelligence research report, confirming Petalite:

- is a fully beneficiated product for the glass & ceramics markets;
- has been supply constrained; and
- has historically traded at a 61% premium in price to chemical grade 6% spodumene

These findings support Prospect's own market research. In addition, these results have been validated by potential customers in the glass & ceramics market, where Prospect has now passed their primary and secondary process qualification stages.

Updated Ore Reserve & Project Economics

The validated price premium for petalite was a key driver to the increase in Arcadia's ore reserve, as material which previously may not have been economic has now become economic and adds to Arcadia's project economics.

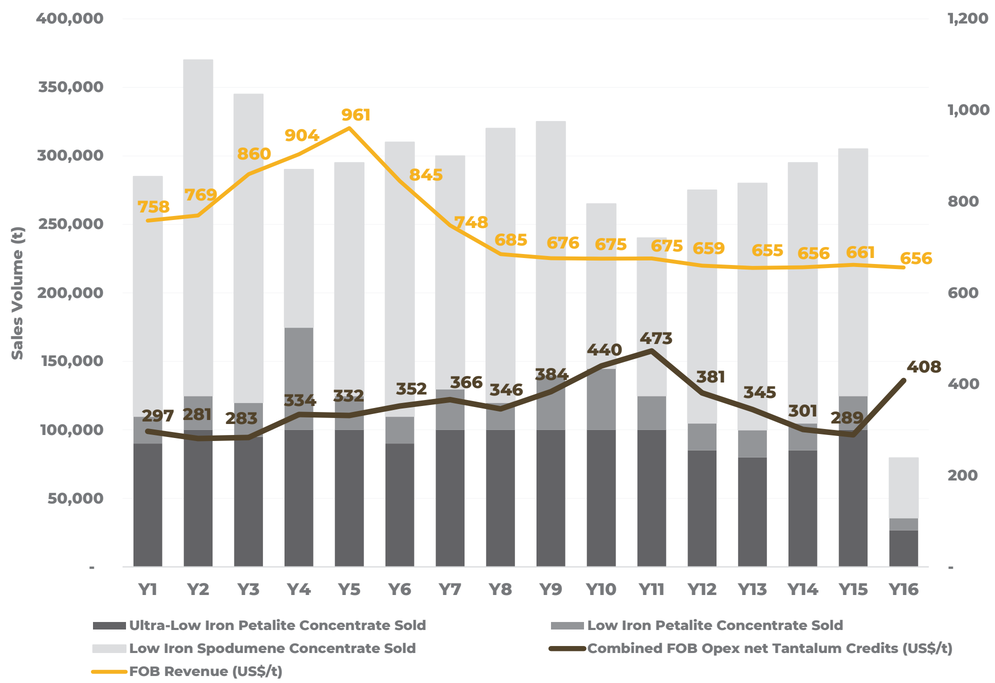
The Ore Reserve hosts ~ 1.12Mt contained lithium carbonate equivalent (LCE) and supports a 15.5 year mine life, making Arcadia the 7th largest hard rock lithium asset globally.

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

The updated ore reserve flows through to an updated Definitive Feasibility Study ("DFS"). Based on the proposed 2.4 Mtpa mining and processing operation, the DFS confirms that Arcadia will be a strong, high-margin project with current forecast Life of Mine (LOM) revenue of US$3.42 billion and average annual EBITDA of US$114 million over an estimated 15.5-year mine life.

Study Outcomes	**DFS – 2.4 Mtpa Base Case**
Average Annual EBITDA First 5 Years (Real)	US$168 million
Estimated Mine Life	15.5 years – Open Pit
LOM Project Revenue (Real & excluding tantalum credits)	US$3.42 billion
LOM Project EBITDA (Real)	US$1.77 billion
Capital Costs (Pre-production)	US$162 million
Sustaining Capital	US$35 million
Pre-Tax NPV_{10}	US$710 million
Internal Rate of Return (IRR, Pre-tax)	71%
LOM Cash Operating Costs (Real, net of tantalum credits)	US$344/t
Project Payback (from first production)	1.5 years

The project economics position Arcadia in the lowest operating cost quartile and as a high margin, tier one lithium project. In line with the Prospect's strategic focus of petalite being sold into the glass & ceramics market, the mine plan has been scheduled to produce 100,000tpa of ultra-low iron petalite production to satisfy customer volumes. This steady state supply will provide the glass & ceramic customers with long term security of supply, something which they have not been able to achieve prior to Arcadia.



