



Prospect Resources

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**PROSPECT RESOURCES LIMITED**

**ACN 124 354 329**

**NOTICE OF EXTRAORDINARY GENERAL  
MEETING**

**EXPLANATORY STATEMENT**

**PROXY FORM**

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TIME: 10:00am (AWST)

DATE: Friday, 22 July 2016

PLACE: Suite 6, 245 Churchill Avenue, Subiaco WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting. Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 8072 1400.

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (AWST) on Friday, 22 July 2016 at:

Suite 6, 245 Churchill Avenue, Subiaco WA 6008

### YOUR VOTE IS IMPORTANT

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The business of the Extraordinary General Meeting affects your shareholding and your vote is important.

### VOTING IN PERSON

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To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and either:

1. deliver the Proxy Form:
  - (a) online at: [www.securitytransfer.com.au](http://www.securitytransfer.com.au);
  - (b) by hand to: Security Transfer Registrars, Alexandria House, Suite 1, 770 Canning Highway, Applecross WA 6135; or
  - (c) by post to: Prospect Resources Limited c/- Security Transfer Registrars, PO Box 535, Applecross WA 6953; or
2. by facsimile to +61 8 9315 2233,

so that it is received not later than 48 hours before the commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Prospect Resources Limited ACN 124 354 329 will be held at 10:00am (AWST) on 22 July 2016 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at 7:00pm (AWST) on 20 July 2016. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## **RESOLUTIONS**

### ***Part A: Ratification of prior issues of Shares***

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#### **1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUES OF SHARES**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of:*

- (a) 1,875,000 fully paid ordinary shares, issued on 12 January 2016 (**January Shares**);*
- (b) 40,000,000 fully paid ordinary shares, issued on 21 March 2016 (**March Shares**);*
- (c) 14,537,898 fully paid ordinary shares, issued on 4 May 2016 (**May Shares**); and*
- (d) 191,012,751 fully paid ordinary shares, issued on 6 June 2016 (**June Shares**),*

*and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 1 by:

- (a) a person who participated in the issues and received January Shares, March Shares, May Shares and/or June Shares;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **Part B: Placement in anticipation of future transactions**

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### **2. RESOLUTION 2 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders approve the issue of up to 250,000,000 fully paid ordinary shares at an issue price of no less than 3 cent (\$0.03) per Share to non-related sophisticated investors invited by the Company to subscribe for Shares on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 2 by:

- (a) a person who proposes to participate in any such placement;
- (b) a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **Part C: Issue of Options to Board, Management and Employees of the Company**

### **3. RESOLUTION 3 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO MR HUGH WARNER**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 35,000,000 unlisted and unvested Remuneration Options, each exercisable at 1.5 cent (\$0.015) per Remuneration Option, expiring 3 years from the date of issue, to Mr Hugh Warner (or his nominee), a Director of the Company, as part of his remuneration, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 3 by:

- (a) Mr Hugh Warner (or his nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**4. RESOLUTION 4 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO MR DUNCAN (HARRY) GREAVES**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 35,000,000 unlisted and unvested Remuneration Options, each exercisable at 1.5 cent (\$0.015) per Remuneration Option, expiring 3 years from the date of issue, to Mr Duncan (Harry) Greaves (or his nominee), a Director of the Company, on the terms and conditions which are set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 4 by:

- (a) Mr Duncan (Harry) Greaves (or his nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**5. RESOLUTION 5 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO MR GERRY FAHEY**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 10,000,000 unlisted and unvested Remuneration Options, each exercisable at 1.5 cent (\$0.015) per Remuneration Option, expiring 3 years from the date of issue, to Mr Gerry Fahey (or his nominee), a Director of the Company, on the terms and conditions which are set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 5 by:

- (a) Mr Gerry Fahey (or his nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (iii) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (iv) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



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**6. RESOLUTION 6 – APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO NON-RELATED MANAGEMENT AND EMPLOYEES OF THE COMPANY**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 40,000,000 unlisted and unvested Remuneration Options, each exercisable at 1.5 cent (\$0.015) per Remuneration Option, expiring 3 years from the date of issue, to certain non-related management and employees of the Company for nil consideration, on the terms and conditions which are set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 6 by:

- (a) a person who is proposing to participate in the issue;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an Associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Dated:** 22 June 2016

**BY ORDER OF THE BOARD**

**Andrew Whitten**  
Company Secretary

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 10:00am (AWST) on 22 July 2016 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Extraordinary General Meeting are set out below.

