



Prospect Resources

PROSPECT RESOURCES LIMITED

ACN 124 354 329

NOTICE OF 2016 ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 11:00am (AWST)

DATE: 16 November 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

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11:00am (AWST) on 16 November 2016 at:

Suite 6, 245 Churchill Avenue, Subiaco WA 6008

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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

1. deliver the Proxy Form:
 - (a) by hand to: Security Transfer Australia Pty Ltd, Suite 511, The Trust Building, 155 King Street, Sydney NSW 2000; or
 - (b) by post to: Prospect Resources Limited c/- Security Transfer Australia Pty Ltd, PO Box A2020, South Sydney NSW 1235; or
2. by facsimile to +61 8 9315 2233; or
3. by email to: registrar@securitytransfer.com.au; or
4. lodge online at www.securitytransfer.com.au,

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 ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Shareholders of Prospect Resources Limited (ACN 124 354 329) will be held at 11:00am (AWST) on 16 November 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 Annual 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 Annual General Meeting are those who are registered Shareholders at 4:00pm (AWST) on 14 November 2016. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

“To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2016 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

Note: This item of ordinary business is **for discussion only and is not a resolution.**

However, pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

RESOLUTIONS

Part A: Remuneration Report

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2016.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company’s key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person’s Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as **Restricted Voter**). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote “against”, or to abstain from voting on, this Resolution.

Part B: Re-election of Directors

2. RESOLUTION 2 – RE-ELECTION OF MR GERRY FAHEY AS DIRECTOR

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

“That Mr Gerry Fahey, a Director who retires by rotation in accordance with the Company’s Constitution and ASX Listing Rule 14.4, and being eligible offers himself for re-election, is re-elected as a Director of the Company.”

3. RESOLUTION 3 – RE-ELECTION OF MRS MANANA NHLANHLA AS DIRECTOR

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

“That Mrs Manana Nhlanhla, a Director who retires by rotation in accordance with the Company’s Constitution and ASX Listing Rule 14.4, and being eligible offers herself for re-election, is re-elected as a Director of the Company.”

Part C: Ratification of prior issue of Securities

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SECURITIES

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) 30,000,000 Shares, issued on 22 July 2016;*
- (b) 27,000,000 unlisted Options, issued on 22 July 2016;*
- (c) 40,000,000 Shares, issued on 28 July 2016; and*
- (d) 20,000,000 Shares, issued on 9 August 2016,*

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 4 by:

- (a) a person who participated in the issue or received Shares or unlisted Options subject of this Resolution;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this 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.

Part D: ASX Listing Rule 7.1A

5. RESOLUTION 5 – ASX LISTING RULE 7.1A APPROVAL OF FUTURE ISSUE OF SECURITIES

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

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms 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 5 by:

- (a) 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 this Resolution is passed; and
- (b) an Associate of those persons.

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 E: Placement in anticipation of future transactions

6. RESOLUTION 6 – 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 200,000,000 Shares at a price of no less than 10 cents (\$0.10) per Share to non-related sophisticated investors invited by the Company to subscribe for Shares on the terms 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 6 by:

- (a) 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 this Resolution is passed; and
- (b) an Associate of those persons.

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 F: Issue of Options to Directors, Management and Employees of the Company

7. RESOLUTION 7 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF EXECUTIVE 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 ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 30,000,000 unlisted Executive Options, expiring on 31 December 2018, to Mr Hugh Warner (or his nominee), a Director of the Company, 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 7 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 this 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.

8. RESOLUTION 8 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF EXECUTIVE 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 ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 30,000,000 unlisted Executive Options, expiring on 31 December 2018, to Mr Duncan (Harry) Greaves (or his nominee), a Director of the Company, 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 8 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 this 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.

9. RESOLUTION 9 – APPROVAL OF FUTURE ISSUE OF EXECUTIVE 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 65,000,000 unlisted Executive Options, expiring on 31 December 2018, 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 9 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 this 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.

Dated: 17 October 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 Annual General Meeting to be held at 10:00am (AWST) on 16 November 2016 at Whittens & McKeough, Level 29, 201 Elizabeth Street, Sydney NSW 2000.

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 Annual General Meeting are set out below.

AGENDA

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2016 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at www.prospectresources.com.au.

