PROSPECT RESOURCES LIMITED

ACN 124 354 329

ANNUAL REPORT
30 JUNE 2013

CORPORATE DIRECTORY

DIRECTORS	Hugh Warner Harry Greaves Gerry Fahey
SECRETARY	Andrew Whitten
PRINCIPAL OFFICE	Suite 6, 245 Churchill Ave Subiaco, WA 6008 Telephone: (08) 9217 3300 Facsimile: (08) 9338 3006
REGISTERED OFFICE	Suite 6, 245 Churchill Ave Subiaco, WA 6008
AUDITORS	Deloitte Touche Tohmatsu Woodside Plaza, Level 14 240 St Georges Terrace Perth WA 6000
ASX CODE	Shares – PSC
SHARE REGISTRY	Security Transfer Registrars Pty Ltd Suite 1, Alexandra House, 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
LEGAL REPRESENTATIVES	Whittens Lawyers and Consultants Level 5, 137-139 Bathurst Street Sydney NSW 2000

TABLE OF CONTENTS

Corporate Directory	1
Directors' Report	3
Directors' Declaration	11
Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Cash Flows	14
Consolidated Statement of Changes in Equity	15
Notes to and Forming Part of the Financial Statements	16
Auditor's Independence Declaration	33
Independent Auditor's Report	34
Corporate Governance	37
Australian Securities Exchange (ASX) Additional Information	43

DIRECTORS' REPORT

The Directors of Prospect Resources Limited ("the Company") submit hereby the annual report of the company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporation Act 2001, the Directors report as follows:

OFFICERS AND DIRECTORS

The Directors at any time during or since the end of the year are:

Name	**Particulars**
Hugh Warner	Executive Chairperson
Harry Greaves	Non Executive Director (appointed 15 July 2013)
Gerry Fahey	Non Executive Director (appointed 15 July 2013)
Jonathan Pager	Non Executive Director (resigned 15 July 2013)
Michael Pollak	Non Executive Director (resigned 15 July 2013)

The above named Directors held office during and since the financial year, except as otherwise stated.

INCOMPLETE RECORDS FOR COMPARATIVE BALANCES

In the prior year, the management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the Deed of Company Arrangement ("DOCA") was effectuated, being 28 March 2012.

The prior year financial report was prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the full prior year presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the prior year financial report, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrators for the period from their appointment on 1 July 2011.

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company which were excised under the DOCA.

Consequently, although the Directors prepared the prior year financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the corresponding figures for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

PRINCIPAL ACTIVITY

The principal activity of the Company is exploration for mineral resources.

REVIEW OF OPERATIONS AND RESULTS

Australia

Northampton, Western Australia (including Mary Springs)

The Northampton area is well known for its structurally controlled copper, lead, zinc and silver mineralisation. Anomalous gold values have also been returned from regional sampling.

During the year, the Company undertook a review of its tenement portfolio to prioritise exploration areas. This review resulted in the Company surrendering its interests in Exploration Licence 66/53, 66/64 and 66/73 to Duketon Consolidated Pty Ltd. As at the date of this financial report, the Company has 100% of Exploration Licence 66/56 ("the Mary Springs project") and 5 Mining Access Agreements to 6 Queen Victoria Crown Grants.

In addition to the above reviews, the Company engaged Espresso Exploration Management Services to perform 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.

DIRECTORS' REPORT (continued)

Zimbabwe
Subsequent to 30 June 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. The surrounding ground of approximately 25km^2 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^2, including the historic Battersea Gold Mine and the dormant Penhalonga Gold Mine, 5km north of Mutare. It is situated in the Mutare Greenstone Belt which extends eastward into Mozambique. In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km2 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. 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.

DIRECTORS' REPORT (continued)

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.

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. 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$3 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.

Appointment and Resignation of Directors
Subsequent to 30 June 2013, Mr Harry Greaves and Gerry Fahey were appointed to the Board of Directors as Non-Executive Directors, replacing Messrs Pager and Pollak.

Results
The Company incurred an after tax loss of $1,297,109 (2012: Profit of $44,847).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

1. the Company was reinstated to the ASX Official List on 19 July 2012;
2. the Company surrendered EL 66/53, EL66/64 and EL66/73 to Duketon Consolidated Pty Ltd;
3. the Company registered a company in the United Kingdom, which upon shareholder approval will acquire a 70% interest in two Zimbabwean exploration and mining companies.

ENVIRONMENTAL REGULATIONS

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulation when carrying out exploration work.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2013, the Group has entered into the following agreements:

1) Subject to shareholder approval, the issue of 375m ordinary shares at 1.2c per share to raise $4,500,000;
2) Subject to shareholder approval, to subscribe for $50,000 in new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited, a Zimbabwean company;
3) Subject to shareholder approval, issue 60m ordinary shares to Continental Minerals Limited as consideration for a 3 year exclusivity agreement;
4) Subject to shareholder approval, issue 2m ordinary shares at 1.2c per share to a consultant, and 82m options exercisable at 1.5c to Directors, management and consultants.

The Company has sent out a notice of meeting and shareholders are expected to vote on the above matters on 23 September 2013. Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT (continued)

DIVIDENDS

No dividends were recommended or paid during the current year.

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Company will continue to explore and assess its mineral projects and will also consider new projects, primarily in Zimbabwe, that could provide growth for shareholders.

INFORMATION ON DIRECTORS

Hugh Warner (Executive Chairperson, age 44), BEc, appointed 3 January 2012

Experience and Expertise
Mr Warner holds a Bachelor of Economics from the University of Western Australia. He has broad experience as a public company director, having been a director of a number of publicly listed companies involved in the mining, oil and gas, biotechnology and service industries.

Other Current Directorships
Modun Resources Limited (Non-Executive Director and Chairperson) (appointed 20 April 2010)
TPL Corporation Limited (Non-Executive Director and Chairperson) (appointed 17 May 2010)

Former Directorships in the Last Three Years
FRR Corporation Limited (appointed 28 November 2011, resigned 12 March 2013)
PLD Corporation Limited (appointed 23 November 2011, resigned 26 September 2012)

Special Responsibilities
Chairperson

Interests in Shares and Options
61,300,000 ordinary shares and 16,000,000 options

Duncan (Harry) Greaves (Non-Executive Director, age 48) BSc (Agriculture), Appointed 15 July 2013

Experience and Expertise
Harry is a fourth generation Zimbabwean. He holds a B.Sc (agriculture) from the 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.

Other Current Directorships
None

Former Directorships in the Last Three Years
None

Special Responsibilities
None

Interests in Shares and Options
None

Gerry Fahey (Non-Executive Director, age 61) BSc (Hons, Geol), FAusIMM, MAIG, Appointed 15 July 2013

Experience and Expertise
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).

Other Current Directorships
Focus Minerals Ltd (Appointed 20th April 2011)
Modun Resources Limited (Appointed 25 September 2008)

Former Directorships in the Last Three Years
None

Special Responsibilities
None

Interests in Shares and Options
None

DIRECTORS' REPORT (continued)

Jonathan Pager (Non-Executive Director, age 43), appointed 3 January 2012, resigned 15 July 2013

Experience and Expertise
Mr Pager has over 18 years' experience as a management consultant across a wide range of industries in Australia and overseas. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Jonathan has recapitalised several ASX-listed companies.

