

PROSPECT RESOURCES LIMITED
ACN 124 354 329

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Share for every nine (9) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$515,789 (based on the expected number of Shares on issue as at the Record Date) (**Offer**).

The Offer is fully underwritten by DJ Carmichael Pty Ltd (**Underwriter**). Refer to Section 8.4 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

TABLE OF CONTENTS

1.	CORPORATE DIRECTORY.....	1
2.	TIMETABLE.....	2
3.	IMPORTANT NOTES.....	3
4.	DETAILS OF THE OFFER.....	5
5.	PURPOSE AND EFFECT OF THE OFFER.....	10
6.	RIGHTS AND LIABILITIES ATTACHING TO SHARES.....	13
7.	RISK FACTORS.....	16
8.	ADDITIONAL INFORMATION.....	23
9.	DIRECTORS' AUTHORISATION.....	36
10.	GLOSSARY.....	37

1. CORPORATE DIRECTORY

Directors

Hugh Warner (Executive Chairman)
Duncan Greaves (Executive Director)
Gerry Fahey (Non-Executive Director)
Manana Nhlanhla (Non-Executive Director)
Zivanayi Rusike (Non-Executive Director)

Company Secretary

Andrew Whitten

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Auditor*

Stantons International Audit and Consulting Pty Ltd
Level 2
1 Walker Avenue
West Perth, WA 6005

Registered Office

Suite 6, 245 Churchill Street
Subiaco WA 6008

Telephone: + 61 8 9217 3300
Facsimile: +61 8 9388 3006

Email: info@prospectresources.com.au
Website: www.prospectresources.com.au

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Underwriter

DJ Carmichael Pty Ltd
Level 14, Parmelia House
191 St Georges Terrace
Perth WA 6000

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Announcement of Rights Issue	22 March 2016
Lodgement of Prospectus with the ASIC	5 April 2016
Lodgement of Prospectus and Appendix 3B with ASX	5 April 2016
Notice sent to Shareholders and Optionholders	7 April 2016
Ex date	8 April 2016
Record Date for determining Entitlements	11 April 2016
Prospectus and Entitlement and Acceptance Form sent to Eligible Shareholders (and Company announces this has been completed)	13 April 2016
Opening Date of the Offer	13 April 2016
Last day to extend the Closing Date	19 April 2016
Closing Date of the Offer*	22 April 2016
Securities quoted on a deferred settlement basis	26 April 2016
ASX notified of under subscriptions	28 April 2016
Issue of Securities/Securities entered into Shareholders' security holdings	2 May 2016

*The Directors may extend the Closing Date by giving at least 6 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 5 April 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

3.3 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every nine (9) Shares held by Shareholders registered at the Record Date at an issue price of \$0.005 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus and assuming completion of the Placement prior to the Record Date, a maximum of 103,157,765 Shares will be issued pursuant to this Offer to raise up to \$515,789.

As at the date of this Prospectus the Company has 65,000,000 Options on issue which may be exercised prior to the Record Date in order to participate in the Offer subject to satisfaction of a milestone. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 Minimum subscription

There is no minimum subscription.

4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement. You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4.3(c). The Shortfall Offer is described in Section 4.8 below.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and

- (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.005 per Share); or
- (c) if you wish to apply for Shares **above your Entitlement** under the Shortfall Offer follow the instructions on how to participate under the Shortfall Offer set out in Section 4.8 below; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.4 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.5 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Prospect Resources Limited – Entitlement Issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date.

4.6 Underwriting

The Offer is fully underwritten by the Underwriter. Refer to Section 8.4 of this Prospectus for details of the terms of the underwriting.

4.7 Effect on control of the Company

The Underwriter is not presently a shareholder of the Company. The Underwriter is not a related party of the Company for the purpose of the Corporations Act.

The Underwriter has entered into a sub-underwriting agreement with Elliot Holdings Pty Ltd, a company associated with Mr Hugh Warner, a director of the Company (**Sub-Underwriter**), pursuant to which it has agreed to sub-underwrite the Offer up to \$300,000 (60,000,000 Shares). The Sub-Underwriter's shareholding in the Company, assuming it takes up its full Entitlement under the Offer and sub-underwrites the Offer to a maximum value of \$300,000, will increase to 174,450,000 Shares (16.9%). The Sub-Underwriter will be paid a fee of 5% of the sub-underwritten amount of \$300,000.