No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

RESOLUTIONS

Part A: Remuneration Report

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at www.prospectresources.com.au.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting (subject of this Notice of Meeting), and then again at the 2017 Annual General Meeting (**2017 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2017 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2017 AGM. All of the Directors who were in office when the 2017 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to KMPs (including Directors) and sets out remuneration details, service agreements and the details of any share-based compensation.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed him to vote in accordance with his stated intention to vote in favour of Resolution 1.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

Part B: Election of Directors

RESOLUTION 2 – RE-ELECTION OF MR GERRY FAHEY AS DIRECTOR

The Company's Constitution requires that if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election.

Mr Gerry Fahey was last re-elected as a Director at the 2014 annual general meeting of the Company, and is equally the longest serving Director since his last election.

Accordingly, Mr Fahey retires by rotation and being eligible, seeks re-election at this AGM.

Background details for Mr Fahey are set out below:

Mr Gerry Fahey has over 35 years' global experience in the mining industry. He is a specialist in mining geology, mine development and training. He previously worked as the Chief Geologist for Delta Gold for over 10 years, where he was actively involved in the development of the Eureka, Chaka, Globe and Phoenix gold mines in Zimbabwe and the Kanowna Belle, Golden Feather, Sunrise and Wallaby gold projects in Australia. Mr Fahey currently serves as a Director of CSA Global Pty Ltd and Focus Minerals Ltd. He is also a member of the Joint Ore Reserve Committee (JORC).

Directors' recommendation

The Directors (excluding Mr Fahey) recommend that Shareholders vote for Resolution 2.

RESOLUTION 3 – RE-ELECTION OF MRS MANANA NHLANHLA AS DIRECTOR

The Company's Constitution requires that if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election.

Ms Manana Nhlanhla was last re-elected as a Director at the 2014 annual general meeting of the Company, and is equally the longest serving Director since her last election.

Accordingly, Mrs Nhlanhla retires by rotation and being eligible, seeks re-election at this AGM.

Background details for Mrs Nhlanhla are set out below:

Manana is an executive Director and Chairperson of Mion (Proprietary) Limited, the parent company of Armoured Fox Capital (Pty) Ltd. Mion (Proprietary) Limited is a 100% Southern African based investment company with investments in the maritime, gaming, energy, industrial, engineering industries and general listed entities. Over the past 20 years, Manana has been involved in various businesses and served as a director across various JSE listed companies. Since returning to KwaZulu Natal from Johannesburg in 2003, she has served as a director of a number of companies. Manana also serves as a non-executive Director for a number of South African Stock exchange listed and private companies.

Directors' recommendation

The Directors (excluding Mrs Nhlanhla) recommend that Shareholders vote for Resolution 3.

Part C: Ratification of prior issue of Securities

RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SECURITIES

Resolution 4 proposes that Shareholders of the Company approve and ratify the allotment and prior issue of:

- (a) 30,000,000 Shares, issued on 22 July 2016;
- (b) 27,000,000 unlisted Options, issued on 22 July 2016;
- (c) 40,000,000 Shares, issued on 28 July 2016; and
- (d) 20,000,000 Shares, issued on 9 August 2016.

which were all issued utilising the Company's existing capacity under Listing Rule 7.1.

Background to the issue of securities on 22 July 2016

On 20 July 2016, the Company announced that it had received commitments for \$14m to be raised via the issue of 280,000,000 fully paid ordinary shares at an issue price of 5 cents per share (**Placement**). It was noted that the Placement was subject to Shareholder approval, which was being sought on 22 July 2016.

On 22 July 2016, having obtained all necessary Shareholder approvals, the Company completed the Placement and raised \$14m (before costs). The portion of the shares issued pursuant to the Placement (30,000,000 fully paid ordinary shares) were issued utilising the Company's existing capacity under Listing Rule 7.1. In addition, as part of the Placement, in lieu of cash payments, the Company agreed to remunerate service providers in relation to the Placement with unlisted options. Accordingly, the Company issued 27,000,000 unlisted options utilising the Company's existing capacity under Listing Rule 7.1.

Background to the issue of shares on 28 July 2016

On 22 July 2016, the Company announced that it had received firm commitments for an additional \$2m to be raised (in addition to the Placement amount of \$14m) via the issue of 40,000,000 fully paid ordinary shares at an issue price of 5 cents per share (**Additional Placement**). It was noted that the Additional Placement would be completed via a DVP settlement.

