



Prospect Resources

PROSPECT RESOURCES LIMITED

ACN 124 354 329

NOTICE OF 2015 ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10:00am (AWST)
DATE: Friday, 20 November 2015
PLACE: Suite 6, 245 Churchill Avenue, Subiaco WA 6008

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

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (AWST) on 20 November 2015 at:

Suite 6, 245 Churchill Avenue, Subiaco WA 6008

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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

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

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

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Shareholders of Prospect Resources Limited (ACN 124 354 329) will be held at 10:00am (AWST) on 20 November 2015 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 7:00pm (AWST) on 18 November 2015. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

“To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2015 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

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

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

RESOLUTIONS

Part A: Remuneration Report

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2015.”

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

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

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

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

Part B: Election of Directors

2. RESOLUTION 2 – RE-ELECTION OF MR ZIVANAYI (ZED) RUSIKE AS DIRECTOR

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

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

3. RESOLUTION 3 – RE-ELECTION OF MR DUNCAN (HARRY) GREAVES AS DIRECTOR

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

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

Part C: ASX Listing Rule 7.1A

4. RESOLUTION 4 – ASX LISTING RULE 7.1A APPROVAL OF FUTURE ISSUE OF SECURITIES

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

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 4 by:

- (a) a person who may participate in the in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

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

Part D: Placement in anticipation of future transactions

5. RESOLUTION 5 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders approve the issue of up to 150,000,000 fully paid ordinary shares at a price of no less than 1 cent (\$0.01) per Share to non-related sophisticated investors invited by the Company to subscribe for Shares on the terms out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 5 by:

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

However, the Company will not disregard a vote if:

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

Part E: Change of Auditor

6. RESOLUTION 6 – REMOVAL OF AUDITOR

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

“That, subject to Resolution 7 being passed, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Deloitte Touche Tohmatsu (ABN 74 490 121 060) as the current auditor of the Company, effective immediately.”

7. RESOLUTION 7 – APPOINTMENT OF AUDITOR

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

“That, subject to Resolution 6 being passed, pursuant to section 327D of the Corporations Act and for all other purposes, having been nominated by a Shareholder and consented in writing to act in the capacity of auditor, approval is given for the appointment of Stantons International Audit and Consulting Pty Ltd (ABN 84 144 581 519), effective immediately.”

Part F: Issue of Options to Management and Advisers

8. RESOLUTION 8 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO HUGH WARNER

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 15,000,000 unlisted and unvested Remuneration Options, each exercisable at 0.5 cent (\$0.005) per Remuneration Option, expiring 3 years from the date of issue, to Hugh Warner (or his nominee), a Director of the Company, as part of his remuneration, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 8 by:

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

However, the Company need not disregard a vote if:

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

9. RESOLUTION 9 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO DUNCAN (HARRY) GREAVES

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 15,000,000 unlisted and unvested Remuneration Options, each exercisable at 0.5 cent (\$0.005) per Remuneration Option, expiring 3 years from the date of issue, to Duncan (Harry) Greaves (or his nominee), a Director of the Company, as part of his remuneration, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 9 by:

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

However, the Company need not disregard a vote if:

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

10. REMUNERATION OPTIONS TO GERRY FAHEY

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 5,000,000 unlisted and unvested Remuneration Options, each exercisable at 0.5 cent (\$0.005) per Remuneration Option, expiring 3 years from the date of issue, to Gerry Fahey (or his nominee), a Director of the Company, as part of his remuneration, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 10 by:

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

However, the Company need not disregard a vote if:

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

11. RESOLUTION 11 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO ZIVANAYI (ZED) RUSIKE

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 15,000,000 unlisted and unvested Remuneration Options, each exercisable at 0.5 cent (\$0.005) per Remuneration Option, expiring 3 years from the date of issue, to Zivanayi (Zed) Rusike (or his nominee), a Director of the Company, as part of his remuneration, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 11 by:

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

However, the Company need not disregard a vote if:

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

12. RESOLUTION 12 – APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO NON-RELATED MANAGEMENT AND ADVISERS OF THE COMPANY

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, up to 25,000,000 unlisted and unvested Remuneration Options, each exercisable at 0.5 cent (\$0.005) per Remuneration Option, expiring 3 years from the date of issue, to management and advisers of the Company for nil consideration, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 12 by:

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

However, the Company need not disregard a vote if:

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

Dated: 20 October 2015

BY ORDER OF THE BOARD

Andrew Whitten
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:00am (AWST) on 20 November 2015 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

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

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

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

AGENDA

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2015 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

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

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

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

RESOLUTIONS

Part A: Remuneration Report

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

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

No Director received Directors' fees or a salary from the Company during the financial year ended 30 June 2015. Mr Harry Greaves, Executive Director, received a consulting fee of \$3,265 and no other consulting fees were paid to any other Director during the aforementioned period.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting (subject of this Notice of Meeting), and then again at the 2016 Annual General Meeting (**2016 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2016 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2016 AGM. All of the Directors who were in office when the 2016 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.

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

Voting

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

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

Part B: Election of Directors

RESOLUTION 2 – RE-ELECTION OF MR ZIVANAYI (ZED) RUSIKE AS DIRECTOR

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

The Board currently has 5 Directors. Therefore, 2 Directors are required to retire at this Meeting.

Mr Zivanayi (Zed) Rusike was elected as a Director on 29 November 2013, and is equally the longest serving Director together with Mr Duncan (Harry) Greaves. Mr Greaves's re-election is being sought under Resolution 3 of this Notice of Meeting.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election. Mr Rusike retired by rotation and seeks re-election at this AGM.

Background details for Mr Zivanayi (Zed) Rusike are set out below:

Zed is a qualified accountant and resident of Zimbabwe. He was previously the Managing Director of United Builders Merchant before being promoted to Group Managing Director for Radar Holdings Limited, a large quoted company on the Zimbabwe Stock Exchange. He retired from the Rader Group of companies to pursue personal interests and currently sits on the board of Cairns Holdings, TSL Limited, Dulux Paints Limited and Halstead Brothers (Pvt) Limited. Mr Rusike is a former President of and current Chairman of the board of the Confederation of Zimbabwe Industries.

Given the Company's involvement in several projects in Zimbabwe, Mr Rusike's knowledge, insight and experience will be invaluable to the Company.

Directors' recommendation

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

RESOLUTION 3 – RE-ELECTION OF MR DUNCAN (HARRY) GREAVES AS DIRECTOR

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

The Board currently has 6 Directors. Therefore, 2 Directors are required to retire at this Meeting.

Mr Duncan (Harry) Greaves was elected as a Director on 29 November 2013 and is one of the longest serving Directors on the Board.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election. Mr Greaves retired by rotation and seeks re-election at this AGM.

Background details for Mr Duncan (Harry) Greaves are set out below:

Harry holds a Bachelor of Science (Agriculture) from the University of Natal (South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe all of which he brought back to production over the last 10 years including the design and construction of two mining facilities. He was also the driving force behind the acquisition/securing of rights to the Penhalonga Gold Project, the Bushtick Gold Project and the Gwanda East Gold Project Area (including the Trestwood Mine). He is a well respected and well known member of the Zimbabwe mining fraternity.

Directors' recommendation

The Directors (excluding Mr Greaves) recommend that Shareholders vote for Resolution 3.

Part C: ASX Listing Rule 7.1A

RESOLUTION 4 – ASX LISTING RULE 7.1A APPROVAL OF FUTURE ISSUE OF SECURITIES

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

Approval under this Resolution 4 is sought for the Company to issue equity securities under Listing Rule 7.1A.

If Resolution 4 is approved the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- (a) the date which is 12 months after the date of the 2015 Annual General Meeting; or
- (b) the date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking);

or such longer period if allowed by the ASX.