Interests in Shares and Options – upon resignation 15 July 2013
5,983,333 ordinary shares and 6,000,000 options

Michael Pollak (Non-Executive Director, age 38), appointed 3 January 2012, resigned 15 July 2013

Experience and Expertise
Mr Pollak holds a Bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers 16 years ago. Michael has gained valuable experience in Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including mining, financial services and manufacturing. Michael has been involved in the recapitalisation of a number of ASX-listed companies.

Interests in Shares and Options – upon resignation 15 July 2013
21,000,000 ordinary shares and 11,000,000 options

COMPANY SECRETARY
The company secretary is Andrew Whitten. Andrew was appointed to the position of company secretary on 10 April 2012. Andrew is a Solicitor Director of Whittens Lawyers and Consultants, where he specialises in corporate finance and securities law.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board held during the year ended 30 June 2013 that each Director was eligible to attend, and the number of meetings attended by each Director were:

Director	**Number of Meetings**	
	Eligible to attend	**Attended**
Hugh Warner	-	-
Jonathan Pager	-	-
Michael Pollak	-	-

The majority of the Company's business was conducted via circular resolution.

REMUNERATION REPORT (AUDITED)

The Directors of the Company are the key management personnel. The Company does not have any executives that are not Directors.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Details of remuneration;
3. Service agreements;
4. Share-based compensation; and
5. Discussion of the relationship between the remuneration policy and company performance.

The information provided under headings 1 to 4 above in the Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED) continued

1 Principles used to determine the nature and amount of remuneration (audited)

The Company's Constitution specifies that subject to the initial fixed annual aggregate sum of $500,000, the aggregate remuneration of Non-Executive Directors shall not exceed the sum determined by the shareholders of the Company in general meeting.

Fees and payments to Directors:

1 are to reflect the demands which are made on, and the responsibilities of, the Directors; and
2 are reviewed annually by the board to ensure that Directors' fees and payments are appropriate and in line with the market.

Retirement allowances and benefits for Directors

There are no retirement allowances or other benefits paid to Directors.

Directors' fees

The amount of remuneration of the Directors of the Company (as defined in AASB 124 *Related Party Disclosures*) is set out in the following table. During the financial year there were no executives other than the Directors. There was no remuneration of any type paid to the Directors, other than as reported below for the provision of Director and professional services. The Directors have commenced being paid from 1 July 2012.

2 Details of remuneration (audited)

Amounts of remuneration
Details of the remuneration of the Directors, the key management personnel of the Company and specified executives of the Company are set out in the following tables:

Directors & Highest Paid Executives Remuneration									
	SHORT TERM			**POST EMPLOYMENT**		**EQUITY**		Remuneration Consisting of Options	**TOTAL**
Directors	Salary & Fees	Other services	Non-Monetary	Superannuation	Retirement Benefits	Options	Other benefits		$
Hugh Warner – Chairman and Non Executive Director									
2013	55,046	-	-	4,954	-	-	-	-	60,000
2012	-	-	-	-	-	-	-	-	-
Jonathan Pager – Non Executive Director									
2013	60,000(i)	-	-	-	-	-	-	-	60,000
2012	-	-	-	-	-	-	-	-	-
Michael Pollak – Non Executive Director									
2013	55,046	-	-	4,954	-	-	-	-	60,000
2012	-	-	-	-	-	-	-	-	-
Ken Fitzgerald – Resigned 3 January 2012									
2013	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
2012	84,545(ii)	-	-	-	-	-	-	-	84,545
Julie Glanville – Resigned 3 January 2012									
2013	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
2012	70,561(iii)	-	-	-	-	-	-	-	70,561
Douglas William O'Neill – Resigned 1 July 2011									
2013	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
2012	-	-	-	-	-	-	-	-	-
Total Remuneration Directors									
2013	170,092	-	-	9,908	-	-	-	-	180,000
2012	155,106	-	-	-	-	-	-	-	155,106

(i) These payments are to Pager Partners Corporate Advisory Pty Ltd, a company related to Mr Jonathan Pager.
(ii) These payments are to Neening Park Contractors, a company in which Mr Ken Fitzgerald is a Director. The 2012 balance was paid by the administrator.
(iii) These payments are to Ethan Park Contractors, a company in which Ms Julie Glanville is a Director. The 2012 balance was paid by the administrator.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) continued

3 Service agreements (audited)
The Directors serve until they resign, are removed, cease to be a Director or are prohibited from being a Director under the provisions of the *Corporations Law 2001*, or are not re-elected to office. The Directors are remunerated on a monthly basis with 3 months notice payable, commencing 1 July 2012.

As at the date of this report there are no executives or management personnel engaged by the Company other than the Directors.

4 Share-based compensation (audited)
There were no share-based or option based compensation paid to the Directors during the financial year.

5 Discussion of the relationship between the remuneration policy and company performance
The Company is currently undertaking new acquisition, exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Performance of Prospect Resources Limited
The table below sets out summary information about the entity's earnings and movements in shareholder wealth for the financial year ending 30 June 2013.

	30 June 2013	Restated 30 June 2012	30 June 2011	30 June 2010	30 June 2009
	$	$	$	$	$
Revenue	22,540	8,306	400,195	32,077	959
Net loss before tax	(1,297,109)	(675,533)	(6,958,738)	(4,907,929)	(453,508)
Net loss after tax	(1,297,109)	44,847	(6,958,738)	(4,907,929)	(453,508)

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at beginning of year (cents)	N/a[1]	14.5	27	N/a[2]	N/a[2]
Share price at end of year (cents)	0.5	N/a[1]	14.5	27	N/a[2]
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(0.35)	0.04	(8.84)	(10.36)	(2.0)

[1] – the Company was suspended from trading at 30 June 2012, thus this information is not applicable

[2] – the Company was listed on 2 December 2009 and thus this information is not applicable

(End of Remuneration Report)

Additional Information

(a) Shares under option
At the date of signing this report, there were 60,857,500 ordinary shares under option (2012: 72,559,000). These options are exercisable as follows:

Date options granted	Expiry date	Exercise price of Options	Number under option
5 November 2008	5 November 2013	$0.20	857,500
15 May 2012	30 June 2015	$0.015	60,000,000
			60,857,500

No options were exercised during the year. Refer to Note 13(b) of the financial statements for details of movements in options.

(b) Insurance of officers
During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and any executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' REPORT (continued)

(c) Agreement to indemnify officers

The Company has entered into agreements with the Directors to provide access to Company records and to indemnify them. The indemnity relates to any liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(d) Proceedings on Behalf of the Company

To the best of the Director's knowledge, no person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened on behalf of the Company with leave of the court under Section 237.

(e) Auditor

Deloitte Touche Tohmatsu is the appointed auditor.

(f) Indemnity of Auditor
The auditor (Deloitte Touche Tohmatsu) has not been indemnified under any circumstance.