On 28 July 2016, the DVP settlement with respect to the Additional Placement was completed, with 40,000,000 fully paid ordinary shares issued utilising the Company's existing capacity under Listing Rule 7.1.

Background to the issue of shares on 9 August 2016

On 9 August 2016, the Company announced that one of the Company's major investors had subscribed for \$1m of shares via the subscription of 20,000,000 fully paid ordinary shares at an issue price of 5 cents per share. The Company completed this placement utilising the Company's existing capacity under Listing Rule 7.1.

ASX Listing Rule 7.1

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.

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

The effect of approval of this Resolution 4 is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 after this Resolution is adopted, instead of having to wait 12 months after the issue.

Information required by ASX Listing Rule 7.5

The following information in relation to the Securities subject of this Resolution is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Company issued:
 - (i) 30,000,000 Shares and 27,000,000 unlisted Options on 22 July 2016;
 - (ii) 40,000,000 Shares on 28 July 2016; and
 - (iii) 20,000,000 Shares on 9 August 2016.
- (b) Each of the Shares (issued on 22 July 2016, 28 July 2016 and 9 August 2016) were issued at an issue price of 5 cents per Share. The unlisted Options did not have an issue price as they were issued for nil cash consideration.
- (c) All of the Shares (issued on 22 July 2016, 28 July 2016 and 9 August 2016) were fully paid on issue and rank equally in all respects with all existing Shares previously issued by the Company.
- (d) The terms of the unlisted Options are as follows:
 - (i) Exercise price: 1.5 cents
 - (ii) Expiry date: 22 July 2019
- (e) The Shares (issued on 22 July 2016 and 28 July 2016) were issued to investors invited to participate in the Placement. The unlisted Options were issued to service providers who provided services in relation to the Placement. The Shares (issued on 9 August 2016) was issued to one of the Company's major investors.
- (f) Funds raised from the issue of all of the Shares (issued on 22 July 2016, 28 July 2016 and 9 August 2016) have been and will continue to be used to:
 - (i) fast track drilling at the Arcadia Lithium deposit (which is approximately 35kms north east of Harare);
 - (ii) accelerate mine design, plant design and feasibility studies for the Arcadia Lithium deposit;
 - (iii) enable the Company to order long lead time items of plant for the Arcadia Lithium deposit;

- (iv) fast track exploration at the God's Gift Lithium deposit;
- (v) accelerate gold production at the Gwanda East gold camp, south east of Bulawayo;
- (vi) provide the Company with capacity to make additional strategic acquisitions, particularly within the lithium, graphite and cobalt sectors; and
- (vii) supplement general working capital.

Part D: ASX Listing Rule 7.1A

RESOLUTION 5 – ASX LISTING RULE 7.1A APPROVAL OF FUTURE ISSUE OF SECURITIES

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.

Approval under this Resolution 5 is sought for the Company to issue equity securities under Listing Rule 7.1A.

If Resolution 5 is approved the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- (a) the date which is 12 months after the date of the 2016 Annual General Meeting; or
- (b) the date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking);

or such longer period if allowed by the ASX.

Accordingly, the approval given if this Resolution 5 is passed will cease to be valid on the earlier of 15 November 2017 or the date on which holders of the Company's ordinary securities approve a transaction under Listing Rules 11.1.2 or 11.2.

At the date of this Explanatory Statement, the Company is an 'eligible entity', and therefore able to seek approval under Listing Rule 7.1A, as it is not included in the S&P/ASX300 and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million). If at the time of the Annual General Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

$(A \times D) - E$

where:

A is the number of shares on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of the holders of shares under Listing Rules 7.1 and 7.4 (this does not include an issue

of fully paid ordinary shares under the entity's 15% placement capacity without Shareholder approval);

(iv) less the number of fully paid shares cancelled in the 12 months.

D is 10%

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

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 effect of Resolution 5 will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 4 October 2016, the Company has on issue 1,584,128,296 Shares and therefore has capacity to issue:

- (a) subject to Shareholder approval being sought under Resolution 4, 236,569,244 equity securities under Listing Rule 7.1; and
- (b) subject to Shareholder approval being sought under this Resolution, 157,712,829 equity securities under Listing Rule 7.1A.