Accordingly, the approval given if this Resolution 4 is passed will cease to be valid on the earlier of 20 November 2016 or the date on which holders of the Company's ordinary securities approve a transaction under Listing Rules 11.1.2 or 11.2.

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

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

(A x D) – E

where:

- A** is the number of shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
 - (iii) plus the number of fully paid shares issued in the 12 months with approval of the holders of shares under Listing Rules 7.1 and 7.4 (this does not include an issue

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

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

D is 10%

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

The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1. The effect of Resolution 7 will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 8 October 2015, the Company has on issue 850,789,882 ordinary shares and therefore has capacity to issue:

- (a) 127,618,482 equity securities under Listing Rule 7.1; and
- (b) subject to Shareholder approval being sought under this Resolution, 85,078,988 equity securities under Listing Rule 7.1A.

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

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

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

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

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

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

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

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

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

Variable "A" ASX Listing Rule 7.1A.2		Dilution		
		\$0.0015 50% decrease in issue price	\$0.003 Issue Price **	\$0.006 100% increase in issue price
"A" is the current number of shares on issue 850,789,882 *** shares	10% voting dilution	85,078,988 shares	85,078,988 shares	85,078,988 shares
	Funds raised	\$127,618.48	\$255,236.96	\$510,473.93
"A" is a 50% increase in current shares on issue 1,276,184,823 *** shares	10% voting dilution	127,618,482 shares	127,618,482 shares	127,618,482 shares
	Funds raised	\$191,427.72	\$382,855.45	\$765,710.89
"A" is a 100% increase in current shares on issue 1,701,579,764 *** shares *	10% voting dilution	170,157,976 shares	170,157,976 shares	170,157,976 shares
	Funds raised	\$255,236.96	\$510,473.93	\$1,020,947.86

Notes:

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

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

** Based on the closing price of the Company's Shares on ASX on 8 October 2015.

*** Based on the Company's Share structure as at 8 October 2015.

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

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

- (a) raising funds to further develop the Company's business;
- (b) raising funds to be applied to the Company's working capital requirements;
- (c) acquiring assets. In these circumstances the issue of the ordinary shares may be made in substitution for the Company making a cash payment for the assets. If the Company elects to issue ordinary shares for the purpose of acquiring assets then the Company will release to the market a valuation of the assets prior to issuing the shares; and
- (d) paying service providers or consultants of the Company.

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

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

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

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

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

Number/Class of Securities issued	Terms and Purpose of issue	Price and discount to closing market price on the date of issue (if any)	Consideration details	Allottees of the Securities
<i>Securities issued on 7 January 2015</i>				
6,915,000 fully paid ordinary shares	Securities issued as part of placement to a non-related sophisticated investor.	1.5 cents per share No discount	\$103,725 at the time of issue. All of this has been spent as part of working capital.	Investor under a placement
<i>Securities issued on 21 September 2105 (rights issue)</i>				
163,365,062 fully paid ordinary shares	Pro-rata non-renounceable rights issue.	0.4 cents per share No discount	\$653,460.25 at the time of issue. Approximately \$25,000 has been spent on expenses of the rights issue and working capital. The remaining funds will be used for Prestwood Mine Site Capital expenditure, and working capital to commence mining at Prestwood Mine.	Eligible participants under a 2 for 1 pro-rata non-renounceable rights issue, and subsequent shortfall offer

Total Securities issued in previous 12 months	170,280,062
Percentage of total Securities issued in previous 12 months*	25.02%

*Based on Company's share capital structure as at date of 2014 Annual General Meeting

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

Directors' recommendation

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

A voting exclusion statement is set out in the Notice of Meeting.

Part D: Placement in anticipation of future transactions

RESOLUTION 5 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS

This Resolution seeks approval for the issue of up to 150,000,000 Shares in the Company at an issue price of no less than 1 cent (\$0.01) per Share to non-related, sophisticated investors whom will be invited by the Company to take part in the Future Placement.

