

29 July 2013

The Manager  
Company Announcements  
Australian Securities Exchange  
Level 5, 20 Bridge Street  
SYDNEY NSW 2000

**By E-Lodgement (ASX Code: PSC)**

Dear Sirs,

**June 2013 Quarterly Report**

Highlights:

- Subscription agreements signed to raise AUD\$4.5 million, conditional on Prospect shareholder approval. Financing brings key strategic relationships including Blumont of Singapore;
- Appointment of Harry Greaves and Gerry Fahey to the board
- Agreement to subscribe for new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited (**HME**), a Zimbabwean Company, subject to shareholder approval. HME owns 100% of one gold project and has the right to explore and mine a previously operating gold mine in Zimbabwe;

As announced on the 15 July 2013, the Company's 100% owned UK subsidiary (**Prospect UK**) has agreed to subscribe for new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited (**HME**), subject to shareholder approval.

HME has entered into a senior exploration and mining agreement, providing HME the right to explore and mine the historic Bushtick Gold Mine and surrounding acreage including tailings dumps. The right to explore outside of the tailings dumps is subject to receipt of a special mining grant (special mining grant has been lodged for approval by the relevant government department). At completion of the above transaction, HME will also own 100% of the tenements comprising the Penhalonga Gold Project and the Chisanya Phosphate Project.

Prospect and Farvic Consolidated Mines (Pvt) Ltd (**Farvic**), who owns the remaining 30% of HME, have entered into a shareholders agreement which governs the operation of HME.

### **Details of the Projects**

The **Bushtick Gold Project** is a dormant mine situated 8km NNE of Esigodini in the Esigodini Greenstone belt, in the grounds of Falcon College (the grantor of the rights to HME). The mine was historically a major producer as testified by the large tailings dumps. The surrounding ground of approximately 25km<sup>2</sup> is also very prospective and has not been the subject of any modern prospecting.

The deposit which strikes 120°, dips 80° north, is formed by the silicification, carbonatisation and brecciation of mafic volcanics along a wide shear zone near the edge of the Essexvale Tonalite. Greenstones of intermediate to basic composition are the predominant rock type, underlain by granodiorites.

Historical production from four shafts; down to 12 level or approx 300m was 15,000 kg (+- 470,000 oz Au. with a cut-off grade of 5.4 g/t.)

The **Penhalonga Gold Project** consists of a number of shear and vein hosted gold deposits along the southern side of the Penhalonga Valley covering an area of approximately 1.8km<sup>2</sup>, including the historic Battersea Gold Mine and the dormant Penhalonga Gold Mine, 5km north of Mutare. It is situated in the Mutare Greenstone Belt which extends eastward into Mozambique.

In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km<sup>2</sup> is one of the richest belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes.

Coldawn owns a number of lead tenements within the Mutare Greenstone Belt all of which have been acquired by Prospect.

The **Chisanya Phosphate Project** is one of 5 known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The deposit is a series of un-exploited phosphate in apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland.

### **About the Zimbabwe Team:**

Farvic, who owns the remaining 30% of HME, is part of a private group involved in gold mining, exploration and project development in Zimbabwe. Farvic currently own operating gold mines and a number of currently non-operational gold mines.

The Farvic team are aligned to Prospect's success via their proposed shareholding in Prospect (see below for details) and via their direct shareholding in HME. Members of the Farvic team who will take operational roles in Prospect are described below.

### **Duncan (Harry) Greaves, (48) – Managing Director Zimbabwe**

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

### **Zivanayi (Zed) Rusike (55) – Director HME**

Zed was Managing Director of United Builders Merchants before being promoted to Group MD for Radar Holdings Limited, a large quoted company on The Zimbabwe Stock Exchange. He retired from the Radar Group of companies to pursue his personal interests and sits on the boards of Cairns Holdings, TSL Limited, Dulux Paints Limited and Halsted Brothers (Pvt) Limited amongst others. Zed is a former President of The Confederation of Zimbabwe Industries and is currently a shareholder and Chairman of Farvic Consolidated Mines (Pvt) Ltd .

### **Roger Tyler (49) – Chief Geologist**

Roger is a British geologist, who after almost 25 years working experience in Africa, is now Technical Director for HME. He has an Honours degree in Mining Geology from the Royal School of Mines and a Masters of Engineering in Mineral Resource Estimation from Witwatersrand University. Roger worked for 15 years as a geologist in various African countries and later as a Senior Resource Analyst for Anglo American Corporation. Most recently however, he was Anvil Mining's DRC exploration manager and led the programme which resulted in the development of the new Kinsevere mine.