The issue price of the equity securities issued under Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities the subject of this Resolution will be issued is 75% of the VWAP of the Company's equity securities over the 15 days on which trades in that class were recorded immediately before either:

- (a) the date on which the price at which the equity securities are to be issued is agreed; or
- (b) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (a) the date on which the securities are issued.

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:

- (a) the market price for the Company's equity securities may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- (b) the equity securities issued under Listing Rule 7.1A may be issued at a price that is at a discount (as described above) to market price for the Company's equity securities on the issue date;

which may have an effect on the amount of funds raised by the issue.

The table set out below shows the dilution of existing Shareholders on the basis of:

- The current market price of the Company's Shares and the current number of ordinary securities as at the date of this Explanatory Statement.
- Two examples where the number of Shares on issue ("A") has increased, by 50% and 100%. The number of Shares on issue may increase as a result of issues of Shares that

do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future specific placements under Listing Rule 7.1 that are approved by Shareholders.

- Two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Variable "A" Listing Rule 7.1A.2		Dilution		
		\$0.024 50% decrease in issue price	\$0.048 Issue Price **	\$0.096 100% increase in issue price
"A" is the current number of Shares on issue 1,584,128,296 Shares	10% voting dilution	158,412,829 Shares	158,412,829 Shares	158,412,829 Shares
	Funds raised	\$3,801,907.90	\$7,603,815.79	\$15,207,631.58
"A" is a 50% increase in current Shares on issue 2,376,192,444 Shares	10% voting dilution	237,619,244 Shares	237,619,244 Shares	237,619,244 Shares
	Funds raised	\$5,702,861.86	\$11,405,723.71	\$22,811,447.42
"A" is a 100% increase in current Shares on issue 3,168,256,592 Shares *	10% voting dilution	316,825,659 Shares	316,825,659 Shares	316,825,659 Shares
	Funds raised	\$7,603,815.82	\$15,207,631.63	\$30,415,263.26

Notes:

- The table assumes that the Company issues the maximum number of equity securities available under Listing Rule 7.1A.
- The table assumes that no options are exercised in Shares before the date of the issue of equity securities under Listing Rule 7.1A.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory Statement.
- The table shows the effect of an issue of equity securities under Listing Rule 7.1A, not under the Company's 15% placement capacity under Listing Rule 7.1.
- The issue of equity securities under the Listing Rule 7.1A consists only of Shares. If the issue of equity securities includes options, it is assumed that those options are exercised into Shares for the purposes of calculating the voting dilution effect on existing Shareholders.

* Any issue of equity securities is required to be made in accordance with the Listing Rules. Any issue made other than under the Company's 15% capacity (Listing Rule 7.1) or the Company's additional 10% capacity (Listing Rule 7.1A) and not otherwise made under an exception in Listing Rule 7.2 (for example, a pro-rata rights issue) would require Shareholder approval.

** Based on the closing price of the Company's Shares on ASX on 4 October 2016.

*** Based on the Company's Share structure as at 4 October 2016.

If this Resolution is approved the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Explanatory Statement, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under Listing Rule 7.1A will depend on the issue price of the equity securities which will be determined at the time of issue. In some circumstances the Company may issue equity securities under Listing Rule 7.1A for non-cash consideration (for example, in lieu of cash payments to consultants, suppliers or vendors). While the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A, some of the purposes for which the Company may issue equity securities under Listing Rule 7.1A include (but are not limited to):

- (a) raising funds to further develop the Company's business;
- (b) raising funds to be applied to the Company's working capital requirements;
- (c) acquiring assets; and
- (d) paying service providers or consultants of the Company.

Details regarding the purposes for which any particular issue under Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to Listing Rule 7.1A.4 and Listing Rule 3.10.5A at the time the issue is made. The identity of the allottees of equity securities under Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- (a) the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- (b) the potential effect on the control of the Company;
- (c) the Company's financial situation and the likely future capital requirements; and
- (d) advice from the Company's corporate or financial advisors.