(g) Audit Services
During the financial year $25,400 (excluding GST) was paid or payable for audit services provided by Deloitte Touche Tohmatsu (2012: $19,000).

(h) Non-audit Services
No non-audit services were provided by the auditor or any entity associated with the auditor for the year ended 30 June 2013. During the prior year Deloitte Touche Tohmatsu, the Company's Auditor, performed the following services in addition to their statutory duties.

	Fees Paid (excl GST) $
Research & development rebate fee 2010 & 2011	98,000
Review of financial information dated 31 May 2012	3,675
Consent to be named in Prospectus dated 15 May 2012	1,050
Total	102,725

The Directors are satisfied that the provision of the non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services above do not compromise the external auditor's independence for the following reasons:

(1) All non-audit services have been reviewed and approved to ensure they do not impact on the integrity and objectivity of the auditors; and
(2) None of the services undermine the general principles relating to auditor independence as set out in APES 110 ' Code of Ethics for Professional Accountants' issued by the Accounting Professional and Ethical Standards Board.

(i) Auditor's independence declaration
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34 of the Annual Report.

Signed in accordance with a resolution of the Directors

Hugh Warner
Director

Perth, Western Australia
Dated 12 September 2013

DIRECTORS' DECLARATION

1. Subject to the uncertainty over the completeness of source documentation as disclosed in Note 2(b), in the opinion of the Directors of Prospect Resources Limited (the 'Company'):

   (a) the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year then ended; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

   (d) the audited remuneration disclosures set out on pages 7 to 9 of the Directors' Report comply with accounting standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

This declaration is signed in accordance with a resolution of the Board of Directors.

Hugh Warner
Director

Perth, Western Australia
Dated 12 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Restated 2012 $
Continuing operations			
Interest received	6	22,540	1,510
Other Income	6	-	6,796
Impairment of exploration and evaluation expenditure		(679,081)	-
Directors remuneration		(180,000)	(155,106)
Employee and consultant expenses		(50,000)	(23,905)
Occupancy expenses		(48,669)	(13,441)
Project generation Zimbabwe expense		(59,829)	-
Other administrative expenses		(302,070)	(769,268)
Loss before tax		(1,297,109)	(953,414)
Income tax benefit	7	-	720,380
Loss for the year from continuing operations		(1,297,109)	(233,034)
Discontinued operations			
Profit for the year from discontinued operations	3	-	277,881
Profit/(loss) after Income Tax		(1,297,109)	44,847
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		(1,297,109)	44,847
Profit/(loss) attributable to:			
Equity holders of the Company		(1,297,109)	44,847
		(1,297,109)	44,847
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		-	-
		(1,297,109)	44,847
Earnings/(loss) per share			
Basic (cents per share)	21		
- Continuing operations		(0.35)	(0.20)
- Discontinued operations		-	0.24
		(0.35)	0.04
Diluted (cents per share)	21		
- Continuing operations		(0.35)	(0.20)
- Discontinued operations		-	0.24
		(0.35)	0.04

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated	
			Restated
		2013	2012
		$	$
Current Assets			
Cash and cash equivalents	8	399,991	1,201,790
Trade and other receivables	9	3,136	9,302
Other current assets		9,000	-
Total Current Assets		412,127	1,211,092
Non-Current Assets			
Exploration and evaluation expenditure	10	745,923	1,355,087
Total Non-Current Assets		745,923	1,355,087
Total Assets		1,158,050	2,566,179
Current Liabilities			
Trade and other payables	11	91,540	199,656
Total Current Liabilities		91,540	199,656
Total Liabilities		91,540	199,656
Net Assets		1,066,510	2,366,523
Equity			
Contributed equity	12(b)	14,831,130	14,834,034
Reserve	13(b)	899,650	899,650
Accumulated losses	13(e)	(14,664,270)	(13,367,161)
Total Equity		1,066,510	2,366,523

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Consolidated 2013 $	Consolidated Restated 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(691,365)	(675,278)
Proceeds from research and development claims		-	720,380
Other Income		-	6,796
Net cash flows (used in)/from operating activities	8(a)	(691,365)	51,898
Cash flows from investing activities			
Interest received		22,711	1,339
Payments for exploration expenditure		(56,883)	(55,087)
Net cash flows used in investing activities		(34,172)	(53,748)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,151,500
Capital raising costs		(76,262)	-
Repayment of short term borrowings		-	(950,000)
Net cash flows from financing activities		(76,262)	1,201,500
Net increase/(decrease) in cash and cash equivalents		(801,799)	1,199,650
Cash and cash equivalents at beginning of year		1,201,790	2,140
Cash and cash equivalents at end of year	8	399,991	1,201,790

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital	Option Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2011	12,757,392	898,150	(13,412,008)	243,534
Profit for the year	-	-	44,847	44,847
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	44,847	44,847
Issue of share capital	2,150,000	1,500	-	2,151,500
Share capital raising costs	(73,358)	-	-	(73,358)
Restated balance at 30 June 2012	14,834,034	899,650	(13,367,161)	2,366,523
Loss for the year	-	-	(1,297,109)	(1,297,109)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,297,109)	(1,297,109)
Share capital raising costs	(2,904)	-	-	(2,904)
Balance at 30 June 2013	14,831,130	899,650	(14,664,270)	1,066,510

The accompanying notes form part of these financial statements

1 CORPORATE INFORMATION

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 12 September 2013.

Prospect Resources Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements the Company is a for-profit entity.

The principal activity of the Company is exploration for mineral resources.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of law where possible (refer to note 2(b) below).

Accounting Standards include Australian Standards, compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and Group comply with International Financial Reporting Standards ('IFRS').

It is recommended that this financial report be read in conjunction with the public announcements made by Prospect Resources Limited during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Where these are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 2(s).

Comparative figures
When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Company applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed. Refer to note 2(b) below regarding incomplete records and the potential impact on comparative figures.

Changes in accounting policy
During the year ended 30 June 2013, the Company changed the following accounting policy:

Exploration Expenditure
Up to and including the year ended 30 June 2012, the Company's accounting policy in relation to exploration and evaluation expenditure was to expense it to profit or loss as incurred with the exception of initial tenement acquisition costs which were capitalised as incurred. During the current period, the Company has changed its policy to capitalise exploration and evaluation expenditure as permitted by AASB 6 'Exploration and Evaluation of Mineral Resources'. As a result of this revised policy, exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Company believes that the new policy results in the financial information being more reliable and relevant to users of the financial statements in that it clearly identifies the periodic and cumulative exploration and evaluation expenditure for current projects, and also results in the Company's financial statements being comparable to the majority of its peers being Australian listed junior exploration companies.

The Company does not have sufficient financial information (refer to Note 2(b) incomplete records for comparative balances) to amend the prior year balances prior to the financial year ended 30 June 2012 and therefore applied the policy from 1 July 2011. The financial impact of this change of accounting policy is to increase the Company's Exploration and Evaluation asset by $69,917 (2012: $55,087) with a corresponding reduction in retained losses. Earnings/(loss) per share has reduced to (0.35) cents from (0.37) cents (2012: 0.04 cents from (0.01) cents). It has also resulted in the Statement of Cash Flows reclassifying payments for exploration expenditure of $56,883 (2012: $55,087) from operating activities to investing activities.