## RESOLUTIONS

### *Part A: Ratification of prior issues of Shares*

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#### RESOLUTION 1 – RATIFICATION OF PRIOR ISSUES OF SHARES

##### Background to the January Share Issue

On 11 August 2015, the Company announced that it was undertaking a pro-rata non-renounceable rights issue that would allow existing eligible Shareholders of the Company to subscribe for one (1) new Share for every two (2) existing Shares held by the eligible Shareholders (**2015 Rights Issue**).

The 2015 Rights Issue was completed on 22 September 2015, and the shortfall offer in connection with the 2015 Rights Issue was completed on 14 December 2015.

On 12 January 2016, the Company issued 1,875,000 Shares at the same issue price as the Shares under the 2015 Rights Issue (**January Shares**). The Company issued the January Shares utilising the Company's existing capacity under Listing Rule 7.1.

##### Background to the March and May Share issues

On 22 March 2016, the Company announced that:

- (a) the Company had completed a share placement of \$200,000, via the issue of 40,000,000 Shares (**March Shares**) at an issue price of 0.5 cents (\$0.005) per March Share, which were issued utilising the Company's existing capacity under Listing Rule 7.1; and
- (b) the Company would be undertaking a fully underwritten pro-rata non-renounceable rights issue that would allow existing eligible Shareholders of the Company to subscribe for one (1) new Share for every nine (9) existing Shares held by the eligible Shareholders (**2016 Rights Issue**).

On 4 May 2016, the Company announced that the 2016 Right Issue was closed having been over-subscribed. The Company then issued 14,537,898 Shares (**May Shares**) utilising the Company's existing capacity under Listing Rule 7.1 to fulfil the extra demand.

### **Background to the June Share issue**

On 1 and 6 June 2016, the Company announced that it had completed an over-subscribed share placement of approximately \$2.67m (before costs), via the issue of 191,102,751 Shares (**June Shares**) at an issue price of 1.4 cents (\$0.014) per June Share, which were issued utilising the Company's existing capacity under Listing Rules 7.1 and 7.1A.

### **Background to Resolution 1**

Resolution 1 proposes that Shareholders of the Company approve and ratify the issue and allotment of:

- (a) 1,875,000 January Shares;
- (b) 40,000,000 March Shares;
- (c) 14,537,898 May Shares; and
- (d) 191,012,751 June Shares.

All of the January Shares, March Shares and May Shares were completed utilising the Company's existing capacity under Listing Rule 7.1. However, in relation to the June Shares, 92,042,499 of the June Shares were issued utilising the Company's existing capacity under Listing Rule 7.1 and 98,970,252 of the June Shares were issued utilising the Company's existing capacity under Listing Rule 7.1A.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12 month period without the approval of the Shareholders of the Company.

Under Listing Rule 7.1A, certain companies may seek Shareholder approval by special resolution passed at an annual general meeting to have the additional capacity to issue equity securities (which must be in the same class as an existing quoted class of equity securities of the Company) which do not exceed 10% of the existing ordinary share capital without further Shareholder approval. The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1. The Company sought and obtained Shareholder approval at the annual general meeting held on 20 November 2015 to issue equity securities under Listing Rule 7.1A.

Listing Rule 7.4 sets out an exception to Listing Rules 7.1 and 7.1A, which provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rules 7.1 and/or 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 and/or 7.1A), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rules 7.1 and 7.1A.