Offers made under Listing Rule 7.1A may be made to parties including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

The allocation policy the Company may adopt for a particular issue of equity securities under Listing Rule 7.1A and the terms on which those equity securities may be offered will depend upon the circumstances existing at the time of the proposed capital raising under Listing Rule 7.1A. Subject to the requirements of the Listing Rules and the Corporations Act, the Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, it is required by Listing Rule 7.3A.6 to provide details of all issues of securities in the 12 months preceding the date of the Meeting. The details of all issues of Securities by the Company during the 12 months preceding the date of the Meeting are detailed below (unless denoted otherwise, all references to currency are in Australia dollar):

Number/Class of Securities issued	Terms and Purpose of issue	Price and discount to closing market price on the date of issue (if any)	Consideration details /value	Allottees of the Securities
<i>Securities Issued on 14 December 2015</i>				
35,755,000 Shares	Issue of Shares as part of the "Shortfall Offer" under a rights issue announced by the Company on 11 August 2015.	Issue price of \$0.004 per Share. Share price on the date of issue was \$0.006, which represents a discount of 33%.	Cash consideration of \$143,020.00. All of these funds have been used by the Company for working capital purposes.	Eligible Shareholders under the rights issue.
65,000,000 unlisted Options	Issue of unlisted Options to certain Directors, management and advisers of the Company, as approved by Shareholders at the 2015 annual general meeting of the Company.	N/A – Issued for nil consideration.	N/A – Issued for nil consideration	Certain Directors, management and advisers of the Company.
<i>Securities Issued on 12 January 2016</i>				
1,875,000 Shares	Issue of Shares that should have been issued as part of the "Shortfall Offer" under rights issue announced by the Company on 11 August 2015.	Issue price of \$0.004 per Share. Share price on the date of issue was \$0.004, accordingly there was no discount.	Cash consideration of \$7,500.00. All of these funds have been used by the Company for working capital purposes.	Eligible Shareholders under the rights issue.
<i>Securities Issued on 21 March 2016</i>				
40,000,000 Shares	Issue of Shares as part of a placement announced by the Company on 22 March 2016.	Issue price of \$0.005 per Share. Share price on the date of issue was \$0.006, which represents a discount of 17%.	Cash consideration of \$200,000.00. All of these funds have been used by the Company to pay for the costs of the offer and for working capital purposes.	Investors invited to participate in the placement
<i>Securities Issued on 4 May 2016</i>				
103,157,765 Shares	Issue of Shares as part of a rights issue announced by the Company on 22 March 2016.	Issue price of \$0.005 per Share. Share price on the date of issue was \$0.006, which represents a discount of 17%.	Cash consideration of \$515,788.83. All of these funds have been used by the Company to pay for the costs of the offer and for working capital purposes.	Eligible Shareholders under the rights issue.
14,537,898 Shares	Issue of Shares as part of the oversubscriptions under a rights issue announced by the Company on 22 March 2016.	Issue price of \$0.005 per Share. Share price on the date of issue was \$0.006, which represents a discount of 17%.	Cash consideration of \$72,689.49. All of these funds have been used by the Company for working capital purposes.	Eligible Shareholders under the rights issue.
<i>Securities issued on 6 June 2016</i>				
191,012,751 Shares	Issue of Shares as part of a placement announced by the Company on 1 June 2016.	Issue price of \$0.014 per Share. Share price on the date of issue was	Cash consideration of \$2,674,178.51.	Investors invited to participate in the placement.

		\$0.017, which represents a discount of 18%.	As of 30 September 2016, all of these funds have been spent on the following: <ul style="list-style-type: none"> • costs of the offer; • fast track drilling at the Arcadia Lithium deposit (which is approximately 35kms north east of Harare); • accelerate mine design, plant design and feasibility studies for the Arcadia Lithium deposit; • enable the Company to order long lead time items of plant for the Arcadia Lithium deposit; • fast track exploration at the God's Gift Lithium deposit; • accelerate gold production at the Gwanda East gold camp, south east of Bulawayo; and • supplement general working capital. 	
<i>Securities issued on 22 July 2016</i>				
280,000,000 Shares	Issue of Shares as part of a placement announced by the Company on 20 July 2016.	Issue price of \$0.05 per Share. Share price on the date of issue was \$0.059, which represents a discount of 15%.	Cash consideration of \$14,000,000. As of 30 September 2016, apart from paying for costs of the offer, none of the funds have been spent. The funds will be spent on the same uses noted above.	Investors invited to participate in the placement.
115,000,000 unlisted Options	Issue of unlisted Options to certain Directors and employees of the Company, as approved by Shareholders at the extraordinary general meeting of the Company held on 22 July 2016.	N/A – Issued for nil consideration.	N/A – Issued for nil consideration	Certain Directors and employees of the Company.
27,000,000 unlisted Options	Issued of unlisted Options to service providers, in lieu of cash payments, who provided services in relation to the placement announced by the Company on 20 July 2016.	N/A – Issued for nil consideration.	N/A – Issued for nil consideration	Service providers.
<i>Securities issued on 28 July 2016</i>				
40,000,000 Shares	Issue of Shares as part of an additional placement announced by the	Issue price of \$0.05 per Share.	Cash consideration of \$2,000,000.	Investors invited to participate in the placement.