Notwithstanding the above, Armoured Fox Capital Pty Ltd a company associated with Ms Manana Nhlanhla, a director of the Company, may subscribe for up to \$150,000 of the amount underwritten by the Sub-Underwriter; should this occur the holding of Armoured Fox Capital Pty Ltd will hold a maximum of 13.4% and the holding of the Sub-Underwriter would decrease to 14%.

As a result of the underwriting and sub-underwriting arrangement, no Shareholder will hold a relevant interest greater than 19.9% following the Offer. As such, the Offer does not have any effect on the control of the Company.

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 10% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	100,000,000	10.77%	11,111,111	100,000,000	9.69%
Shareholder 2	50,000,000	5.39%	5,555,556	50,000,000	4.85%
Shareholder 3	10,500,000	1.13%	1,166,667	10,500,000	1.02%
Shareholder 4	4,000,000	0.43%	444,444	4,000,000	0.39%
Shareholder 5	500,000	0.05%	55,556	500,000	0.05%

Notes:

1. Assumes full subscription.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

4.8 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.005 being the price at which Shares have been offered under the Offer.

Eligible Shareholders may apply for Shortfall Shares by completing the prescribed area on the Entitlement and Acceptance Form. Whilst the Directors will endeavour to give Eligible Shareholders priority under the Shortfall Offer, the Shortfall to the Offer is to be issued at the absolute discretion of the Directors and as such there is no guarantee that any Shortfall Shares applied for will be issued to Eligible Shareholders.

4.9 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.10 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.11 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of all overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

Accordingly, no action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in

countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia or New Zealand it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.12 Enquiries

Any questions concerning the Offer should be directed to the Company on +61 8 9217 3300.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$515,789.

The funds raised from the Offer when combined with the funds raised under the recently completed Placement (\$200,000) are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Working capital buffer in anticipation of the commencement of gold production	320,000	44.8%
2.	Expenses of the Offer ¹	50,000	7.0%
3.	General working capital	345,000	48.2%
	Total	715,000	100%

Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

On completion of the Offer, the Board believes our Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer and Placement

The principal effect of the Offer and the Placement, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by approximately \$653,000 after deducting the estimated expenses of the Offer and the Placement) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 928,419,882 as at the date of this Prospectus (including the shares issued pursuant to the Placement) to 1,031,577,647 Shares.

5.3 Pro-forma balance sheet

The unaudited balance sheet as at 31 December 2015 and the unaudited pro-forma balance sheet as at 31 December 2015 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 31 December 2015	ADJUSTMENTS	PROFORMA 31 December 2015
CURRENT ASSETS			
Cash and cash equivalents ¹	257,958	653,789	911,747
Trade and other receivables	279,396		279,396
Other current assets	36,146		36,146
TOTAL CURRENT ASSETS	573,500	653,789	1,227,289
NON-CURRENT ASSETS			
Plant and Equipment	216,207		216,207
Exploration and evaluation expenditure	677,857		677,857
TOTAL NON-CURRENT ASSETS	894,064	-	894,064
TOTAL ASSETS	1,467,564	653,789	2,121,353
CURRENT LIABILITIES			
Trade and other payables	299,286		299,286
Provision	318,471		318,471
TOTAL CURRENT LIABILITIES	617,757	-	617,757
NET ASSETS	849,807	653,789	1,503,596
EQUITY			
Contributed equity ²	18,938,626	653,789	19,592,415
Reserves	1,234,146		1,234,146
Non-controlling interests	(241,218)		(241,218)
Accumulated losses	(19,081,747)		(19,081,747)
TOTAL EQUITY	849,807	653,789	1,503,596

Notes:

1. **Cash and cash equivalents**

Balance at 31 December 2015	257,958
Receipt from recently completed Placement	200,000
Receipt via the Offer	515,789
Costs from recently completed Placement	(12,000)
Notice and other costs of the Offer	(50,000)
	911,747

2. **Contributed equity**

Balance at 31 December 2015	18,938,626
Issue of shares from recently completed Placement	200,000
Issue of shares via the Offer	515,789
Costs from recently completed Placement	(12,000)
Notice and other costs of the Offer	(50,000)
	19,592,415

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	928,419,882
Shares offered pursuant to the Offer	103,157,765
Total Shares on issue after completion of the Offer	1,031,577,647

Options

	Number
Options currently on issue: (Unlisted exercisable at \$0.005, which vests when the 20 VWAP of the Company's share price is \$0.01 or above and on 14 December 2018)	65,000,000
New Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	65,000,000