No other changes in accounting policy have been adopted.

(b) Incomplete records for comparative balances

In the prior year, the management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the Deed of Company Arrangement ("DOCA") was effectuated, being 28 March 2012.

The prior year financial report was prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the full prior year presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the prior year financial report, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrators for the period from their appointment on 1 July 2011.

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company which were excised under the DOCA.

Consequently, although the Directors prepared the prior year financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the corresponding figures for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(c) Going Concern

For the year ended 30 June 2013, the Consolidated Entity recorded a loss of $1,297,109 (2012: profit $44,847) and had cash outflows from operating and investing activities of $725,537. As at reporting date, the Consolidated Entity had cash and cash equivalents of $399,991 (2012: $1,201,790). These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's and the Company's ability to continue as going concerns.

Based on the Consolidated Entity's cash flow forecast, the Board of Directors are aware of the Consolidated Entity's need to access additional working capital funds to enable the Consolidated Entity and the Company to continue their normal business activities.

As stated in Note 17 Subsequent Events, subject to shareholder approval, the Consolidated Entity has received firm commitments to subscribe for $4,500,000 of new ordinary shares.

The Directors are satisfied that they will achieve resolution of the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

Should the Consolidated Entity and the Company be unable to achieve the matters referred to above, there is material uncertainty whether the Consolidated Entity and the Company will be able to continue as going concerns and therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded assets amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity and the Company not continue as going concerns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(e) New Accounting Standards for Application in Future Periods

At the date of authorisation of the financial statements, following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2013:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011), AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014

The amendments are not expected to have a significant impact to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(g) Revenue recognition

Interest revenue is recognised on a time proportionate basis using the effective interest method.

(h) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income Tax

The income tax expense or revenue for the period is the tax payable on a current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

(j) Other receivables

Other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(l) Exploration expenditure

Exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(n) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the year. Diluted EPS adjusts the figures used in the calculation of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown exclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at balance date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives.

(r) Share based payment transactions

Equity settled transactions
The Company provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The charge to the statement of profit or loss and other comprehensive income is taken when the options are granted. There is a corresponding entry to equity.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(s) Critical Accounting Judgement and Key Sources of Uncertainty

In the application of the Company's accounting policies which are described above in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affect only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

<u>Key Estimates – Impairment</u>
The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in- use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTE 3. DISCONTINUED OPERATIONS

(a) Details of operations disposed

On 1 July 2011, the Company went into voluntary administration. The Administrators sought expressions of interest from third parties in either acquiring the assets of the Company or reconstructing and recapitalising the Company.

A proposal was submitted by a syndicate headed by Pager Partners, which was agreed to by the Company's creditors and shareholders. The proposal required the Company to make available any cash at bank, its rights in its sundry debtors, its claims against its subsidiaries and shares in its subsidiaries (as well as any other assets not purchased by the Syndicate) for the benefit of the Company's creditors pursuant to the terms of the DoCA. Upon effectuation of the DoCA, the Company lost control of its subsidiaries, with the financial impact being the derecognition of their liabilities in the period period. All assets of the subsidiaries had been impaired in a previous period.

(b) Financial performance of operations disposed

	Consolidated	
	2013	**2012**
	$	**$**
Carrying value of liabilities of Allegra Mining Zambia Ltd	-	277,881
Carrying value of liabilities of PT Ethan Mining Celebes Ltd	-	-
Net proceeds received from disposal	-	-
Net results for the year	-	-
Net gain/(loss) on disposal of operations	-	277,881

NOTE 3. DISCONTINUED OPERATIONS (continued)

(c) Assets and liabilities of discontinued operations	**Consolidated 2013 $**	**2012 $**
Trade and other payables	-	277,881
Net liabilities attributed to discontinued operations	-	277,881

(d) Cash flows used in discontinued operations

Net cash used in operating activities	-	-
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net cash flows for the year	-	-

(e) Net cash out flow from disposal

Consideration received, satisfied in cash	-	-
Cash and cash equivalents disposed of	-	-
Net cash outflow	-	-

NOTE 4. FINANCIAL RISK MANAGEMENT

Risk management is the role and responsibility of the board. The Company's current activities expose it to minimal risk. However, as activities increase there may be exposure to interest rate, market, credit, and liquidity risks

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating interest rate	**1 year or less**	**Over 1 year to 5 years**	**More than 5 years**	**Non interest bearing**	**Total**
	$	$	$	$	$	$
30 June 2013						
Financial Assets						
Cash and deposits	382,559	-	-	-	17,432	399,991
Trade and other receivables	-	-	-	-	3,136	3,136
	382,559	-	-	-	20,568	403,127
Weighted average interest rate	2.75%	-	-	-	-	2.61%
Financial liabilities						
Trade and other payables	-	-	-	-	91,540	91,540
	-	-	-	-	91,540	91,540
Weighted average interest rate	-	-	-	-	-	-
30 June 2012						
Financial Assets						
Cash and deposits	130,019	-	-	-	1,071,771	1,201,790
Trade and other receivables	-	-	-	-	9,302	9,302
	130,019	-	-	-	1,081,073	1,211,092
Weighted average interest rate	3.5%	-	-	-	-	0.4%
Financial liabilities						
Trade and other payables	-	-	-	-	199,656	199,656
	-	-	-	-	199,656	199,656
Weighted average interest rate	-	-	-	-	-	-

The Company has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Company. A movement in interest rates of +/- 100 basis points will result in less than a +/- $4,000 (2012: $1,000) impact on the Company's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Company.

NOTE 4. FINANCIAL RISK MANAGEMENT (continued)

(b) Market risk

The Company is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss; or to commodity price risk.

(c) Credit risk

The Company has no significant concentrations of credit risk and as such, no sensitivity analysis is prepared by the Company.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Company manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Company does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which is available as required.

The material liquidity risk for the Company is the ability to raise equity in the future.

(e) Effective interest rate and repricing analysis

Cash and cash equivalents are the only interest bearing financial instruments of the Company.

NOTE 5. SEGMENT INFORMATION

Identification of reportable segments

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

In the current year the Company engaged in exploration for minerals in Australia. For part of the prior year, the Company was engaged in exploration for minerals in Australia, Indonesia and Zambia. The operations were located in Australia, Indonesia and Zambia with the head office being in Australia. The Company's subsidiaries were excised from the Company and transferred into the Creditors Trust at the point of effectuating the DOCA (28 March 2012), being a condition of the DOCA. Refer note 3.

	Australia		Indonesia		Zambia		Consolidated	
Geographical segments	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Revenue								
Other external revenue	22,540	8,306	n/a	-	n/a	-	22,540	8,306
Total segment revenue	22,540	8,306	n/a	-	n/a	-	22,540	8,306
Results								
Segment net profit/(loss) before tax	(1,297,109)	(953,414)	n/a	-	n/a	277,881	(1,297,109)	(675,533)
Assets								
Segment assets	1,158,050	2,566,179	n/a	-	n/a	-	1,158,050	2,566,179
Liabilities								
Segment liabilities	91,540	199,656	n/a	-	n/a	-	91,540	199,656

The accounting policies of the reportable segments are the same as the Company's accounting policies as described in Note 2.