The effect of approval of this Resolution 1 is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 and the 10% additional limit under Listing Rule 7.1A after this Resolution is adopted, instead of having to wait 12 months after the issue (in relation to the issues utilising Listing Rule 7.1) and instead of having to re-seek Shareholder approval for the additional capacity under Listing Rule 7.1A at this year's annual general meeting (in relation to the issue utilising Listing Rule 7.1A).

## Information required by ASX Listing Rule 7.5

The following information in relation to the January Shares, March Shares, May Shares and June Shares is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Company issued the following Shares:
  - (i) 1,875,000 January Shares;
  - (ii) 40,000,000 March Shares;
  - (iii) 14,537,898 May Shares; and
  - (iv) 191,012,751 June Shares.
- (b) The price the Shares were issued is as follows:
  - (i) the January Shares were issued at 0.4 cents (\$0.004) per January Share;
  - (ii) the March Shares were issued at 0.5 cents (\$0.005) per March Share;
  - (iii) the May Shares were issued at 0.5 cents (\$0.005) per May Share; and
  - (iv) the June Shares were issued at 1.4 cents (\$0.014) per June Share.
- (c) All of the Shares were fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The Shares were issued to the following persons:
  - (i) the January Shares were issued to subscribers as part of the shortfall offer under the 2015 Rights Issue;
  - (ii) the March Shares were issued as a placement to sophisticated investors invited by the Company to subscribe for the March Shares, which raised \$200,000 (before costs);
  - (iii) the May Shares were issued to satisfy the over-subscriptions received by the Company from Shareholders under the 2016 Rights Issue; and
  - (iv) the June Shares were issued as a placement to sophisticated investors invited by the Company to subscribe for the June Shares, which raised \$2,674,178 (before costs).
- (e) Funds raised from the issue of the January Shares, March Shares, May Shares and June Shares have been and will be used by the Company to provide funds:
  - (i) For the rapid exploration and development of the Company's Arcadia Lithium project including:
    - A. Two diamond drilling campaigns and associated testwork;
    - B. Application and/or acquisition of additional claims within the Arcadia Lithium project area;
    - C. Mine design and plant design;

- (ii) for capital works in relation to the development of the Company's Gwanda East gold mines including:
  - A. Prestwood Main mine
  - B. Prestwood A mine;
  - C. Bucks Reef mine;
- (iii) as a working capital buffer in anticipation of the commencement of gold production from the Prestwood Main mine and Prestwood A mine; and
- (iv) generally strengthen the Company's cash position, for general working capital purposes, and for expenses of each of the capital raisings to which the Shares relate.

### ***Part B: Placement in anticipation of future transactions***

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#### **RESOLUTION 2 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS**

This Resolution seeks approval for the issue of up to 250,000,000 Shares in the Company at an issue price of no less than 3 cent (\$0.03) per Share to non-related, sophisticated investors who will be invited by the Company to take part in the placement (**Future Placement**).

As at 22 June 2016, the Company has on issue 1,237,128,296 fully paid ordinary shares. Therefore, if all Shares under this Resolution were issued by the Company, this would represent a dilutionary effect of 16.81%.

The effect of this Resolution is to provide Shareholder consent to the issue of the Shares, and for the issue of Shares to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these Shares without using the Company's annual 15% placement capacity.

#### **Information required by ASX Listing Rule 7.3**

The following information in relation to the Shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of Shares to be issued is 250,000,000.
- (b) The Shares will be issued progressively within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) The Shares are to be issued at a price of no less than 3 cent (\$0.03) per Share.
- (d) The allottees are non-related, sophisticated investors who will be invited by the Company to take part in the Future Placement.
- (e) The Shares will be fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company.

- (f) Assuming that the Company uses the proposed Future Placement facility, the Company intends to use the funds raised under the Future Placement to:
- (i) fast track the development of the Company's Arcadia Lithium project with the aim of bringing the project into production before most of its peers; and
  - (ii) enable to Company to take advantage of acquisition opportunities within the lithium, cobalt and gold sectors;
  - (iii) for working capital in relation to the development of the Company's Gwanda East gold mines including:
    - A. Prestwood Main mine
    - B. Prestwood A mine;
    - C. Bucks Reef mine;
- (f) generally strengthen the Company's working capital position and for expenses of the Future Placement.