The capital structure on a fully diluted basis as at the Record Date would be 993,419,882 Shares (including the Placement Shares) and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 1,031,577,647 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5.5 Details of substantial holders

Based on publicly available information as at 5 April 2016, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
MBM Capital Partners LLC	141,250,000	15.2
Elliot Holdings Pty Ltd and others	114,450,000 ¹	12.3
Armoured Fox Capital Pty Ltd ²	107,874,800	11.6
Continental Minerals Ltd	73,699,066	7.9

Notes:

1. These Shares are held by entities associated with Mr Hugh Warner, a director of the Company and also include H Warner & D Warner ATF CBM Superfund and Anglo Pacific Ventures Pty Ltd.
2. This is an entity associated with Ms Manana Nhlanhla, a director of the Company.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

6.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

6.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

6.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

6.5 Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

6.6 Transfer of shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

6.7 Future increase in capital

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

6.8 Variation of rights

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.9 Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Risks associated with operating in Zimbabwe and the Democratic Republic of the Congo ("DRC")

The Company's assets are located in Zimbabwe, the DRC and Australia and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations.

Changes to Zimbabwe or the DRC's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

(b) Political and economic risk

Government policy in Zimbabwe and the DRC has been unpredictable and the institutions of government and market economy have been unstable and subject to rapid and unpredictable change.

Any mining operations carried out by the Company in Zimbabwe and the DRC will be subject to Zimbabwean and DRC laws, policies and regulations governing the prospecting, developing and mining of mineral reserves, taxation, exchange controls, investment approvals, employee relations and other matters. If the Company cannot obtain or maintain the necessary permits, authorisations or agreements to implement planned projects or continue its operations under conditions or within time frames that make such plans and operations economic, or if legal or fiscal regimes or the governing political authority change materially, its financial position could be adversely affected.

(c) Zimbabwe's legal environment

Zimbabwe's legal system is less developed than more established countries and this could result in the following risks:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (ii) a higher degree of discretion held by various government officials or agencies;
- (iii) the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (v) relative inexperience of the judiciary and court in matters affecting the Company.

(d) Option Agreement

As announced on 4 April 2016, the Company has been granted a 180 day option to acquire the Moba Gold Project in the DRC. There is no guarantee that the Company will exercise its option and this will be decided after the Company has undertaken exploration activities during the option period. If the Company does not exercise this option, the Company would be unable to explore the land covered by the Moba Gold Project.

(e) Indigenisation and Economic Empowerment Regulations

Under the laws of Zimbabwe, all operating companies must be either 51% owned by indigenous parties or have the capability to be 51% owned by indigenous parties. The Company was granted Zimbabwean Investment Licence No 002092 which enables the Company to own a 70% equity interest in its Zimbabwean operating subsidiary, which must be renewed from time to time. The Company has lodged an application for renewal of this licence and the Directors are not aware of any reason why such renewal will not be granted.

(f) Foreign exchange

The Company will hold tenure in Zimbabwe with expenditure required in US dollars.

In the future, a significant proportion of the Company's revenues, cash inflows, other expenses, capital expenditure and commitments may be denominated in foreign currencies.

This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets.

(g) **Resources Risk**

Whilst the Company has undertaken sufficient drilling to give the Directors confidence to commence mining the down dip extension of the historic Prestwood Gold Mine, the Company has not done sufficient drilling to determine a JORC Resource nor a JORC Reserve. Accordingly, there is a risk that the resources may not extend past the existing drilling.

(h) **Potential for significant dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 928,419,882 currently on issue as at the Record Date to 1,031,577,647. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last closing price of Shares on ASX prior to the prospectus being lodged of \$0.007 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(i) **Tenement applications and license renewal**

The Company cannot guarantee additional applications for tenements made by the Company will ultimately be granted, in whole or in part. Further the Company cannot guarantee that renewals of valid tenements will be granted on a timely basis, or at all.

(j) **Title**

The exploration licenses comprising some of the tenements which the Company holds or in which it has an interest may be the subject of applications for extension in the future.

If a tenement is not extended, the Company may suffer significant damage through loss of the opportunity to discover and/or develop any mineral resources of that tenement.

In addition, the Company cannot guarantee that those tenements that are applications for tenements will ultimately be granted in whole or in part.

7.3 Industry specific

(a) **Environmental**

The operations and proposed activities of the Company are subject to various laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of

environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals may be required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(b) **Failure to satisfy Expenditure Commitments**

Each of the Company's tenements is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(c) **Resource estimates**

In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(d) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages

or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

7.4 General risks

(a) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(e) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(f) **Competition risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(g) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(h) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in Zimbabwe, the DRC and Australia may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

(i) **Regulatory Risks**

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory

authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the Tenements.