Depreciation	-	-	n/a	-	n/a	-	-	-

NOTE 6. REVENUE

	Consolidated 2013 $	Consolidated 2012 $
Interest	22,540	1,510
Sundry Income	-	6,796
	22,540	8,306

NOTE 7. INCOME TAX

a) Numerical reconciliation of income tax expense to prima facie tax payable

	2013 $	2012 $
Loss from continuing operations before income tax expense	(1,297,109)	(953,414)
Profit from discontinuing operations before income tax expense	-	277,881
	(1,297,109)	(675,533)
Tax at the Australian tax rate of 30%	(389,133)	(202,660)
Tax effect of amounts which are not deductable (taxable) income:	246,485	-
Tax effect of amounts which are deductable (taxable) income:	(138,392)	-
Tax concession (research & development)	-	720,380
Tax losses not recognised	281,040	202,660
Income tax benefit	-	720,380

b) Tax losses

	2013 $	2012 $
Unused tax losses for which no deferred tax asset has been recognised	5,636,437	4,699,639
Potential tax benefit at 30%	1,690,931	1,409,892

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. There are deferred tax liabilities of approximately $223,777 relating to capitalised exploration costs claimed for tax in the year ended 30 June 2013 (2012: $406,526). These are offset with the deferred tax assets that have been recognised to the extent of the deferred tax liabilities.

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated 2013 $	Consolidated 2012 $
Cash at bank	399,991	1,201,790

(a) Reconciliation of operating loss after income tax to net cash flows used in operating activities

	2013 $	2012 $
Operating profit/(loss) after tax	(1,297,109)	44,847
Non-cash items		
Impairment of capitalised exploration and evaluation expenditure	679,081	-
Gain on disposal of discontinued operations	-	(277,881)
Interest received	(22,540)	(1,510)
Changes in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in receivables	9,131	(909)
(Increase) in other assets	(9,000)	-
(Decrease)/increase in payables	(50,928)	287,351
Net cash flows (used in)/from operating activities	(691,365)	51,898

(b) Non-cash transactions

During the prior year, the Company entered into the following non-cash financing activities which are not reflected in the statement of cash flows:

A Syndicate headed by Pager Partners Corporate Advisory Pty Ltd, which recapitalised the Company under the DoCA paid $950,000 to the Deed Administrator on behalf of the Company for the purpose of satisfying all creditor claims, liabilities and obligations of the Company pursuant to the satisfaction of the DoCA. The Company repaid the Syndicate loan upon the completion of the capital raising.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	**2012**
	$	**$**
Other receivables	3,136	171
GST receivable	-	9,131
	3,136	9,302

These amounts generally arise from transactions during usual operating activities of the consolidated entity and are non-interest bearing. These amounts do not contain any impaired receivables, and are not considered overdue.

NOTE 10. EXPLORATION, EVALUATION AND DEVELOPEMENT

	Consolidated	
		Restated
	2013	**2012**
	$	**$**
Opening balance	1,355,087	1,300,000
Expenditure incurred	69,917	55,087
Impairment of tenements surrendered	(679,081)	-
Closing balance	745,923	1,355,087

During the year, the Company changed its accounting policy to capitalise exploration expenditure as opposed to expensing it. Refer to Note 1(a) for further information.

The Board of Directors undertook an impairment review of the Company's exploration and evaluation assets as at 30 June 2013 resulting in an impairment charge for the current year of $679,081 (2012: $Nil) relating to tenements surrendered during the year.

NOTE 11. TRADE AND OTHER PAYABLES

Trade payables	3,302	115,552
Accruals	82,708	67,982
Other payables	5,530	16,122
	91,540	199,656

Trade payables are normally settled on 30 – 60 day terms.

NOTE 12. CONTRIBUTED EQUITY

(a) Issued share capital

	2013	**2012**
	Shares	**Shares**
Ordinary shares fully paid	372,593,287	372,593,287

(b) Movement in ordinary share capital

Details	**Number of shares**	**$**
Balance at 30 June 2011	82,593,287	12,757,392
Share issue – placement at $0.0025 each	100,000,000	250,000
Share issue – placement at $0.01 each	190,000,000	1,900,000
Cost of capital raising	-	(73,358)
Balance at 30 June 2012	372,593,287	14,834,034
Cost of capital raising	-	(2,904)
Balance at 30 June 2013	372,593,287	14,831,130

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands or on a poll every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote.

NOTE 13. OPTIONS, RESERVES AND ACCUMULATED LOSSES

	2013 Options	2013 $	2012 Options	2012 $
(a) Options at the end of the year	60,857,500	899,650	72,559,000	899,650

There are no voting rights attached to the options

(b) Movement in options

Date	Details	Number of option	Fair value issue price	$
01/07/2011	Opening balance	14,961,000		898,150
03/12/2011	Options expired	(1,000,000)		-
08/12/2011	Options expired	(1,402,000)		-
14/05/2012	Options issued	60,000,000	$0.000025	1,500
Balance at 30 June 2012		72,559,000		899,650
30/07/2012	Options expired	(2,000,000)		-
18/10/2012	Options expired	(9,701,500)		-
Balance at 30 June 2013		60,857,500		899,650

(c) Option Premium Reserve

	2013 Number of Options	2013 $	2012 Number of Options	2012 $
Movement in reserve				
Balance at the beginning of the year	60,000,000	1,500	-	-
Options issued ($0.000025 with placement)	-	-	60,000,000	1,500
Balance at the end of the year	**60,000,000**	**1,500**	**60,000,000**	**1,500**

The terms of the options issued on 14 May 2012 are as follows:

(a) Each Option gives the optionholder the right to subscribe for one (1) share. To obtain the right given by each Option, the optionholder must exercise the Options in accordance with these terms and conditions.

(b) The Options will expire at 5:00pm (AEST) on 30 June 2015 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) The amount payable upon exercise of each Option will be $0.015 (**Exercise Price**).

(d) The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.

(e) Optionholders may exercise their Options by lodging with the company, before the Expiry Date:

  (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(f) An Exercise Notice is only effective when the company has received the full amount of the Exercise Price in cleared funds.

(g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the company will allot the number of shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(h) The Options are freely transferable.

(i) All shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other shares.

NOTE 13. OPTIONS, RESERVES AND ACCUMULATED LOSSES (continued)

(j) The company will not apply for quotation of the Options on ASX. However, the company will apply for quotation of all shares allotted pursuant to the exercise of the Options on ASX within 10 business days after the date of allotment of those Shares.

(k) If at any time the issued capital of the company is reconstructed, all rights of the optionholders are to be changed in a manner consistent with the Corporations Act 2001 and the ASX Listing Rules at the time of the reconstruction.