As at 8 October 2015, the Company has on issue 850,789,882 ordinary shares. Therefore, if all Shares under this Resolution were issued by the Company, this would represent a dilutionary effect of 14.99%.

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

Information Required by ASX Listing Rule 7.3

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

- (a) The maximum number of Shares to be issued is 150,000,000.
- (b) The Shares will be issued progressively within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) The Shares are to be issued at a price of no less than 1 cent (\$0.01) per Share.
- (d) The allottees are non-related, sophisticated investors whom will be invited by the Company to take part in the Future Placement.
- (e) The Shares will be fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company.
- (f) The Company intends to use the funds raised under the Future Placement to develop its mining interests in Zimbabwe and as general working capital.

Part E: Change of Auditor

RESOLUTION 6 & 7 – REMOVAL AND APPOINTMENT OF AUDITOR

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution of a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 6 is an ordinary resolution seeking the removal of Deloitte Touche Tohmatsu as the auditor of the Company. An auditor may be removed at a general meeting provided that the notice of intention to remove the auditor has been received by the Company.

In accordance with section 329(2) of the Corporations Act, the Company has sent a copy of the notice to Deloitte Touche Tohmatsu and ASIC.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 7 is a special resolution seeking the appointment of Stantons International Audit and Consulting Pty Ltd as the new auditor of the Company. As required by the Corporations Act, a nomination for Stantons International Audit and Consulting Pty Ltd to be appointed as the auditor of the Company has been received from a Director and/or Shareholder of the Company. A copy of the nomination of Stantons International Audit and Consulting Pty Ltd as auditor is set out at Annexure B of this Notice of Meeting.

Stantons International Audit and Consulting Pty Ltd has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act, subject to Shareholder approval of this Resolution.

If both Resolutions 6 and 7 are passed by Shareholders at the Meeting, the appointment of Stantons International Audit and Consulting Pty Ltd as the Company's auditor will take effect immediately, at the close of this Meeting.

Part F: Issue of Options to Management and Advisers

The Board wishes to remunerate a number of its Directors, management and advisers with unlisted and unvested options (**Remuneration Options**).

The intended recipients of the Remuneration Options are as follows:

Table 1 – Remuneration Options

Intended Recipient	Relationship with Company	Number of Remuneration Options
Hugh Warner	Executive Director and Chairman	15,000,000
Duncan (Harry) Greaves	Executive Director	15,000,000
Gerry Fahey	Non-Executive Director	5,000,000
Zivanayi (Zed) Rusike	Non-Executive Director	5,000,000
Chris Hilbrands	Key Management Personnel (CFO)	5,000,000
Chris Rees	Key Management Personnel (COO)	5,000,000
Roger Tyler	Key Management Personnel (Chief Geologist)	5,000,000
Philemon Sibanda	Management	5,000,000
Ethan Dube	Adviser	5,000,000
Total		65,000,000

As at 8 October 2015, the Company has on issue 850,789,882 ordinary shares and nil options. Therefore, if all Remuneration Options under Resolutions 8 – 12 were issued by the Company, on a fully diluted basis, these Shares (which have been converted from the Remuneration Options) would represent a dilutionary effect of 7.10%.

Related-party shareholder approval for the issue of the Remuneration Options to Messrs Warner, Greaves, Fahey and Rusike will be considered under Resolutions 8, 9, 10 and 11 of this Notice of Meeting.

The balance of the Remuneration Options which are intended for non-related parties will be considered under Resolution 12 of this Notice of Meeting.

RESOLUTIONS 8, 9, 10 & 11 – RELATED PARTY APPROVALS

Background and Biographies

As noted in the table above, Mr Hugh Warner is the Executive Chairman and Director of the Company. Mr Duncan (Harry) Greaves also serves on the Board as an Executive Director.

Messrs Gerry Fahey and Zivanayi (Zed) Rusike are Non-Executive Directors of the Company.