7.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
04/04/2016	Company Presentation – Option over 12km Gold Project
04/04/2016	Option over 12km Gold Project
22/03/2016	Cleansing Notice
22/03/2016	Appendix 3B
22/03/2016	Placement and rights issue to raise \$715,000
15/03/2016	Half Yearly Report and Accounts
25/02/2016	Rehabilitation and Construction Completed at Prestwood
18/02/2016	Extension of Option period on Chiliogali Graphite Project
12/02/2016	Response to appendix 5B query
02/02/2016	Corrected JORC Table 1
29/01/2016	Quarterly Activities Report
29/01/2016	Quarterly Cashflow Report
29/01/2016	Coarse graphite flake sizes up to 1mm at Chiliogali
18/01/2016	Chiliogali Graphite Project - Positive Results
12/01/2016	Cleansing Notice
12/01/2016	Appendix 3B
12/01/2016	Issue of Shares
16/12/2015	Change of Director's Interest Notice (x4)
14/12/2015	Appendix 3B
14/12/2015	Completion of Issue and Allotment of Shortfall Shares
20/11/2015	Results of Meeting
17/11/2015	Prospect acquires Option on Chiliogali Graphite Project

Date	Description of Announcement
30/10/2015	Quarterly Activities Report
30/10/2015	Quarterly Cashflow Report
26/10/2015	PSC Signs Mining Agreement over Bucks Reef Gold Mine
20/10/2015	Notice of Annual General Meeting/Proxy Form
30/09/2015	Appendix 4G and Corporate Governance Statement

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.prospectresources.com.au.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.008	29 January 2016, 1 February 2016 and 9 March 2016
Lowest	\$0.004	17-18 December 2015, 5-13 January 2016
Last	\$0.007	4 April 2016

8.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to fully underwrite the Offer (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter a lead management fee of 1% of the total value of the Underwritten Securities plus an underwriting fee of 5% of the value of the Underwritten Securities.

The Underwriting Agreement is conditional upon:

- (a) the Underwriter completing due diligence on the Company to its reasonable satisfaction as at the date of this Prospectus;
- (b) the Underwriter being satisfied with the form of the Prospectus and providing its written consent to be named in the Prospectus by the date of this Prospectus as evidence thereof;

- (c) a legal sign-off being provided to the due diligence committee by Steinepreis Paganin to the satisfaction of the Underwriter, and addressed to the benefit of the Underwriter by the date of this Prospectus;
- (d) the Underwriter obtaining sufficient sub-underwriting commitments for the Offer to its sole satisfaction on or before the date of this Prospectus; and
- (e) the Underwriter not being bound to underwrite the Offer unless and until the Company lodges the Prospectus with ASIC.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **(Indices fall)**: the ASX All Ordinaries Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) **(Share price)**: the Company's Shares quoted on the ASX and trading under the ticker "PSC" have a closing price at any time after the date of the Underwriting Agreement which is less than the price of the Shares issued under the Offer for two consecutive trading days;
- (c) **(Prospectus)**: the Company does not lodge this Prospectus on the lodgement date as set out in Section 2 or the Prospectus or the Offer is withdrawn by the Company;
- (d) **(Copies of Prospectus)**: the Company fails to provide the Underwriter with 10 copies of the Prospectus within 10 days of lodgement and as many copies prior to the Closing date as the Underwriter may request and such failure is not remedied within 2 days; or
- (e) **(No Official Quotation)**: ASX notifies the Company or any other person that official quotation will not be or has not been granted for all the Shares issued under the Offer by the date that notification of under subscriptions must be given in accordance with Section 2 of this Prospectus or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (f) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause 8.5(r)(vi), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or

- (g) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act; or
- (h) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (i) **(Restriction on allotment)**: the Company is prevented from allotting the Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority; or
- (j) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (k) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the date that ASX is notified of under subscriptions has arrived, and that application has not been dismissed or withdrawn; or
- (l) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act; or
- (m) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
- (n) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, North Korea, the United States of America, India or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (o) **(Secondary Trading)**: it transpires that the Company is unable to issue a notice under section 708A(6) of the Corporations Act in relation to secondary trading of the Shortfall Securities; or
- (p) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or