(l) There are no participating rights or entitlements inherent in the Options and the optionholder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the 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 optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

(m) In the event the company proceeds with a pro rata issue (except a bonus issue) of securities to shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(n) In the event the company proceeds with a bonus issue of securities to shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the optionholder would have received if the Option had been exercised before the record date for the bonus issue.

(d) Share Based Payments Reserve

	2013 Number of Options	**2013 $**	**2012 Number of Options**	**2012 $**
Movement in reserve				
Balance at the beginning of the year	12,559,000	898,150	14,961,000	898,150
Options expired	(11,701,500)	-	(2,402,000)	-
Balance at the end of the year	**857,500**	**898,150**	**12,559,000**	**898,150**

Nature and Purpose of Reserves

The option premium reserve arises pursuant to an issue of options pursuant to a capital raising.

The share based payments reserve arises pursuant to an issue of shares or options as consideration for a service or an acquisition transaction.

(e) Accumulated Losses

	Consolidated	
	2013 $	**2012 $**
Accumulated losses at beginning of year	(13,367,161)	(13,412,008)
Net profit/(loss)	(1,297,109)	44,847
Accumulated losses at end of year	**(14,664,270)**	**(13,367,161)**

NOTE 14. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expense

There were no share based payments during the year or the prior year.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Issued 18 Oct 2007(i)*	9,701,500	18/10/2007	18/10/2012	$0.20	$0.0246
Issued 5 Nov 2008 (ii)	857,500	5/11/2008	5/11/2013	$0.20	$0.0381
Issued 2 Dec 2009 (iii)*	1,000,000	2/12/2009	3/12/2011	$0.23	$0.0962
Issued 9 Dec 2009 (iv)*	1,402,000	9/12/2009	8/12/2011	$0.23	$0.0929
Issued 30 July 2010 (iv)*	2,000,000	30/07/2010	30/07/2012	$0.23	$0.1565

(i) Options issued during financial year ended 30 June 2008, these options vest at grant date. 9,000,000 options were escrowed under the ASX Listing Rule. These 9,000,000 options will be released from escrow on the 3 December 2011.
(ii) Options issued during the financial year ended 30 June 2009 vest at the date of their issue.
(iii) Options issued on the 2 December 2009, vested 3 December 2011.
(iv) Options issued on 9 December 2009 and 30 July 2010 vest at the date of their issue.
* These options have expired.

(b) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	2013 No	2013 WAEP	2012 No	2012 WAEP
Outstanding at the beginning of the year	12,559,000	0.205	14,961,000	0.209
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(11,701,500)	0.205	(2,402,000)	0.23
Outstanding at the end of the year	857,500	0.200	12,559,000	0.205

(c) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 0.35 years (2012: 0.34 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.20 (2012: $0.20-$0.23).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was $Nil (2012: $Nil).

(f) Share options exercised during the year

No options were exercised in 2013 or 2012.

(g) Issue of shares during the year

During the year, the Company issued in total Nil fully paid ordinary shares (2012: 290,000,000). Details of the share issued are listed under note 12.

NOTE 15. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

In order to maintain an interest in the mining and exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the Directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

Not longer than 1 year	20,000	366,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	20,000	366,000

(b) Operating Lease Commitments

The Company has no operating lease commitments.

NOTE 16. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2013.

NOTE 17. SUBSEQUENT EVENT

Subsequent to 30 June 2013, the Group has entered into the following agreements:

1) Subject to shareholder approval, the issue of 375m ordinary shares at 1.2c per share to raise $4,500,000;
2) Subject to shareholder approval, to subscribe for $50,000 in new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited, a Zimbabwean company;
3) Subject to shareholder approval, issue 60m ordinary shares to Continental Minerals Limited as consideration for a 3 year exclusivity agreement.
4) Subject to shareholder approval, issue 2m ordinary shares at 1.2c per share to a consultant, and 82m options exercisable at 1.5c to Directors, management and consultants.

The Company has sent out a notice of meeting and shareholders are expected to vote on the above matters on 23 September 2013. Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

	Consolidated	
	2013	**2012**
NOTE 18. AUDITOR'S REMUNERATION	**$**	**$**
Audit services	25,400	19,000
Research & development rebate fee 2010 & 2011	-	98,000
Review of financial information dated 31 May 2012	-	3,675
Consent to be named in Prospectus dated 15 May 2012	-	1,050
	25,400	121,725

NOTE 19. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

(i) *Directors*

The following persons were Directors of Prospect Resources Limited during (or after) the financial year:

Mr Hugh Warner	Director (appointed 3 January 2012)
Mr Harry Greaves	Director (appointed 15 July 2013)
Mr Gerry Fahey	Director (appointed 15 July 2013)
Mr Jonathan Pager	Director (appointed 3 January 2012)(resigned 15 July 2013)
Mr Michael Pollak	Director (appointed 3 January 2012) (resigned 15 July 2013)

(ii) *Other Key Management Personnel*

None

NOTE 19. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

b) Key Management Personnel Compensation

The aggregate compensation made to Key Management Personnel of the Company is set out below:

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	170,092	488,999[a]
Post employment benefits	9,908	-
	180,000	488,999

[a] The Administrators were paid $Nil and Deed Administrator $Nil during the period of their appointment (2012: $293,893 and $40,000).

c) Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2013	**Opening balance**	**Granted**	**On exercise of options**	**Net change other**	**Closing balance**
Hugh Warner	61,300,000	-	-	-	61,300,000
Jonathan Pager	5,983,333	-	-	-	5,983,333
Michael Pollak	21,000,000	-	-	-	21,000,000
	88,283,333	-	-	-	88,283,333
Ordinary Shares Held at 30 June 2012					
Hugh Warner	-	-	-	61,300,000^^	61,300,000
Jonathan Pager	-	-	-	5,983,333^^	5,983,333
Michael Pollak	-	-	-	21,000,000^^	21,000,000
Graham Anderson	1,500,000	-	-	(1,500,000)^	-
Ken Fitzgerald	1,900,000	-	-	(1,900,000)^	-
Julie Glanville	2,300,000	-	-	(2,300,000)^	-
Nigel Ferguson	1,550,000	-	-	(1,550,000)^	-
Douglas William O'Neill	260,000	-	-	(260,000)^	-
	7,510,000	-	-	80,773,333	88,283,333

Options Held at 30 June 2013	**Opening balance**	**Granted**	**Options exercised**	**Net change other**	**Closing balance**
Hugh Warner	16,000,000	-	-	-	16,000,000
Jonathan Pager	6,000,000	-	-	-	6,000,000
Michael Pollak	11,000,000	-	-	-	11,000,000
	33,000,000	-	-	-	33,000,000
Options Held at 30 June 2012					
Hugh Warner	-		-	16,000,000^^	16,000,000
Jonathan Pager	-	-	-	6,000,000^^	6,000,000
Michael Pollak	-	-	-	11,000,000^^	11,000,000
Graham Anderson	1,500,000	-	-	(1,500,000)^	-
Ken Fitzgerald	3,000,000	-	-	(3,000,000)^	-
Julie Glanville	3,000,000	-	-	(3,000,000)^	-
Nigel Ferguson	1,500,000	-	-	(1,500,000)^	-
Douglas William O'Neill	1,000,000	-	-	(1,000,000)^	-
Executives					
Leonard Math	201,500	-	-	(201,500)^	-
	10,201,500	-	-	22,798,500	33,000,000

** Disposed during the period*
** Held on appointment
^ Held upon resignation
^^ Acquired during the period

NOTE 20. RELATED PARTY TRANSACTIONS

Pager Partners Corporate Advisory Pty Ltd

The company paid $60,000 (2012: $Nil) to Pager Partners Corporate Advisory Pty Ltd for the services of Mr Jonathon Pager as Non-Executive Director. In addition, the company paid $9,333 (2012: $Nil) for rent. Mr Pager is a Director and beneficiary of Pager Partners Corporate Advisory Pty Ltd.