Mr Warner holds a Bachelor of Economics degree from the University of Western Australia. Hugh has broad experience as a public company director having been a director of

approximately 25 publicly listed companies involved in the mining, oil & gas, biotechnology and service industries.

Mr Greaves's biography is set out in the Explanatory Statement under Resolution 3 of this Notice of Meeting.

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

Mr Rusike's biography is set out in the Explanatory Statement under Resolution 2 of this Notice of Meeting.

ASX Listing Rule Related Party Approvals

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

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

Under Resolutions 8, 9, 10 and 11, the Company seeks Shareholder approval for the issue and allotment of:

- (a) up to 15,000,000 Remuneration Options to Mr Warner (or his nominee) as part of his remuneration;
- (b) up to 15,000,000 Remuneration Options to Mr Greaves (or his nominee) as part of his remuneration;
- (c) up to 5,000,000 Remuneration Options to Mr Fahey (or his nominee) as part of his remuneration; and
- (d) up to 5,000,000 Remuneration Options to Mr Rusike (or his nominee) as part of his remuneration.

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

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

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

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

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

- (a) the Remuneration Options are initially unvested, and can only vest when 20 day VWAP (or over 1 calendar month), the Company's Share price has reached 1 cent (\$0.01) per Share;
- (b) the Company's Share price over the past 12 months has ranged from 0.3 cents (\$0.003) to 0.7 cents (\$0.007), which indicates that the vesting price represents a significant premium to the Company's recent trading price;
- (c) Messrs Warner and Greaves are both Executive Directors of the Company and are responsible for key aspects of the Company's management operations, and the issue of these Remuneration Options is reasonable in recognition of each of Messrs Warner and Greaves having foregone their Directors' fees or salary during the financial year ended 30 June 2015 (note, Mr Greaves received a consulting fee of \$3,265 during the aforementioned period), each of their respective responsibilities, and the vesting conditions, which will assist in aligning their interests with Shareholders of the Company; and
- (d) Messrs Fahey and Rusike are both Non-Executive Directors of the Company and the issue of these Remuneration Options is reasonable in recognition of each of Messrs Fahey and Rusike having foregone their Directors' fees or salary during the financial year ended 30 June 2015, each of their respective responsibilities, and the vesting conditions, which will assist in aligning their interests with Shareholders of the Company.

Accordingly, the Board believes that the issue of these Remuneration Options to Messrs Warner and Greaves fall within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act, and relies on this exception for the purposes of Resolutions 8, 9, 10 and 11.

Information Required by Listing Rule 10.13

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

- (a) The related parties are Messrs Hugh Warner and Duncan (Harry) Greaves, Executive Directors of the Company, and Messrs Gerry Fahey and Zivanayi (Zed) Rusike, Non-Executive Directors of the Company.
- (b) The maximum number of Remuneration Options to be issued to Mr Warner (or his nominee) is 15,000,000.
- (c) The maximum number of Remuneration Options to be issued to Mr Greaves (or his nominee) is 15,000,000.
- (d) The maximum number of Remuneration Options to be issued to Mr Fahey (or his nominee) is 5,000,000.

- (e) The maximum number of Remuneration Options to be issued to Mr Rusike (or his nominee) is 5,000,000.
- (f) The Remuneration Options will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (g) The Remuneration Options are issued for nil cash consideration, however forms part of each of Messrs Warner, Greaves, Fahey and Rusike's remuneration from the Company.
- (h) The terms of the Remuneration Options are set out in Annexure A of this Notice of Meeting.
- (i) The Remuneration Options are being issued to each of Messrs Warner, Greaves, Fahey and Rusike as part of the remuneration, which the independent Directors considers to be reasonable in the Company's and intended recipient's circumstances.

RESOLUTION 12 – APPROVAL OF FUTURE ISSUE OF REMUNERATION OPTIONS TO NON-RELATED MANAGEMENT AND ADVISERS OF THE COMPANY

This Resolution seeks approval for the issue of up to 25,000,000 Remuneration Options to non-related management and advisers of the Company.