LOM Production Volumes, and Operating Costs and Sales

Memorandum of Understanding Signed with Uranium One

In line with the release of the Updated DFS, Prospect announced that it had entered into a Memorandum of Understanding ("MOU") with Uranium One Group JSC ("Uranium One"). Uranium One is a global energy company and one of the world's largest uranium producers, with a diverse portfolio of assets worldwide, including in Kazakhstan, the United States and Tanzania. Uranium One is a company of ROSATOM, the Russian State Corporation for Nuclear Energy.

The purpose of the MOU is to afford Uranium One with a 90-day exclusivity period (subject to certain exceptions) to:

- complete due diligence on the Company and its Arcadia Lithium Project; and

subject to satisfactory due diligence, negotiate:

- equity investment terms in Prospect or its subsidiaries; and
- offtake terms for at least 51% of the Company's future lithium production.

Afreximbank Appointed as Mandated Lead Arranger for Debt Facility

In late December 2019, the Company appointed African Export-Import Bank ("Afreximbank") to arrange and manage the primary syndication of a US$143m project finance debt facility. Afreximbank is proposing to fund and hold US$75m of the facility. The parties have also agreed a non-binding indicative debt facility term sheet.

Afreximbank is the foremost Pan-African multilateral financial institution devoted to financing and promoting intra- and extra-African trade. Afreximbank's southern African operations (covering some 18 countries) are head quartered in Harare, Zimbabwe on the account of the ease of doing business. The bank was established in October 1993 by African governments, African private and institutional investors, and non-African investors. It now comprises some 50 African member state countries. Afreximbank's mission is to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters.

The appointment of Afreximbank as mandated lead arranger is a critical milestone in the financing of the Arcadia lithium project. The parties will now undertake further detailed due diligence and negotiate the final facility agreements. Execution of the facility agreements will be subject to Afreximbank's further due diligence and credit approvals and drawdown will be subject to satisfaction of various conditions precedent to be included in the agreements.

Corporate

In September 2019, Prospect announced the dual listing of the Company's shares on the Frankfurt Stock Exchange, trading under the code "5E8". The Frankfurt Stock Exchange is the world's third largest exchange-trading market, behind the New York Stock Exchange and NASDAQ. More than 50% of the total trades on the Frankfurt Stock Exchange are conducted through investors in countries outside of Germany. The Frankfurt listing expands Prospect's investor reach and increases the Company's exposure to European markets, which is one of the largest regions consuming ultra-low iron petalite in the glass & ceramics market.

Prospect finished the half-year with cash and cash equivalents of A$1.13m and subsequent to 31 December 2019, the Company has raised an additional A$0.97m. The Company has and will continue to focus on cost control while advancing the Arcadia Lithium Project.

Outlook

Prospect sees the 30 June 2020 half to be focused on converting its current indicative term sheet with Afreximbank, into a binding term sheet which is a catalyst for a number of potential equity partners the Company is currently in discussions with. Prospect remains of the view to seek out minimal dilution solutions to finance the Arcadia Lithium Project, and with that see the negotiations with Uranium One and other parties key to the equity portfolio of the mines finance package.

Building on the strength of Prospect's existing binding offtake agreement with tier one chemical converter, Sinomine Resources, the Company is currently in discussions with a number of parties for its ultra-low iron petalite. Prospect is continuing the discussions with both end customers and strategic partners for Arcadia's ultra-low iron petalite to ensure Prospect achieves the best result possible. The Company sees the discussions progressing over the second half of FY2020 and looks forward to providing updates to shareholders and the market more broadly.

Other Projects - Zimbawe

Penhalonga – Gold

The Penhalonga Gold Project consists of a number of shear and vein hosted gold deposits along the southern side of the Penhalonga Valley covering an area of approximately 1.8km^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 gold belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes. Prospect also owns a number of lead tenements within the Mutare Greenstone Belt.

Chishanya – Phosphate

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

FINANCIAL RESULTS

	Half-year ended 31 December 2019 $'000	Half-year ended 31 December 2018 $'000
Reported loss after tax	(2,708)	(4,135)
Development, exploration and evaluation expenditure expensed	474	328
Impairment of exploration and evaluation	(20)	103
Project generation expense	-	1,299
Share based payments expense	-	535
Loss after adjustment for exploration expenditure, impairments, project generation and share based payments	(2,254)	(1,870)

The loss after adjustment for development, exploration and evaluation expenditure, impairments, project generation and share based payments has increased from the prior year period as the Group progresses the Arcadia Lithium Project and prepares for the next stage, being its development.

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

The Group has reduced its project generation activities to focus on the development of the Arcadia Lithium Project and to conserve cash.

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 9 of this report.