In the prior year, prior to becoming Directors, the Directors formed a syndicate headed by Pager Partners Corporate Advisory Pty Ltd, that agreed to pay $950,000 (on behalf of the Company) to the Deed Administrator for the purposes of satisfying all creditor claims, liabilities and obligations of the Company being compromised under the DoCA. The Company repaid the Syndicate loan upon the completion of the capital raising.

Anglo Pacific Ventures Pty Ltd

The company paid $31,500 (2012: $Nil) to Anglo Pacific Ventures Pty Ltd for rent. Mr Warner is a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

Ethan Park Contractors

The company paid $Nil (2012: $70,561) to Ethan Park Contractors for the services of Ms Julie Glanville as Executive Director. Ms Glanville is a Director and beneficiary of Ethan Park Contractors. The prior year fees were paid by the administrator.

Neening Park Contractors

The company paid $Nil (2012: $84,545) to Neening Park Contractors for the services of Mr Ken Fitzgerald as Executive Directors. Mr Fitzgerald is a Director and beneficiary of Neening Park Contractors. The prior year fees were paid by the administrator.

NOTE 21. EARNINGS PER SHARE

	Consolidated	
		Restated
	2013	**2012**
Basic profit/(loss) per share (cents per share)	(0.35)	0.04
Amount used in the calculation of basic EPS		
- Continuing operations	(1,297,109)	(233,034)
- Discontinued operations	-	277,881
Profit/(loss) after income tax	(1,297,109)	44,847
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	372,593,287	117,579,588

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

NOTE 22. CONTROLLED ENTITIES

		Ownership interest	
	Country incorporation	**2013**	**2012**
Parent entity			
Prospect Resources Limited			
Entities controlled by Parent			
Prospect Resources (UK) Limited	United Kingdom	100%	0%
Allegra Mining Zambia Ltd	Zambia	0%	0%
PT Ethan Mining Celebes Ltd	Indonesia	0%	0%

Allegra Mining Zambia Ltd and PT Ethan Celebes Ltd were excised from the Company and transferred into the Creditors Trust at the point of effectuating the DOCA (28 March 2012), being a condition of the DOCA, refer to Note 3. Prospect Resources (UK) Limited is a holding company established to acquire the Zimbabwe companies discussed at Note 17.

NOTE 23. PROPECT RESOURCES LIMITED PARENT COMPANY INFORMATION

	2013 $	Restated 2012 $
ASSETS		
Current Assets	412,127	1,211,092
Non-current Assets	745,923	1,355,087
TOTAL ASSETS	1,158,050	2,566,179
LIABILITIES		
Current Liabilities	91,540	199,656
TOTAL LIABILITIES	91,540	199,656
EQUITY		
Contributed equity	14,831,130	14,834,034
Reserve	899,650	899,650
Retained earnings	(14,664,270)	(13,367,161)
	1,066,510	2,366,523
FINANCIAL PERFORMANCE		
Loss for the year	(1,297,109)	(233,035)
Other comprehensive income	-	-
Total comprehensive income	(1,297,109)	(233,035)

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
Subiaco WA 6008

12 September 2013

Dear Board Members

Prospect Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Prospect Resources Limited.

As lead audit partner for the audit of the financial statements of Prospect Resources Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Prospect Resources Limited

We have audited the accompanying financial report of Prospect Resources Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 32.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Prospect Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Basis for Qualified Opinion

As stated in Note 2(b) to the financial report, Prospect Resources Limited was in voluntary administration from 1 July 2011 to 28 March 2012. As a result, the directors, who were appointed on 3 January 2012, were unable to obtain all the books and records necessary to ensure the company's financial statements for 31 December 2011 and 30 June 2012 presented a true and fair view.

Because the available accounting and statutory records were not adequate to permit the application of necessary procedures, we were unable to form an audit opinion the financial report for the year ended 30 June 2012. Accordingly, we are unable to express an audit opinion on the corresponding figures for the year ended 30 June 2012 disclosed in the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph,

(a) the financial report of Prospect Resources Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 2(c) in the financial statements, which indicates that the Consolidated Entity incurred a loss of $1,297,109 and had cash outflows from operating and investing activities of $725,537 during the year ended 30 June 2013. As at reporting date, the Consolidated Entity had cash and cash equivalents of $399,991. These conditions, along with other matters as set forth in Note 2 (c), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and the Consolidated Entity to continue as going concerns and therefore, the Consolidated Entity and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

The Remuneration Report is included in pages 7 to 9 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for Qualified Opinion on Remuneration Report

Because of the significance of matters described in the Basis for Qualified Opinion paragraph, we have not been able to form an audit opinion on the financial report for the year ended 30 June 2012. Accordingly, we are unable to express an audit opinion on the corresponding figures for the year ended 30 June 2012 disclosed in the remuneration report.

Deloitte.

Qualified Opinion on Remuneration Report

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Remuneration Report paragraph, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 12 September 2013