### ***Part C: Issue of Options to Board, Management and Employees of the Company***

The independent Board wishes to remunerate two of its Directors and a number of its employees with unlisted and unvested options (**Remuneration Options**).

The intended recipients of the Remuneration Options are as follows:

**Table 1 – Remuneration Options**

<b>Intended Recipient</b>	<b>Relationship with Company</b>	<b>Number of Remuneration Options</b>
Mr Hugh Warner	Executive Director and Chairman	35,000,000
Mr Duncan (Harry) Greaves	Executive Director	35,000,000
Mr Gerry Fahey	Non-Executive Director	10,000,000
Certain non-related employees and management of the Company		40,000,000
<b>Total</b>		<b>120,000,000</b>

As at 22 June 2016, the Company has on issue 1,237,128,296 fully paid ordinary shares. Therefore, if all Remuneration Options under Resolutions 3 – 6 (inclusive) were issued by the Company, on a fully diluted basis, these Shares (which have been converted from the Remuneration Options) would represent a dilutionary effect of 8.84%.

Related-party shareholder approval for the issue of the Remuneration Options to Messrs Warner, Greaves and Fahey will be considered under Resolutions 3 – 5 (inclusive) of this Notice of Meeting. The balance of the Remuneration Options which are intended for certain

non-related employees and management of the Company will be considered under Resolution 6 of this Notice of Meeting.

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## **RESOLUTIONS 3, 4 AND 5 – RELATED PARTY APPROVALS OF FUTURE ISSUE OF REMUNERATION OPTIONS TO DIRECTORS**

### **Background and biographies**

As noted in the table above, Mr Hugh Warner is the Executive Chairman and Director of the Company. Mr Duncan (Harry) Greaves is also an Executive Director and managing director - Africa. Mr Fahey is a Non-Executive Director of the Company.

Mr Warner holds a Bachelor of Economics degree from the University of Western Australia. Hugh has broad experience as a public company director having been a director of approximately 25 publicly listed companies involved in the mining, oil & gas, biotechnology and service industries. He is a resident of Australia.

Mr Greaves holds a Bachelor of Science (Agriculture) from the University of Natal (South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf and Farvic gold mines in southern Zimbabwe all of which he brought back to production over the last 10 years. He is a resident of Zimbabwe.

Harry and Hugh devised the Company's African gold and lithium strategy and are the driving force behind the recent acquisition of the Arcadia Lithium project, the acquisition and development of the Company's Gwanda East gold camp and the Company's Penhalonga Gold Project. Harry and Hugh take the joint lead on project review, negotiation and acquisition. Harry is the Executive Director responsible for all African operations whilst Hugh takes responsibility for corporate matters outside Zimbabwe.

Mr Fahey has over 35 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 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, LiveTiles Limited and a former member of the Joint Ore Reserve Committee (JORC).

### **ASX Listing Rule related party approvals**

Listing Rule 10.11 provides that the Company, as an ASX listed entity, must not issue equity securities to a related party without Shareholder approval.

A "related party" for the purposes of the Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. Given that Messrs Warner, Greaves and Fahey are existing Directors of the Company, they are all "related parties" of the Company.

Under Resolutions 3 -5 (inclusive), the Company seeks Shareholder approval for the issue and allotment of:

- (a) up to 35,000,000 Remuneration Options to Mr Warner (or his nominee) as part of his remuneration;

- (b) up to 35,000,000 Remuneration Options to Mr Greaves (or his nominee) as part of his remuneration; and
- (c) up to 10,000,000 Remuneration Options to Mr Gerry Fahey (or his nominee) as part of his remuneration.

For the purposes of Chapter 2E of the Corporations Act, Messrs Warner, Greaves and Fahey are all “related parties” and the issue of Remuneration Options to each of them, constitutes the giving of a financial benefit.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior Shareholder approval is obtained prior to the giving of the financial benefit.

