

# Prospect Resources Limited

## ACN 124 354 329

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### OFFER DOCUMENT

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For a pro rata non-renounceable Rights Issue to Eligible Shareholders on the basis of 1 New Share for every 2 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.004 per New Share to raise approximately \$1,374,850 (before costs) (**Offer**).

**The Offer opens on 20 August 2015 and closes at 5:00pm (WST) on 31 August 2015 (unless it is lawfully extended). Valid acceptances must be received before that time.**

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

***This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.***

***The New Shares offered by this Offer Document should be considered as speculative.***

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## **1. IMPORTANT INFORMATION**

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

### **1.1 This document is not a prospectus**

This Offer Document is dated 11 August 2015, has been prepared by Prospect Resources Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in section 5 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

### **1.2 Section 708AA of the Corporations Act**

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order 08/35. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

### **1.3 Eligibility**

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

### **1.4 Overseas Shareholders**

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

The Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand, Singapore or Hong Kong. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

## **1.5 New Zealand**

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

## **1.6 Hong Kong**

The Offer is being made in Hong Kong and is exempt from the prospectus registration requirement under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and restrictions under the Securities and Futures Ordinance.

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **1.7 Singapore**

This document and any other materials relating to the Offer have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Offer may not be issued, circulated or distributed, nor may any Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of Shares in the Company. In the event that you are not an existing holder of Shares in the Company, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire the shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## **1.8 Notice to nominees and custodians**

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## **1.9 Privacy Act**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

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

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

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

## 2. CORPORATE DIRECTORY

<b>Directors</b>	<b>Share Registry*</b>
Hugh Warner - Executive Chairman Harry Greaves - Executive Director Manana Nhlanhla - Non Executive Director Zed Rusike - Non Executive Director Gerry Fahey - Non Executive Director	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
<b>Company Secretary</b>	<b>Legal Advisers*</b>
Andrew Whitten	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
	Whittens & McKeough Pty Ltd Level 5, 137-139 Bathurst Street Sydney NSW 2000
<b>Registered Office</b>	<b>Auditor*</b>
Suite 6 245 Churchill Avenue Subiaco WA 6008  Telephone: + 61 8 9217 3300 Facsimile: +61 8 9388 3006  Website: www.prospectresources.com.au	Deloitte Touche Tohmatsu Woodside Plaza, Level 14 240 St Georges Terrace Perth WA 6000
<b>ASX Code</b>	
PSC	

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

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### 3. DETAILS OF THE OFFER

#### 3.1 The Offer

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 2 Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.004 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as set out in Section 3.6 of this Offer Document, 343,712,410 Shares will be issued pursuant to this Offer to raise up to approximately \$1,374,850.

As at the date of this Offer Document the Company does not have any Options on issue.

All of the Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

#### 3.2 Use of Funds

Completion of the Offer will result in an increase in cash in hand of up to approximately \$1,374,850 (before the payment of costs associated with the Offer).

The Company intends to apply the funds raised under the Offer as follows:

Items of Expenditure	\$	%
Prestwood Mine Site Capital Expenditure	325,000	24
Working Capital to commence mining at Prestwood Mine	500,000	37
General Working capital <sup>1</sup>	524,850	38
Expenses of the Offer	25,000	1
<b>Total</b>	<b>1,374,850</b>	<b>100</b>

**Note:**

1. Funds allocated to working capital will be used for administration expenses and other exploration of the Company's tenements including the costs of litigation in which the Company has previously been a party. All Director's remuneration will continue to be deferred until the Company is in a financial position to do so.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

### 3.3 Indicative Timetable

	Date
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX (prior to the commencement of trading)	11 August 2015
Notice sent to Shareholders	12 August 2015
Ex Date	13 August 2015
Record Date for determining Shareholder entitlements	17 August 2015
Offer Document sent out to Shareholders	20 August 2015
Last date to extend Offer	26 August 2015
Closing Date of Offer	31 August 2015
Securities quoted on a deferred settlement basis	1 September 2015
Notify ASX of under-subscriptions	3 September 2015
Issue date/Shares entered into Shareholders' security holdings	7 September 2015

\*Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

\*\* These dates are indicative only and are subject to change.

### 3.4 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 4 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4. The Shortfall Offer is described in Section 4.5 below.

### 3.5 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

### 3.6 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue	687,424,820
New Shares offered pursuant to the Offer <sup>1</sup>	343,712,410
<b>Total Shares on issue after completion of the Offer<sup>1</sup></b>	<b>1,031,137,230</b>

**Notes:**

1. This number may vary due to rounding of Entitlements and may increase as a result of the rounding up of New Shares offered under the Offer.