PROSPECT RESOURCES LIMITED (PSC) – CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out Prospect Resource Limited's (**the Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**the ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the ASX Principles and Recommendations.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
1. Lay solid foundations for management and oversight		
1.1. Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	The Company's board of Directors (**the Board**) is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to: (a) maintain and increase Shareholder value; (b) ensure a prudential and ethical basis for the Company's conduct and activities; and (c) ensure compliance with the Company's legal and regulatory objectives. Consistent with these goals, the Board assumes the following responsibilities: (a) developing initiatives for profit and/or asset growth; (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis; (c) acting on behalf of, and being accountable to, the Shareholders; and (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully-informed basis. It is expected that the division of responsibility of the Board and senior executives will vary with the evolution of the Company. The Company intends to regularly review the balance of responsibilities to ensure that the division of functions remains appropriate to the needs of the Company.
1.2. Companies should disclose the process for evaluating the performance of senior executives.	No	Given the current size of the Company and the fact that the Company currently has no senior executives, the process for evaluating their performance is not relevant.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
2. Structure the board to add value		
2.1. A majority of the board should be independent Directors.	No	The Board has reviewed the position and associations of each of the three Directors in office and has determined that only one out of three Directors is independent. In making this determination the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate. The Board strives to ensure that it is comprised of Directors with a blend of skills, experience and attributes appropriate to the Company and its business. The principle criterion for the appointment of new Directors is their ability to add value to the Company and its business.
2.2. The chair should be an independent Director.	No	The Company's current Chairman Mr Hugh Warner, does not satisfy the ASX Principles and Recommendations definition of an independent Director. However, the Board considers Mr Warner's role as chairman essential to the success of the Company at this early stage of its restructure and the development of its new business.
2.3. The roles of chair and chief executive officer should not be exercised by the same individual.	N/A	The Company has not yet appointed a chief executive officer.
2.4. The board should establish a nomination committee.	No	No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisers (if required), has been committed to by the Board.
2.5. Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.	No	The Company does not have in place a separately constituted remuneration committee due to the size and current operations of the Company. The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process. Mr Hugh Warner and Mr Duncan (Harry) Greaves are the Executive Directors. The total maximum remuneration of Non-Executive Directors is currently set at $500,000. Any increases will be the subject of a shareholder resolution in accordance with clause 13.7 of the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum amount 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 Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
3. Promote ethical and responsible decision-making		
3.1. Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	No	The Board is committed to the establishment and maintenance of appropriate ethical standards. Given the current size of the Company and the fact that the Company is only in the early stages of its restructure and the development of its new business, there is currently no official code of conduct in place. As the Company develops the Board intends to review its practices, and if deemed necessary, establish an appropriate code of conduct.
3.2. Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No	The Company has not established a formal policy addressing diversity. Given the current size of the Company and the fact that the Company is only in the early stages of its restructure and the development of its new business, the Board does not consider it necessary to have a diversity policy. As the Company develops the Board intends to review its practices, and if deemed necessary in the future, the Board may consider adopting a policy in the future.
3.3. Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	As mentioned in 3.2 above, the Company has not established a formal policy addressing diversity
3.4. Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	No	There are currently no women employees.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
4. Safeguard integrity in financial reporting		
4.1. The board should establish an audit committee.	No	The Company does not have a separately constituted audit committee due to its current size and the fact that the Company is only in the early stages of its restructure and the development of its new business. The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.
4.2. The audit committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members.	N/A	The Company does not currently have an audit committee.
4.3. The audit committee should have a formal charter.	N/A	The Company does not currently have an audit committee.
5. Make timely and balanced disclosure		
5.1. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	No	Due to the current size of the Company and the fact that the Company is only in the early stages of its restructure and the development of its new business, there are no written policies in place. The Company is however committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act 2001. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX and shareholders as well as providing guidance to Directors and employees on disclosure requirements and procedures.
6. Respect the rights of shareholders		
6.1. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	No	Although the Company does not have a formal communications policy in place, all material matters will be disclosed to the market in accordance with the Listing Rules. The Company encourages shareholders to register for receipt of announcements and updates electronically.

ASX Principles and Recommendations		Comply (Yes/No)	Explanation
7. Recognise and manage risk			
7.1.	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Board is responsible for the oversight and management of all material business risks. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation as Board meetings. The risk profile can be expected to change and procedures adapted as the Company develops and it grows in size and complexity. The Board intends to continue to regularly review and approve the risk management and oversight policies of the Company.
7.2.	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	No	This has not been formalised as a role of management, as this responsibility presently sits at Board level.
7.3.	The board should disclose whether it has received assurance from the chief executive office (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	No	The Company has not yet appointed a chief executive officer.

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
8. Remunerate fairly and responsibly		
8.1. The Board should establish a remuneration committee.	No	As mentioned in 2.5 above, the Company does not have in place a separately constituted remuneration committee due to the size and current operations of the Company.
8.2. The remuneration committee should be structured so that it: • consists of a majority of independent Directors; • is chaired by an independent chair; • has at least three members.	No	The Company does not currently have a remuneration committee.
8.3. Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process. Mr Hugh Warner and Mr Harry Greaves are the Executive Directors. The total maximum remuneration of Non-Executive Directors is currently set at $500,000. Any increases will be the subject of a shareholder resolution in accordance with clause 13.7 of the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum amount 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.

ASX Additional Information

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 6 September 2013.

(a) Substantial Shareholders

The substantial shareholders are:

Name	Number Held	Percentage of Issued Shares
Elliot Holdings Pty Ltd – HD & DM Warner	61,300,000	16.45%
Holloway Cove Pty Ltd ATF Holloway Cove Superannuation Fund	23,900,000	6.41%
United Equity Partners Pty Ltd ATF Polycorp Family Trust	21,000,000	5.64%
Stephens B O + E J ATF Stephens Group Superfund	20,500,000	5.50%
Leilani Investments Pty Ltd	20,000,000	5.37%

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	3,340	0.00
1,001 – 5,000	345,179	0.09
5,001 – 10,000	1,090,767	0.29
10,001 – 100,000	18,642,537	5.00
100,001 and over	352,511,464	94.61
Total	372,593,287	**100.00**

There were 533 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information (continued)

(d) Equity Security Holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Number Held	Percentage of Issued Shares
1.	WARNER HUGH + DIANNE <CBM S/F A/C>	32,300,000	8.67%
2.	ELLIOT HLDGS PL <CBM FAM A/C>	27,000,000	7.25%
3.	HOLLOWAY COVE PL <HOLLOWAY COVE S/F>	23,900,000	6.41%
4.	UNITED EQUITY PTNRS PL <POLYCORP FAM A/C>	21,000,000	5.64%
5.	STEPHENS B O + E J <STEPHENS GRP S/F A>	20,500,000	5.50%
6.	LEILANI INV PL <RICE FAM INV A/C>	20,000,000	5.37%
7.	TALLTREE HLDGS PL <D STEINEPREIS FAM>	9,000,000	2.42%
8.	TALLTREE HLDGS PL <NERD FAM S/F A/C>	9,000,000	2.42%
9.	POLFAM PL <POLLAK SUPER A/C>	8,333,333	2.24%
10.	COWARD CARL PHILIP M	5,000,000	1.34%
11.	WALL STREET NOM PL <A T BRENNAN S/F A/>	5,000,000	1.34%
12.	PAVLOVICH DANNY ALLEN <PAVLOVICH FAM A/C>	5,000,000	1.34%
13.	SAMLISA NOM PL	5,000,000	1.34%
14.	PAGANIN DAVID ARTHUR <DA PAGANIN FAM NO2>	5,000,000	1.34%
15.	STEINEPREIS ROGER <RC STEINEPREIS FT>	5,000,000	1.34%
16.	CHRISTIAN ROGER	5,000,000	1.34%
17.	PAGINAN DAVID <DA PAGANIN FAM NO2>	5,000,000	1.34%
18.	N & J MITCHELL HLDGS PL <STEINPREIS S/F A/C>	5,000,000	1.34%
19.	HERNSTADT WILLIAM HENRY	5,000,000	1.34%
20.	SYNCOPATED PL	4,500,000	1.21%
	TOTAL	225,533,333	60.53%

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 20 cent before 5 November 2013	857,500	1
Options – exercisable at 1.5 cents before 30 June 2015	60,000,000	9

Exploration licenses granted:

Tenement No	Project	Registered Holder & Interest	Date Granted
E66/56	Mary Springs	Prospect Resources Limited	19/10/09