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

Information Required by ASX Listing Rule 7.3

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

- (a) The maximum number of Remuneration Options to be issued is 25,000,000. The number of Remuneration Options to be issued to each of the intended recipients are set out in Table 1 above (excluding Messrs Warner and Greaves).
- (b) The Remuneration Options will be issued progressively within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) The Remuneration Options are issued for nil cash consideration, however forms part of each of the intended recipient's remuneration from the Company.
- (d) The allottees are set out in Table 1 above (excluding Messrs Warner ~~and~~ Greaves, Fahey and Rusike).
- (e) The terms of the Remuneration Options are set out in Annexure A of this Notice of Meeting.
- (f) The Remuneration Options are being issued to each of the intended recipients under this Resolution, as part of each of their remuneration from the Company.

ENQUIRIES

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

GLOSSARY

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

Annual Financial Report means the 2015 Annual Report to Shareholders for the period ended 30 June 2015 as lodged by the Company with ASX on 30 September 2015.

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

ASIC means Australian Securities and Investment Commission.

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

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

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

Auditor's Report means the auditor's report of Deloitte Touche Tohmatsu dated 30 September 2015 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

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

Chair means the person chairing the Meeting.

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

Constitution means the Company's constitution.

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

Director means a current director of the Company.

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

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

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

Future Placement means the proposed issue of up to 150,000,000 Shares in the Company at an issue price of no less than 1 cent (\$0.01) per Share to non-related sophisticated investors invited by the Company. Shareholder approval for this placement is sought under this Notice of Meeting at Resolution 5.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 20 October 2015 including the Explanatory Statement.

Option means an option to acquire a Share.

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

Remuneration Options means the unlisted and unvested options, the terms of which are set out in Annexure A of this Notice of Meeting, which are proposed to be issued to Directors, management and advisers of the Company under Resolutions 8 – 12.

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

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

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

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

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

Shareholder means a holder of a Share.

Spill Meeting means the meeting that will be convened within 90 days of the 2016 AGM if a threshold of votes are cast against the adoption of the Remuneration Report at the Meeting and the 2016 AGM.

Spill Resolution means the resolution required to be put to Shareholders at the 2016 AGM if a threshold of votes are cast against the adoption of the Remuneration Report at the Meeting and the 2016 AGM.

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

ANNEXURE A – TERMS OF REMUNERATION OPTIONS

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

- (a) Each Remuneration Option gives the Participant the right to subscribe for 1 Share upon:
 - (i) exercise of the Remuneration Option in accordance with these terms; and
 - (ii) payment of the Exercise Price.
 - (b) The Remuneration Options will expire at 5.00pm (AEST) on the date 3 years after the Participant was granted the Remuneration Options in writing (**Expiry Date**).
 - (c) Subject to paragraph (v) below, Remuneration Options may not be exercised until the share price of the Company has traded at 1 cent (\$0.01) or above for an average of 20 business days (using the 20 day volume weighted average price), or over 1 calendar month.
 - (d) Subject to paragraph (c) and paragraph (w), Participants may exercise Remuneration Options at any time prior to the Expiry Date.
 - (e) Any Remuneration Option not exercised before the Expiry Date will automatically lapse at 5.00pm (AEST) on the Expiry Date.
 - (f) Each Remuneration Option is exercisable at 0.5 cents (\$0.005) (**Exercise Price**), payable in full on exercise of that Remuneration Option.
 - (g) A Participant may exercise all or some of the Remuneration Options held by that Participant. If a Participant exercises only part of the Remuneration Options held by that Participant, multiples of 100,000 Remuneration Options must be exercised on each occasion.
 - (h) If a Participant exercises fewer than all of the Remuneration Options held by that Participant, the Company will cancel the Participant's holding statement and issue or cause to be issued a new holding statement for the balance of the Remuneration Options held by that Participant.
 - (i) The exercise of only some Remuneration Options will not affect the rights of that Participant in respect of the balance of the Remuneration Options held by that Participant.
 - (j) Remuneration Options may only be exercised by a Participant lodging with the Company:
 - (i) a signed written notice of exercise of Remuneration Options (in the form attached to this Schedule) specifying the number of Remuneration Options being exercised;
 - (ii) the holding statement for the Remuneration Options; and
 - (iii) a cheque or electronic funds transfer notice for the Exercise Price for the number of Remuneration Options being exercised.
- (Exercise Notice)**
- (k) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (l) Within 10 Business Days of receipt of the Exercise Notice and the full amount of the Exercise Price in cleared funds, the Company will allot the number of Shares to the Participant required under these Rules in respect of the number of Remuneration Options specified in the Exercise Notice.