	Company on 22 July 2016.	Share price on the date of issue was \$0.067, which represents a discount of 25%.	As of 30 September 2016, apart from paying for costs of the offer, none of the funds have been spent. The funds will be spent on the same uses noted above.	
<i>Securities issued on 9 August 2016</i>				
20,000,000 Shares	Issue of Shares as part of a placement announced by the Company on 9 August 2016.	Issue price of \$0.05 per Share. Share price on the date of issue was \$0.053, which represents a discount of 6%.	Cash consideration of \$1,000,000. As of 30 September 2016, none of the funds have been spent. The funds will be spent on the same uses noted above.	Investor invited to participate in the placement.
<i>Securities issued on 21 September 2016</i>				
7,000,000 Shares	Exercise of unlisted Options	Issue price of \$0.015 per Share. Share price on the date of issue was \$0.049, which represents a discount of 69%.	Cash consideration of \$105,000. As of 30 September 2016, none of the funds have been spent. The funds will be spent on the same uses noted above.	Optionholder
<i>Securities issued on 10 October 2016</i>				
10,000,000 Shares	Exercise of unlisted Options	Issue price of \$0.015 per Share. Share price on the date of issue was \$0.047, which represents a discount of 68%.	Cash consideration of \$150,000. As of the date of this Notice, none of the funds have been spent. The funds will be spent on the same uses noted above.	Optionholder

Total Securities issued in previous 12 months	950,338,414
Percentage of total Securities issued in previous 12 months*	111.70%

*Based on Company's fully diluted share capital structure approximately 12 months ago (850,789,882)

This Resolution is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of ordinary shares) must be in favour of this Resolution.

Directors' recommendation

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. A voting exclusion statement is set out in the Notice of Meeting.

Part E: Placement in anticipation of future transactions

RESOLUTION 6 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS

This Resolution seeks approval for the issue of up to 200,000,000 Shares in the Company at an issue price of no less than 10 cent (\$0.10) per Share (**Future Placement**) to non-related, sophisticated investors whom will be invited by the Company to take part in the Future Placement.

As at 4 October 2016, the Company has on issue 1,584,128,296 Shares. Therefore, if all Shares under this Resolution were issued by the Company, this would represent a dilutionary effect of 12.6%.

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 200,000,000.
- (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 10 cent (\$0.10) per Share.
- (d) The allottees are non-related, sophisticated investors whom 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) The Company intends to use the funds raised under the Future Placement to develop its mining interests in Zimbabwe and as general working capital.

Part F: Issue of Options to Board, Management and Employees of the Company

The independent Board wishes to reward its Executive Directors and a number of its employees with unlisted options (**Executive Options**).

The intended recipients of the Executive Options are as follows:

Intended Recipient	Relationship with Company	Number of Executive Options
Mr Hugh Warner	Executive Director and Chairman	30,000,000
Mr Duncan (Harry) Greaves	Executive Director	30,000,000
Certain non-related employees and management of the Company		65,000,000
Total		125,000,000

As at 4 October 2016, the Company has on issue 1,584,128,296 Shares. Therefore, if all Executive Options under Resolutions 7 – 9 (inclusive) were issued by the Company, on a fully diluted basis, these Shares (which have been converted from the Executive Options) would represent a dilutionary effect of 7.89%

Related-party shareholder approval for the issue of the Executive Options to Messrs Warner and Greaves will be considered under Resolutions 7 and 8 of this Notice of Meeting. The balance of the Executive Options which are intended for certain non-related employees and management of the Company will be considered under Resolution 9 of this Notice of Meeting.

RESOLUTIONS 7 AND 8 – RELATED PARTY APPROVALS OF FUTURE ISSUE OF EXECUTIVE 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 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.

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 and Greaves are existing Directors of the Company, they are both “related parties” of the Company.