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

Sam Hosack
Managing Director
13 March 2020

Competent Person Statement

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

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

Auditor's Independence Declaration

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

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13 March 2020

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

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

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik
Director

Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Half-Year Ended 31 December 2019

	Notes	Half-year ended 31 December 2019 $'000	Half-Year ended 31 December 2018 $'000
Revenue from continuing operations	3(a)	136	3,534
Cost of sales	3(b)	(268)	(2,368)
Depreciation expense		(57)	(49)
Development costs expensed		(473)	-
Employee benefits expenses		(734)	(1,096)
Exploration and evaluation expenditure expensed		(1)	(328)
Farming expenses		-	(202)
Impairment of exploration and evaluation expenditure	5(a)	20	(103)
Occupancy expenses		(26)	(27)
Project generation expense		-	(1,299)
Share based payments – options expense	9	-	(535)
Other administration expenses		(1,300)	(1,662)
Loss before income tax		(2,703)	(4,135)
Income tax		(5)	-
Loss after tax		(2,708)	(4,135)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		60	797
Other comprehensive income/(loss) for the period net of tax		60	797
Total comprehensive loss for the period		(2,648)	(3,338)
Loss attributable to:			
Equity holders of the Company		(2,602)	(4,110)
Non-controlling interests		(106)	(25)
		(2,708)	(4,135)
Total comprehensive loss attributable to:			
Equity holders of the Company		(2,570)	(3,108)
Non-controlling interests		(78)	(230)
		(2,648)	(3,338)
Loss per share (cents per share)			
- Basic loss for the half-year	10	(1.10)	(2.06)
- Diluted loss for the half-year	10	(1.10)	(2.06)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	31 December 2019 $'000	30 June 2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,133	5,474
Trade and other receivables		408	328
Inventories		9	-
Other current assets		750	644
Total Current Assets		2,300	6,446
Non-Current Assets			
Property, plant and equipment		1,385	1,411
Exploration and evaluation expenditure	5(a)	-	-
Mine properties	5(b)	22,926	21,084
Intangible assets		579	499
Total Non-Current Assets		24,890	22,994
TOTAL ASSETS		27,190	29,440
LIABILITIES			
Current Liabilities			
Trade and other payables	6	656	982
Provisions		171	131
Total Current Liabilities		827	1,113
Non-Current Liabilities			
Provisions		43	43
Total Non-Current Liabilities		43	43
TOTAL LIABILITIES		870	1,156
NET ASSETS		26,320	28,284
EQUITY			
Contributed equity	7(b)	62,554	61,870
Reserves		12,175	12,143
Accumulated losses		(47,303)	(44,701)
Total Equity Attributable to Shareholders of Parent Company		27,426	29,312
Non-controlling interests		(1,106)	(1,028)
TOTAL EQUITY		**26,320**	**28,284**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the Half-Year Ended 31 December 2019

	Notes	Half-year ended 31 December 2019 $'000	Half-year ended 31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers		-	4,770
Payments to suppliers and employees		(2,349)	(6,467)
Payments for development expenditure expensed		(461)	-
Payments for exploration expenditure expensed		(1)	(532)
Income tax paid		-	(94)
Net cash flows (used in) operating activities		**(2,811)**	**(2,323)**
Cash flows from investing activities			
Interest received		14	75
Payments for development costs		(2,091)	(5,888)
Payment for plant and equipment		(58)	(446)
Payments for exploration expenditure (net of gold sold)		-	(4)
Payment for intangible assets		(112)	(329)
Net cash flows (used in) investing activities		**(2,247)**	**(6,592)**
Cash flows from financing activities			
Proceeds from issue of shares		720	325
Net cash flows from financing activities		**720**	**325**
Net (decrease) in cash and cash equivalents		(4,338)	(8,590)
Cash and cash equivalents at beginning of period		5,474	16,393
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3)	264
Cash and cash equivalents at end of period	4	**1,133**	**8,067**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the Half-Year Ended 31 December 2019