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

ANNEXURE B – NOMINATION OF AUDITOR

Nomination of Auditor

To:

Company Secretary
Prospect Resources Limited
ACN 124 354 329
Suite 6, 245 Churchill Avenue
Subiaco, WA 6008

I, Hugh Warner, being a Director and member of Prospect Resources Limited (ACN 124 354 329) (**Company**), hereby nominate Stantons International Audit and Consulting Pty Ltd (ABN 84 144 581 519) for appointment as auditor of the Company.

Dated 8 October 2015

Signed by:



Hugh Warner, Director

+

PROSPECT RESOURCES LTD

ACN: 124 354 329

REGISTERED OFFICE:

SUITE 6
245 CHURCHILL AVENUE
SUBIACO WA 6008

+

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd

All Correspondence to:

PO BOX 535, APPECROSS WA 6953

AUSTRALIA

770 Canning Highway, APPECROSS WA 6153

AUSTRALIA

T: +61 8 9315 2333 F: +61 8 9315 2233

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

Code:

PSC

Holder Number:

PROXY FORM

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

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

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

SECTION A: Appointment of Proxy

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

 The meeting chairperson**OR**

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am WST on Friday 20 November 2015 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008 and at any adjournment of that meeting.

Important for Resolutions 1, 8, 9, 10, 11 and 12:

If the Chairperson is your proxy, either by appointment or my default, you are entitled to vote on the relevant resolution and you have not indicated your voting intention below, you expressly authorise the Chairperson to exercise the proxy in respect of Resolutions 1, 8, 9, 10, 11 and 12, even though those resolutions are connected directly or indirectly with the remuneration of a member of the Company's KMP (details of whose remuneration are set out in the Remuneration Report).

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

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

RESOLUTION	For	Against	Abstain		For	Against	Abstain
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr Zivanayi (Zed) Rusike as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. Related Party Approval for Future Issue of Remuneration Options to Hugh Warner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Mr Duncan (Harry) Greaves as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Related Party Approval for Future Issue of Remuneration Options to Duncan (Harry) Greaves	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. ASX Listing Rule 7.1A Approval of Future Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. Related Party Approval for Future Issue of Remuneration Options to Gerry Fahey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of Future Issue of Share to Non-Related Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. Related Party Approval for Future Issue of Remuneration Options to Zivanayi (Zed) Rusike	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Removal of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. Approval of Future Issue of Remuneration Options to Non-Related Management and Advisers of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

SECTION C: Signature of Security Holder(s)

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

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00am WST on Wednesday 18 November 2015.

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My/Our contact details in case of enquiries are:

Name:

Number:

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1. NAME AND ADDRESS

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

2. APPOINTMENT OF A PROXY

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

3. DIRECTING YOUR PROXY HOW TO VOTE

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

4. APPOINTMENT OF A SECOND PROXY

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

To appoint a second Proxy you must:

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

5. SIGNING INSTRUCTIONS

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

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

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

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

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

6. LODGEMENT OF PROXY

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

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

Security Transfer Registrars Pty Ltd

Online www.securitytransfer.com.au

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Applecross WA 6953 AUSTRALIA

Street Address Alexandria House
Suite 1, 770 Canning Highway
Applecross WA 6153 AUSTRALIA

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

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