Under Resolutions 7 and 8, the Company seeks Shareholder approval for the issue and allotment of:

- (a) up to 30,000,000 Executive Options to Mr Warner (or his nominee) as part of his remuneration; and
- (b) up to 30,000,000 Executive Options to Mr Greaves (or his nominee) as part of his remuneration.

For the purposes of Chapter 2E of the Corporations Act, Messrs Warner and Greaves are both “related parties” and the issue of Executive 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 independent Directors (which is the Board with Messrs Warner and Greaves removed from discussions) carefully considered the issue of these Executive 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 exercise price will be calculated in accordance with a formula which will represent a 45% premium to the Company’s recent trading history; and
- (b) 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 Executive Options is reasonable in recognition of each of their respective responsibilities and on-going management of the Company. The Executive Options have an exercise price that represents a 45% premium to recent share price performance, which will assist in aligning their interests with Shareholders of the Company. The independent Directors consider that the issue of these Executive Options is a more cost effective way to remunerate and continue to incentivise Messrs Warner and Greaves, as opposed to other forms of remuneration, such as further cash payments.

Accordingly, the independent Directors believe that the issue of these Executive Options to Messrs Warner and Greaves 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 7 and 8

For the reasons noted above, the independent Directors recommend that the Shareholders should vote in favour of Resolutions 7 and 8.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Executive Options to Messrs Warner and Greaves (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.
- (b) The maximum number of Executive Options to be issued to Mr Warner (or his nominee) is 30,000,000.
- (c) The maximum number of Executive Options to be issued to Mr Greaves (or his nominee) is 30,000,000.
- (d) The Executive 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).
- (e) The Executive Options are issued for nil cash consideration, however each forms part of Messrs Warner and Greaves’s remuneration from the Company.
- (f) The terms of the Executive Options are set out in Annexure A of this Notice of Meeting.
- (g) The Executive Options are being issued to each of Messrs Warner and Greave, as part of their remuneration, which the independent Directors considers to be reasonable in the circumstances.

RESOLUTION 9 – APPROVAL OF FUTURE ISSUE OF EXECUTIVE OPTIONS TO NON-RELATED MANAGEMENT AND EMPLOYEES OF THE COMPANY

This Resolution seeks approval for the issue of up to 65,000,000 Executive 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 Executive Options, and for the issue of Executive Options to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these Executive 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 Executive Options to be issued is 65,000,000.
- (b) The Executive 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 Executive 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 Executive Options are set out in Annexure A of this Notice of Meeting.

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.

GLOSSARY

Annual Financial Report means the 2016 Annual Report to Shareholders for the period ended 30 June 2016 as lodged by the Company with ASX on 30 September 2016.

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

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.

Auditor's Report means the auditor's report of Stantons International dated 30 September 2016 as included in the Annual Financial Report.

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

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.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "\$" means Australian dollars.

Executive Options means the unlisted 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 7 – 9 (inclusive) of this Notice of Meeting.

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

Future Placement means the proposed issue of up to 200,000,000 Shares in the Company at an issue price of no less than 10 cent (\$0.10) per Share to non-related sophisticated investors invited by the Company. Shareholder approval for this placement is sought under Resolution 6 of this Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 17 October 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.

Related Body Corporate has the meaning given in the Corporations Act 2001 (Cth).

Remuneration Report means the remuneration report as set out in the Annual Financial Report which is also available on the Company's website at www.prospectresources.com.au.

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

Restricted Voter means a member of the Company's key management personnel (including the Directors) details of whose remuneration are included in the Remuneration Report and any of that person's Closely Related Parties or Associates (such as close family members and any controlled companies of those persons).

Securities mean Shares and/or Options and/or rights to a Share and/or Option (as the context requires).

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

Shareholder means a holder of a Share.

Spill Meeting means the meeting that will be convened within 90 days of the 2017 AGM if a threshold of votes are cast against the adoption of the Remuneration Report at the Meeting and the 2017 AGM.

Spill Resolution means the resolution required to be put to Shareholders at the 2017 AGM if a threshold of votes are cast against the adoption of the Remuneration Report at the Meeting and the 2017 AGM.