	Issued shares $'000	Option reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total Equity $'000
At 1 July 2019	61,870	10,847	1,296	(44,701)	29,312	(1,028)	28,284
Loss for the period	-	-	-	(2,602)	(2,602)	(106)	(2,708)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	-	-	32	-	32	28	60
Total comprehensive loss for the period	-	-	32	(2,602)	(2,570)	(78)	(2,648)
Issue of ordinary shares for cash	720	-	-	-	720	-	720
Share capital raising costs	(36)	-	-	-	(36)	-	(36)
At 31 December 2019	62,554	10,847	1,328	(47,303)	27,426	(1,106)	26,320
As 1 July 2018	56,736	10,312	171	(37,526)	29,693	(952)	28,741
Loss for the period	-	-	-	(4,110)	(4,110)	(25)	(4,135)
Other comprehensive income							
Exchange differences arising on translation of foreign operations	-	-	1,002	-	1,002	(205)	797
Total comprehensive loss for the period	-	-	1,002	(4,110)	(3,108)	(230)	(3,338)
Issue of ordinary shares upon exercise of options	325	-	-	-	325	-	325
Options issued	-	535	-	-	535	-	535
At 31 December 2018	57,061	10,847	1,173	(41,636)	27,445	(1,182)	26,263

The accompanying notes form part of these financial statements

Condensed Notes to the Consolidated Financial Statements

for the Half-Year Ended 31 December 2019

Note 1. Summary of Significant Accounting Policies

(a) Statement of Compliance

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

(b) Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prospect Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13 March 2020.

(c) Accounting Policies

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

(d) New and Amended Standards Adopted by the Group

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies as a result of adopting the following Standard:

- AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 1 (e) below.

(e) Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, the Group has assessed all leasing arrangements in place during the period and determined that all leases are short-term and therefore, have not been recognised as right of use assets on the Statement of Financial Position and lease liabilities. Adoption of AASB 16: Leases does not impacted on the financial report.

i. Leases

The Group as lessee

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

ii. Initial Application of AASB 16: Leases

The Group only has short term leases that can be cancelled upon 2 – 3 months formal written notice. There is no financial impact upon adoption of AASB 16: Leases.

(f) Going concern

For the period ended 31 December 2019, the Group recorded a loss of $2,708,000 (2018: loss $4,135,000) and had net cash outflows from operating and investing activities of $5,058,000 (2018: outflow $8,915,000). As at reporting date, the Group had cash and cash equivalents of $1,133,000, with an additional $968,000 before cost being raised via a share placement subsequent to 31 December 2019. These conditions indicate a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

The Group's principal objective is to develop the Arcadia Project and as such, it does not presently have a source of operating income sufficient to fund its operations, rather it is reliant on equity raisings or funds from other external sources to fund its activities.

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

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

(g) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Prospect Resources Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 12.

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

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

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

Condensed Notes to the Consolidated Financial Statements

for the Half-Year Ended 31 December 2019

Note 2. Segment Information

Identification of reportable segments

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

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

	Australia		Zimbabwe		DRC		Consolidated	
Geographical segments	Half-Year 2019 $'000	Half-Year 2018 $'000	Half-Year 2019 $'000	Half-Year 2018 $'000	Half-Year 2019 $'000	Half-Year 2018 $'000	Half-Year 2019 $'000	Half-Year 2018 $'000
Revenue								
Other external revenue	14	75	122	3,459	-	-	136	3,534
Total segment revenue	14	75	122	3,459	-	-	136	3,534
Results								
Segment net (loss) before tax	(2,353)	(3,262)	(355)	(93)	-	(780)	(2,708)	(4,135)
Depreciation	4	2	53	34	-	13	57	49
	31 Dec 2019 $'000	30 June 2019 $'000	31 Dec 2019 $'000	30 June 2019 $'000	31 Dec 2019 $'000	30 June 2019 $'000	31 Dec 2019 $'000	30 June 2019 $'000
Assets								
Segment assets	1,265	5,381	25,925	24,059	-	-	27,190	29,440
Liabilities								
Segment liabilities	416	538	454	618	-	-	870	1,156

Note 3(a). Revenue

	Half-Year ended 31 Dec 2019 $'000	Half-Year ended 31 Dec 2018 $'000
Sale of merchandise	83	3,194
Farm income	31	221
Other income	8	44
Interest revenue	14	75
	136	3,534

Note 3(b). Cost of Sales

Cost of sales from merchandise	218	2,121
Cost of sales from farming	50	247
	268	2,368

Note 4. Cash And Cash Equivalents

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

	31 Dec 2019 $'000	30 June 2019 $'000
Cash at bank and in hand	1,133	5,474

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 31 December 2019 was 16.77 to the US dollar (30 June 2019: 6.62) and is considered legal tender in Zimbabwe. The Group holds AUD$36,000 in Zimbabwe Dollars (30 June 2019: AUD$50,000) which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe.