- (q) **(Indictable offence)**: a director or a senior manager of the Company or any of its subsidiaries is charged with an indictable offence in their capacity as a director or senior manager of the Company; or
- (r) **(Termination Events)**: subject always to a material adverse effect occurring, any of the following events occurs:
- (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of constitution or Act)**: a contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iv) **(Adverse change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
 - (vi) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
 - (vii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus, other than as required by law or the ASX Listing Rules;
 - (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive;
 - (ix) **(Official Quotation qualified)**: the official quotation of the Shares is qualified or conditional other than as set out in the definition of "Official Quotation" in the ASX Listing Rules;
 - (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the

Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

- (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence (as defined in the Underwriting agreement) occurs;
- (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (xiii) **(Event of Insolvency)**: an event of insolvency (as defined in the Underwriting agreement) occurs in respect of the Company or any of its subsidiaries;
- (xiv) **(Judgment against the Company or any of its subsidiaries)**: a judgment in an amount exceeding \$25,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed by the Prospectus;
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable (refer to Section 2 of this Prospectus) which is greater than 3 Business Days;
- (xix) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) **(Certain resolutions passed)**: the Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) **(Capital Structure)**: the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus or pursuant to the exercise of options existing at the date of the Prospectus;

- (xxii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries;
- (xxiii) **(Market Conditions)**: a suspension or material limitation in trading of securities generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, North Korea, the United States of America, India, the Peoples Republic of China, Israel or any member of the European Union or other international financial markets;
- (xxiv) **(Material Breach)**: if the Company fails to rectify any material breach of the letter of acknowledgement dated 22 March 2016 between the Company and the Underwriter having been given 10 business days notice in writing by the Underwriter of such breach having occurred;
- (xxv) **(Suspension)**: the Company is removed from the official list or the Shares become suspended from official quotation without the prior consent of the Underwriter and that suspension is not lifted within 24 hours following such suspension; or
- (xxvi) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, North Korea, the United States of America, India, the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
- (i) the formation or promotion of the Company; or
- (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Hugh Warner ¹	114,450,000	15,000,000	12,716,667	63,583
Duncan Greaves	20,957,944	15,000,000	2,328,661	11,643
Zivanayi Rusike	12,403,738	5,000,000	1,378,194	6,890
Gerry Fahey	Nil	5,000,000	Nil	Nil
Manana Nhlanhla	107,874,800	Nil	11,986,089	59,930

Notes:

1. Shares are held by Elliot Holdings Pty Ltd, H Warner & D Warner ATF CBM Superfund and Anglo Pacific Ventures Pty Ltd, entities associated with Mr Warner.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2014		2015		2016 ²	
	Cash	Share based payments	Cash	Share based payments	Cash	Share based payments
Hugh Warner	\$20,000	67,372	Nil	Nil	Nil	8,875
Duncan Greaves	Nil	281,367	\$3,265	Nil	\$7,560	8,875
Zivanayi Rusike	Nil	141,268	Nil	Nil	Nil	2,958
Gerry Fahey	Nil	26,949	Nil	Nil	Nil	2,958
Manana Nhlanhla ¹	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

1. Appointed on 29 September 2014.
2. 2016 comprises cash payments YTD and full year share based payments expense recognised over vesting periods.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- the formation or promotion of the Company; or
- the Offer.

DJ Carmichael Pty Ltd will be paid an underwriting fee of approximately \$10,000 (excluding GST and disbursements) together with a management fee of approximately \$5,000 (excluding GST and disbursements) in respect of this Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, DJ

Carmichael Pty Ltd has been paid fees totalling \$12,000 (excluding GST and disbursements) by the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$12,855 (excluding GST and disbursements) for legal services provided to the Company.

8.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section;
- (c) DJ Carmichael Pty Ltd has given its written consent to being named as underwriter to the Offer in this Prospectus, in the form and context in which it is named;
- (d) DJ Carmichael Pty Ltd (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any of the Company's securities; and
- (e) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$50,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,320
ASX fees	3,573
Underwriting fees	15,000
Legal fees	15,000
Printing and distribution	10,000
Miscellaneous	4,107
Total	<u>50,000</u>

8.9 Electronic prospectus

Pursuant to Class Order 14/25, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic

prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9217 3300 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.prospectresources.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.


You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Hugh Warner
Executive Chairman
For and on behalf of
Prospect Resources Limited

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESSE.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Prospect Resources Limited (ACN 124 354 329).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement means the placement of 40,000,000 to sophisticated and professional investors as announced on 22 March 2016.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

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

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.8 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.