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

ANNEXURE A – TERMS OF EXECUTIVE OPTIONS

The Executive Options entitle the holder of the Executive Options (**Participant**) to subscribe for Shares in the Company on the following terms and conditions:

- (a) Each Executive Option gives the Participant the right to subscribe for 1 Share upon:
 - (i) exercise of the Executive Option in accordance with these terms; and
 - (ii) payment of the Exercise Price.
 - (b) The Executive Options will expire at 5.00pm (AWST) on 31 December 2018 (**Expiry Date**).
 - (c) Subject to paragraph (v), Participants may exercise Executive Options at any time prior to the Expiry Date.
 - (d) Subject to paragraph (v), any Executive Option not exercised before the Expiry Date will automatically lapse at 5.00pm (AWST) on the Expiry Date.
 - (e) Each Executive Option is exercisable at a price that is calculated in accordance with the following formula: 45% premium to the 1 week VWAP of the Company's Shares up to and including the grant date (**Exercise Price**).
 - (f) A Participant may exercise all or some of the Executive Options held by that Participant. If a Participant exercises only part of the Executive Options held by that Participant, multiples of 100,000 Executive Options must be exercised on each occasion.
 - (g) If a Participant exercises fewer than all of the Executive 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 Executive Options held by that Participant.
 - (h) The exercise of only some Executive Options will not affect the rights of that Participant in respect of the balance of the Executive Options held by that Participant.
 - (i) Executive Options may only be exercised by a Participant lodging with the Company:
 - (i) a signed written notice of exercise of Executive Options (in the form attached to this Schedule) specifying the number of Executive Options being exercised;
 - (ii) the holding statement for the Executive Options; and
 - (iii) a cheque or electronic funds transfer notice for the Exercise Price for the number of Executive Options being exercised,
- (Exercise Notice).**
- (j) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (k) Notwithstanding (j) above, the Board of the Company may, in its sole and absolute discretion, permit the Participant to elect to receive a reduced number of Shares in lieu of payment of cash or other consideration, where the number of Shares to be received will be determined in accordance with the following formula:

$$A = \frac{B(C - D)}{C}$$

Where:

A = the number of Shares (rounded down to the nearest whole number)

B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised

C = the price of one of the Company's Shares on ASX on the date of delivery of the Exercise Notice to the Company

D = the Exercise Price

- (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 Executive Options specified in the Exercise Notice.
- (m) Subject to the Corporations Act and the ASX Listing Rules, the Executive Options are freely transferable.
- (n) All Shares allotted upon the exercise of the Executive Options will, upon issuance, rank pari passu in all respects with other Shares.
- (o) The Company will not apply for quotation of the Executive Options on ASX.
- (p) The Company will apply for quotation of all Shares allotted pursuant to the exercise of the Executive 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 Executive Options and the Participant will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Executive 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 Executive 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 Executive Options, the Exercise Price may 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 Executive Options, the number of securities over which an Executive 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 Executive Options as the absolute holder of that Executive Option and is not bound to recognise any equitable or other claim to, or interest in, that Executive 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 Participant's employment or engagement with the Company or a Related Body Corporate is terminated within 6 months of being issued the Executive Options, any Executive Option not exercised by the Participant before the date of the termination will automatically lapse, unless the Board in its sole and absolute discretion determines otherwise.
- (w) The Company may issue the Executive Options to the Participant (or their nominee).

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PROSPECT RESOURCES LTD

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245 CHURCHILL AVENUE
SUBIACO WA 6008

+

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E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

PSC

Holder Number:

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

 The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 11:00am WST on Wednesday 16 November 2016 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy.

Important for Resolutions 1, 7, 8 and 9: If the Chairperson of the Meeting if your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairperson of the Meeting to exercise the proxy in respect of Resolutions 1, 7, 8 and/or 9, even though each of those Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION	For	Against	Abstain*	For	Against	Abstain*	
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Approval of future Issue of Shares to non related Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-Election of Mr Gerry Fahey as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Related Party Approval of Future Issue of Executive Options to Mr Hugh Warner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-Election of Mrs Manana Nhlanhla as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. Related Party Approval of Future Issue of Executive Options to Mr Duncan (Harry) Greaves	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of Prior Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Approval of Future Issue of Executive Options to Non-Related Management and Employees of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. ASX Listing Rule 7.1A Approval of future Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 11:00am WST on Monday 14 November 2016.

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My/Our contact details in case of enquiries are:

Name:

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Number:

(

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)

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 Australia 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 Australia Pty Ltd

Online www.securitytransfer.com.au

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Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia 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 Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