Note 5. Exploration, Evaluation & Mine Properties

	31 Dec 2019 $'000	12 Months 30 June 2019 $'000
Total expenditure incurred and carried forward in respect of specific projects		
Exploration & Evaluation Expenditure		
Gwanda East – Gold	-	-
Mine Properties		
Arcadia – Lithium	22,926	21,084
	22,926	21,084

(a) Exploration & Evaluation Expenditure

Opening balance	-	11,430
Expenditure incurred	99	424
Impairment of exploration and evaluation expenditure	20	(132)
Proceeds from gold sales from exploration and evaluation ore	(119)	(374)
Transfer to mines under construction	-	(11,348)
Closing balance	-	-

(b) Mine Properties

Mines Under Construction		
Opening balance	21,084	-
Transfer from exploration & evaluation expenditure	-	11,348
Expenditure incurred	1,822	9,156
Effect of foreign currency exchange differences	20	580
Closing balance	22,926	21,084

Condensed Notes to the Consolidated Financial Statements

for the Half-Year Ended 31 December 2019

Note 6. Trade and Other Payables

	31 Dec 2019 $'000	30 June 2019 $'000
Trade creditors	433	508
Accruals	146	254
Unearned trading income	41	210
Other payables	36	10
	656	982

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

Note 7. Contributed Equity

	31 Dec 2019 Shares	30 June 2019 Shares
(a) Issued share capital		
Ordinary shares fully paid	240,751,757	235,951,758

(b) Movement in ordinary share capital

	Number of shares	$'000
Balance at 1 July 2018	1,981,114,971	56,736
Issue of shares upon 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 raisings	-	(362)
Balance at 30 June 2019	235,951,758	61,870
Issue of shares via placement	4,799,999	720
Cost of capital raising	-	(36)
Balance at 31 December 2019	240,751,757	62,554

Note 8. Option Reserve

	31 Dec 2019 Options	31 Dec 2019 $'000	30 June 2019 Options	30 June 2019 $'000
(a) Options at the end of the period	4,500,000	10,847	4,500,000	10,847

(b) Movement in options

Date	Details	Number of option	Fair value issue price	$'000
01/07/2018	Opening balance	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 payments expense	-		535
Balance at 30 June 2019		4,500,000		10,847
Balance at 31 December 2019		4,500,000		10,847

Note 9. Share-Based Payments

(a) Options

The share based payments expense was $Nil (31 December 2018: $535,000). The following table lists the inputs to the model used:

No. of options	45,000,000
Grant date	13/05/2018
Share price	$0.038
Exercise price	$0.06
Interest rate	2.015%
Expiry date	12/05/2022
Volatility	91.83%
Fair value at grant date before discount	$0.0217
Discount for being unlisted	20%
Fair value after discount	$0.0174

The above options were granted on 13 May 2018 and vested on 14 October 2018 and are on a pre-consolidation basis of 1:10.

Note 10. Loss Per Share

	Half-Year Ended 31 Dec 2019	Half-Year Ended 31 Dec 2018
Basic and diluted loss per share (cents per share)	(1.10)	(2.06)
Amount used in the calculation of basic EPS Loss after income tax attributable to members of Prospect Resources Limited ($'000)	(2,602)	(4,110)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	235,977,584	199,701,171

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

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

Note 11. Events After Balance Date

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

1) 4,840,000 new ordinary shares were issued via placement on 16 January 2020 to raise $968,000 before costs.

Note 12. Interests in Subsidiaries

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

	Principal activity	Country incorporation	Ownership and voting interest Dec 2019	Jun 2019
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%

Note 13. Contingent Liabilities

The Group has no contingent liabilities.

Note 14. Commitments

The Group has commitments for US$20,000 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 $980,000.

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.

Directors' Declaration

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

a) the financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

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

On behalf of the Directors

Sam Hosack
Managing Director

Perth, 13 March 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prospect Resources Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Prospect Resources Limited (the consolidated entity). The consolidated entity comprises both Prospect Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prospect Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Prospect Resources Limited on 13 March 2020.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Regarding Going Concern

We draw attention to note 1(f) of the financial report, which describes that the financial report has been prepared on a going concern basis. At 31 December 2019 the consolidated entity had net assets of $26,320,000, cash and cash equivalents of $1,133,000 and net working capital surplus of $1,473,000. The consolidated entity had incurred a loss after tax for the period ended 31 December 2019 of $2,708,000 and had net cash outflows from operating activities of $2,811,000.

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

Our conclusion is not modified in respect of this matter.

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

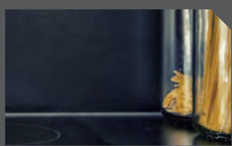
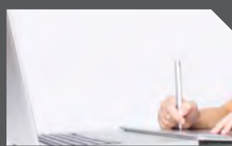
Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
13 March 2020

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