The Board (with each affected Director being removed from discussions) carefully considered the issue of these Remuneration Options to each of the intended recipients, and formed the view that the giving of this financial benefit to each of them as part of their remuneration, would be reasonable, given the circumstances of the Company and the responsibilities held by each of the relevant Directors as officers of the Company.

In reaching this view, the following considerations were taken into account by the independent Directors:

- (a) the salary and fees paid to Mr Warner (or his nominee) for FY14, FY15, FY16 and FY17 is as follows:
  - (i) FY14: Mr Warner was paid \$20,000 in salary for the 2014 financial year, having agreed to forego his salary for the period from 1 November 2013 to 30 June 2014, in an effort to conserve cash and protect the Company. This salary sum was based on an annual salary of \$60,000 (including superannuation). In addition, Mr Warner was granted options which (at the time of the 2014 annual report) had a value of \$67,372;
  - (ii) FY15: Mr Warner was not paid any salary and fees for the 2015 financial year, having agreed to not receive any salary in an effort to conserve cash and protect the Company;
  - (iii) FY16: Mr Warner was paid \$10,000 in salary for the 2016 financial year, having agreed to forego his salary for the majority of the 2016, for the period from 1 July 2015 to 31 May 2016, in an effort to conserve cash and protect the Company. This salary sum was based on an annual salary of \$120,000 (including superannuation). In recognition of the past salaries and fees that had been foregone, Mr Warner was also provided a cash bonus of \$50,000. In addition, Mr Warner was granted options which are estimated to have a value of approximately \$29,094;and
  - (iv) FY17: As of the date of this Notice, Mr Warner’s annual salary remains at \$120,000 per annum (including superannuation);
- (b) the salary and fees paid to Mr Greaves for FY14, FY15, FY16 and FY17 is as follows:



- (i) FY14: Mr Greaves was not paid any salary for the 2014 financial year, having agreed to not receive any salary in an effort to conserve cash and protect the Company. Mr Greaves, in his capacity as an advisor to Continental Minerals Limited, received shares (as consideration for services provided by Continental Minerals Limited under an exclusivity agreement with the Company to exclusively present mining opportunities, and subsequent performance fees which were achieved following the introduction of mining opportunities) that had a value of \$213,995. In addition, Mr Greaves was granted options which (at the time of the 2014 annual report) had a value of \$67,372;
  - (ii) FY15: Mr Greaves was not paid any salary for the 2015 financial year, having agreed to not receive any salary in an effort to conserve cash and protect the Company. Mr Greaves received \$3,265 for other services provided to the Company;
  - (iii) FY16: Mr Greaves was paid \$10,000 in salary for the 2016 financial year, having agreed to forego his salary for the majority of the 2016, for the period from 1 July 2015 to 31 May 2016, in an effort to conserve cash and protect the Company. The sum was based on an annual salary of \$120,000 (including superannuation). In recognition of the past salaries and fees that had been foregone, Mr Greaves was also provided a cash bonus of \$50,000. In addition, Mr Greaves was granted options which are estimated to have a value of approximately \$29,094., and he also received \$7,468 for other services provided to the Company;and
  - (iv) FY17: As of the date of this Notice, Mr Greaves's annual salary remains at \$120,000 per annum (including superannuation);
- (c) the salary and fees paid to Mr Fahey (or his nominee) for FY14, FY15, FY16 and FY17 is as follows:
- (i) FY14: Mr Fahey was not paid any salary for the 2014 financial year, having agreed to not receive any salary in an effort to conserve cash and protect the Company. However, Mr Fahey was granted options which (at the time of the 2014 annual report) had a value of \$26,949;
  - (ii) FY15: Mr Fahey was not paid any salary for the 2015 financial year, having agreed to not receive any salary in an effort to conserve cash and protect the Company;
  - (iii) FY16: Mr Fahey was paid \$2,000 in salary for the 2016 financial year, having agreed to forego his salary for the majority of the 2016, for the period from 1 July 2015 to 31 May 2016, in an effort to conserve cash and protect the Company. The sum was based on an annual salary of \$24,000 (including superannuation). In addition, Mr Fahey was granted options which are estimated to have a value of approximately \$9,698; and
  - (iv) FY17: As of the date of this Notice, Mr Fahey's annual salary remains at \$24,000 per annum (including superannuation);
- (d) the Remuneration Options are initially unvested, and can only vest when the 20 day VWAP (or over 1 calendar month) of the Company's Share price has reached 3 cents (\$0.03) per Share;