### **Chris Rees (44) – Chief Operating Officer**

Chris is a Zimbabwean based Project Manager and Engineer with experience in building and operating mines in the Southern African region, especially Zimbabwe. He has worked with large corporates like IAMGold, New Dawn Mining and Pretoria Portland Cement. He holds a BSc Eng from Natal University. He was the principal engineer behind the design, procurement and construction of the Farvic Gold Mine Expansion in 2012, the Nicholson Gold Mine in 2011, the Farvic Gold Mine in 2010 and African Chrome Fields plant in 2009.

### **Appointment and Resignation of Directors**

Mr Harry Greaves and Gerry Fahey were appointed to the board of directors as non-executive directors and Messrs Pager and Pollak resigned during the quarter.

Details on Harry Greaves have been mentioned above.

Mr Gerry Fahey has over 35 years experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of the Eureka, Chaka, Globe and Phoenix gold mines and the following Australian gold projects: Kanowna Belle, Golden Feather, Sunrise and Wallaby. Gerry is currently a Director of CSA Global Pty Ltd, Focus Minerals Ltd, Modun Resources Limited and a member of the Joint Ore Reserve Committee (JORC).

Hugh Warner remains an executive director and Chairman of the Company.

### **Exclusivity Agreement**

As part of the above transaction, Prospect has entered into an Exclusivity Agreement with Continental Minerals Ltd representing Harry Greaves, Roger Tyler and Chris Rees, each of whom are expected to play a significant role in the development of Prospect.

Prospect intends, subject to shareholder approval, to issue 60,000,000 fully paid ordinary shares to Continental Minerals Ltd (or its nominees) as consideration for the Exclusivity Agreement.

The Exclusivity Agreement is for a period of 3 years whereby the above parties will present all Zimbabwe mining opportunities that they become aware of to Prospect for acquisition and/or investment. If Prospect decides not to participate in these opportunities, then the parties shall be free to exploit the opportunity themselves. If certain specified opportunities result in an acquisition by Prospect, a performance fee will be payable subject to shareholder approval.

### **Conditional Share Placement & Strategic Investors**

The Company has received firm commitments to subscribe for \$4,500,000 in new equity through the subscription of 375m ordinary shares at 1.2c per share, subject to shareholder approval.

\$3,900,000 of the Conditional Share Placement has been subscribed for by a Singapore-based consortium including Blumont Group Ltd. (Hong Kong-based mining executive Alexander Molyneux and Singapore based financial and investing firm Pacific Advisers). Blumont will own not less than 60% of the consortium vehicle. Blumont is a Singapore-based company, listed on the Singapore Exchange under the ticker BLUM. Its current market capitalization exceeds S\$2 billion. It has undertaken investments in iron ore (Indonesia) and coking coal (Kyrgyz Republic).

Blumont sees tremendous opportunity for the revival of a robust mining sector in Zimbabwe. It plans to enter into a strategic alliance with Prospect to accelerate both companies' investment activities in the country.

A further \$500,000 of the Conditional Share Placement has been subscribed for by a large Africa based investment company, widely considered an emerging markets and particularly Africa specialist investor and financial institution.

### **Notice of Meeting**

Please note that the transactions described in the quarterly report and described more fully in the Company's announcement of 15 July are subject to the approval of Prospect shareholders in General Meeting. A notice of meeting of shareholders will be issued in the coming weeks.

## **Other Exploration**

Exploration activity during the quarter focussed on Mary Springs, which forms part of the Company's Northampton Project.

The Company engaged Espresso Exploration Management Services to perform this exploration work which included a site visit covering all licences and the collection of stream sediment samples over the Company's Mary Springs Project to test for gold anomalies.

## **New Projects**

The Company is continuing to review new projects to acquire and/or invest in Zimbabwe.

For further information, please contact Mr Hugh Warner on (+61 8) 9217 3350

## **Competent Person Statement**

*The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Roger Tyler. Mr Tyler has been appointed Chief Geologist to Prospect Resources.*

*Mr Tyler is a member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tyler consents to the inclusion of the matters based on his information in the form and context in which it appears.*