- (e) the Company's Share price over the past 12 months (up to 20 June 2016) has ranged from 0.3 cents (\$0.003) to 2.4 cents (\$0.024), which indicates that the vesting price represents a significant premium to the Company's recent trading history;
- (f) Messrs Warner and Greaves are both Executive Directors of the Company and are responsible for key aspects of the Company's management operations, and the issue of these Remuneration Options is reasonable in recognition of each of their respective responsibilities and on-going management of the Company. The Remuneration Options have a vesting condition connected to the Company's share price (which, set at 3 cents (\$0.03) represents a significant premium to recent performance), which will assist in aligning their interests with Shareholders of the Company. The remaining Directors consider that the issue of these Remuneration Options is a more cost effective way to remunerate and incentivise Messrs Warner and Greaves, as opposed to other forms of remuneration, such as further cash payments and
- (g) Mr Fahey is a Non-Executive Director of the Company and the issue of the Remuneration Options is reasonable in recognition the widespread expertise in geology he brings to the Company. The Remuneration Options have a vesting condition connected to the Company's share price (which, set at 3 cents (\$0.03) represents a significant premium to recent performance), which will assist in aligning their interests with Shareholders of the Company. The remaining Directors consider that the issue of these Remuneration Options is a more cost effective way to remunerate and incentivise Mr Fahey, as opposed to other forms of remuneration, such as further cash payments.

Accordingly, the remaining Directors believe that the issue of these Remuneration Options to Messrs Warner, Greaves and Fahey fall within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act, and relies on this exception for the purposes of Resolutions 3, 4 and 5.

Furthermore, the remaining Directors recommend that the Shareholders should vote in favour of this Resolution.

### **Information required by ASX Listing Rule 10.13**

The following information in relation to the issue of the Remuneration Options to Messrs Warner, Greaves and Fahey (or their nominees) is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) The related parties are Messrs Hugh Warner and Duncan (Harry) Greaves, Executive Directors of the Company and Mr Gerry Fahey, a Non-Executive Director of the Company.
- (b) The maximum number of Remuneration Options to be issued to Mr Warner (or his nominee) is 35,000,000.
- (c) The maximum number of Remuneration Options to be issued to Mr Greaves (or his nominee) is 35,000,000.
- (d) The maximum number of Remuneration Options to be issued to Mr Fahey (or his nominee) is 10,000,000.
- (e) The Remuneration Options will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

- (f) The Remuneration Options are issued for nil cash consideration, however each forms part of Messrs Warner, Greaves and Fahey's remuneration from the Company.
- (g) The terms of the Remuneration Options are set out in Annexure A of this Notice of Meeting.
- (h) The Remuneration Options are being issued to each of Messrs Warner, Greaves and Fahey, as part of the remuneration, which the independent Directors considers to be reasonable in the circumstances.

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## **RESOLUTION 6 – APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO NON-RELATED MANAGEMENT AND EMPLOYEES OF THE COMPANY**

This Resolution seeks approval for the issue of up to 40,000,000 Remuneration Options to certain non-related management and employees of the Company.

The effect of this Resolution is to provide Shareholder consent to the issue of the Remuneration Options, and for the issue of Remuneration Options to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these Remuneration Options without using the Company's annual 15% placement capacity.

### **Information required by ASX Listing Rule 7.3**

The following information in relation to the Shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of Remuneration Options to be issued is 40,000,000.
- (b) The Remuneration Options will be issued progressively within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) The Remuneration Options are issued for nil cash consideration, however forms part of each of the intended recipient's remuneration from the Company.
- (d) The allottees are certain management and employees of the Company, but are not Directors.
- (e) The terms of the Remuneration Options are set out in Annexure A of this Notice of Meeting.

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## **ENQUIRIES**

Shareholders are asked to contact Mr Andrew Whitten, Company Secretary, on (+61 2) 8072 1400 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**2015 Rights Issue** means the pro-rata non-renounceable rights issue that would allow existing eligible Shareholders of the Company to subscribe for one (1) new Share for every two (2) existing Shares held by the eligible Shareholders, as announced by the Company on 11 August 2015.

**2016 Rights Issue** means the fully underwritten pro-rata non-renounceable rights issue that would allow existing eligible Shareholders of the Company to subscribe for one (1) new Share for every nine (9) existing Shares held by the eligible Shareholders, as announced by the Company on 22 March 2016.

**AWST** means Australian Western Standard Time as observed in Perth, Western Australia.

**ASIC** means Australian Securities and Investment Commission.

**Associate** has the meaning given to it by the ASX Listing Rules.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

**ASX Listing Rules** or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Board** means the current board of Directors of the Company.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Chair** means the person chairing the Meeting.

**Company** means Prospect Resources Limited ACN 124 354 329 of Suite 6, 245 Churchill Avenue, Subiaco, WA 6008.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

**Director** means a current director of the Company.

**Dollar** or "**\$**" means Australian dollars.

**Explanatory Statement** means the explanatory statement accompanying this Notice of Meeting.

**Extraordinary General Meeting** or **Meeting** means an Extraordinary General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

**Future Placement** means the proposed issue of up to 250,000,000 Shares in the Company at an issue price of no less than 3 cent (\$0.03) per Share to non-related sophisticated investors invited by the Company. Shareholder approval for this placement is sought under Resolution 2.

**FY14** means the financial year ended 30 June 2014.

**FY15** means the financial year ended 30 June 2015.

**FY16** means the financial year ending 30 June 2016.

**FY17** means the financial year ending 30 June 2017.

**January Shares** means 1,875,000 Shares issued by the Company on 12 January 2016.

**June Shares** means 191,012,751 Shares issued by the Company on 6 June 2016.

**March Shares** means 40,000,000 Shares issued by the Company on 21 March 2016.

**May Shares** means 14,537,898 Shares issued by the Company on 4 May 2016.

**Notice of Meeting** or **Notice of Extraordinary General Meeting** means this notice of annual general meeting dated 22 June 2016 including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Proxy Form** means the proxy form attached to this Notice of Meeting.

**Remuneration Options** means the unlisted and unvested options, the terms of which are set out in Annexure A of this Notice of Meeting, which are proposed to be issued to Directors and certain non-related management and employees of the Company under Resolutions 3 – 6 (inclusive).

**Resolutions** means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

**Securities** mean Shares and/or Options (as the context requires).

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**VWAP** means the volume weighted average price, with respects to the price of Shares.

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## ANNEXURE A – TERMS OF REMUNERATION OPTIONS

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The Remuneration Options entitle the Participant to subscribe for Shares in the Company on the following terms and conditions:

- (a) Each Remuneration Option gives the Participant the right to subscribe for 1 Share upon:
  - (i) exercise of the Remuneration Option in accordance with these terms; and
  - (ii) payment of the Exercise Price.
- (b) The Remuneration Options will expire at 5.00pm (AWST) on the date 3 years after the Participant was granted the Remuneration Options in writing (**Expiry Date**).
- (c) The Remuneration Options may not be exercised until the share price of the Company has traded at 3 cent (\$0.03) or above for an average of 20 business days (using the 20 day volume weighted average price), or over 1 calendar month.
- (d) Subject to paragraph (c) and paragraph (w), Participants may exercise Remuneration Options at any time prior to the Expiry Date.
- (e) Any Remuneration Option not exercised before the Expiry Date will automatically lapse at 5.00pm (AWST) on the Expiry Date.
- (f) Each Remuneration Option is exercisable at 1.5 cents (\$0.015) (**Exercise Price**), payable in full on exercise of that Remuneration Option.
- (g) A Participant may exercise all or some of the Remuneration Options held by that Participant. If a Participant exercises only part of the Remuneration Options held by that Participant, multiples of 100,000 Remuneration Options must be exercised on each occasion.
- (h) If a Participant exercises fewer than all of the Remuneration Options held by that Participant, the Company will cancel the Participant's holding statement and issue or cause to be issued a new holding statement for the balance of the Remuneration Options held by that Participant.
- (i) The exercise of only some Remuneration Options will not affect the rights of that Participant in respect of the balance of the Remuneration Options held by that Participant.
- (j) Remuneration Options may only be exercised by a Participant lodging with the Company:
  - (i) a signed written notice of exercise of Remuneration Options (in the form attached to this Schedule) specifying the number of Remuneration Options being exercised;
  - (ii) the holding statement for the Remuneration Options; and
  - (iii) a cheque or electronic funds transfer notice for the Exercise Price for the number of Remuneration Options being exercised,

**(Exercise Notice)**.
- (k) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (l) Within 10 Business Days of receipt of the Exercise Notice and the full amount of the Exercise Price in cleared funds, the Company will allot the number of Shares to the Participant required under these Rules in respect of the number of Remuneration Options specified in the Exercise Notice.

- (m) Subject to the Corporations Act and the ASX Listing Rules, the Remuneration Options are freely transferable.
- (n) All Shares allotted upon the exercise of the Remuneration Options will, upon issuance, rank pari passu in all respects with other Shares.
- (o) The Company will not apply for quotation of the Remuneration Options on ASX.
- (p) The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Remuneration Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (q) If at any time the issued capital of the Company is reconstructed, all rights of the Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (r) There are no participating rights or entitlements inherent in the Remuneration Options and the Participant will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Remuneration Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give the Participant the opportunity to exercise the Remuneration Options prior to the date for determining entitlements to participate in any such issue.
- (s) In the event the Company proceeds with a pro rata issue (other than a bonus issue) of securities to shareholders after the date of issue of the Remuneration Options, the Exercise Price will be reduced in the manner permitted by the ASX Listing Rules applying at the time of the pro rata issue.
- (t) In the event the Company proceeds with a bonus issue of securities to shareholders after the date of issue of the Remuneration Options, the number of securities over which a Remuneration Option is exercisable may be increased in the manner permitted by the ASX Listing Rules applying at the time of the bonus issue.
- (u) The Company is entitled to treat the registered holder of Remuneration Options as the absolute holder of that Remuneration Option and is not bound to recognise any equitable or other claim to, or interest in, that Remuneration Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
- (v) If a Change of Control Event occurs all unvested Remuneration Options will automatically vest and be free of the condition set out in paragraph (c) above and may be exercised at any time on or before the relevant Expiry Date and in any number.
- (w) If a Participant's employment or engagement with the Company or a Related Body Corporate is terminated in circumstances where they are a bad leaver then any Remuneration Option not exercised by the Participant before the date of the termination will automatically lapse.







My/Our contact details in case of enquiries are:

Name:

Number:

(  )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

**Individual:** where the holding is in one name, the Shareholder must sign.

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

#### Security Transfer Registrars Pty Ltd

<b>Online</b>	www.securitytransfer.com.au
<b>Postal Address</b>	PO BOX 535 Applecross WA 6953 AUSTRALIA
<b>Street Address</b>	Alexandrea House Suite 1, 770 Canning Highway Applecross WA 6153 AUSTRALIA
<b>Telephone</b>	+61 8 9315 2333
<b>Facsimile</b>	+61 8 9315 2233
<b>Email</b>	registrar@securitytransfer.com.au

#### PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