**Options**

Options	Number
Options currently on issue:	Nil

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

### 3.7 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 33% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date <sup>1</sup>	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	50,000,000	7.3%	25,000,000	50,000,000	4.8%
Shareholder 2	25,000,000	3.6%	12,500,000	25,000,000	2.4%
Shareholder 3	10,000,000	1.5%	5,000,000	10,000,000	1%
Shareholder 4	1,000,000	0.15%	500,000	1,000,000	0.1%
Shareholder 5	100,000	0.015%	50,000	100,000	0.01%

**Notes:**

1. This is based on a share capital of 687,424,820 Shares at the date of this Offer Document.

### 3.8 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%)	Entitlement	\$
Hugh Warner	76,300,000	11%	38,150,000	\$152,600
Harry Greaves	20,957,944	3%	10,478,972	\$41,916
Manana Nhlanhla	71,916,533	10.5%	35,958,267	\$143,833
Zed Rusike	12,403,738	1.8%	6,201,869	\$24,807

Gerry Fahey	Nil	Nil	Nil	\$Nil
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As at the date of this Offer Document, each of Hugh Warner and Manana Nhlanhla have agreed to take up their Entitlements in full representing in aggregate A\$296,433.

### 3.9 Effect of the Offer on control and voting power in the Company

The Company's substantial holders and their Entitlement prior to the Offer are set out in the table below.

Substantial Holder	Shares	Voting Power (%)	Entitlement	\$
Hugh Warner	76,300,000	11%	38,150,000	\$152,600
Armoured Fox Capital (Pty) Ltd	71,916,533	10.5%	35,958,267	\$143,833
Continental Minerals Ltd	73,699,066	10.7%	36,849,533	\$147,398
MBM Capital Partners LLP	85,000,000	12.4%	42,500,000	\$170,000
Bernard Owen Stephens	38,500,000	5.60%	19,250,000	\$77,000

**Notes:**

- The voting power in the table is prior to settlement of the Offer.

The potential effect that the issue of the Shares under the Offer will have on the control of the Company is as follows:

- if all eligible shareholders take up their entitlements under the Offer, the issue of Shares under the Offer will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Offer;
- in the more likely event that there is a shortfall, eligible shareholders who do not subscribe for their full entitlement of Shares under the Offer and ineligible shareholders unable to participate in the Offer will be diluted relative to those shareholders who subscribe for some or all of their entitlement as shown by the table in section 3.7; and
- in respect of any shortfall, eligible shareholders will be entitled to top-up their shareholding, by subscribing for additional shares to be issued from the shortfall pool (**Shortfall Offer**). However, the Company will only issue such Shares pursuant to an application received where the Directors are satisfied, in their discretion, that the issue of the Shares will not increase the applicant's voting power above 19.90%.

### 3.10 Market Price of Shares

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

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest	\$0.005	7 – 25 May 2015
Lowest	\$0.003	1 and 2 June 2015 and 23 June – 6 August 2015
Last	\$0.003	10 August 2015

### **3.11 Opening and Closing Dates**

The Offer opens on the Opening Date, being 20 August 2015, and closes on the Closing Date, being 5:00pm (WST) on 31 August 2015 (or such other dates as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

### **3.12 Issue and dispatch**

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3.3 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis.

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

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3.3 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

### **3.13 ASX listing**

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

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

### **3.14 CHESS**

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are

electronic, ownership of securities can be transferred without having to rely upon paper documentation.

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

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

### **3.15 Risk Factors**

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 5 of this Offer Document for further details.

### **3.16 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

### **3.17 Continuous disclosure obligations**

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from ASX [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

### **3.18 Enquiries concerning Offer Document**

Enquiries relating to this Offer Document should be directed to the Company on +61 8 9217 3300.

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## **4. ACTION REQUIRED BY SHAREHOLDERS**

### **4.1 How to Accept the Offer**

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you only wish to accept part of your Entitlement:**
  - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.004 per New Share);
- (c) **if you wish to apply for Shares above your Entitlement under the Shortfall Offer:**

follow the instructions on how to participate under the Shortfall Offer set out in section 4.5 below; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

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

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

### **4.2 Implications of an acceptance**

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

#### 4.3 Payment by cheque/bank draft

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

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

#### 4.4 Payment by BPAY®

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

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

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 2:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.**

#### 4.5 Shortfall Offer

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

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.004 per Share being the price at which Shares have been offered under the Offer.

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

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## **5. RISK FACTORS**

### **5.1 Introduction**

The Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

### **5.2 Key investment risks**

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

#### **(a) Risks associated with operating in Zimbabwe**

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

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

#### **(b) Political and economic risk**

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

Any mining operations carried out by the Company in Zimbabwe will be subject to Zimbabwean laws, policies and regulations governing the prospecting, developing and mining of mineral reserves, taxation,

exchange controls, investment approvals, employee relations and other matters. If the Company cannot obtain or maintain the necessary permits, authorisations or agreements to implement planned projects or continue its operations under conditions or within time frames that make such plans and operations economic, or if legal or fiscal regimes or the governing political authority change materially, its financial position could be adversely affected.

(c) **Inflation risk**

Zimbabwe use the US\$ as its primary currency. Historically it has had high rates of inflation and hyperinflation. Because the Company may not be able to control the price at which it sells any minerals which it may produce in the future (except to the extent that it enters into forward sales and other derivative contracts which may not necessarily be permissible in Zimbabwe), it is possible that higher future inflation in Zimbabwe may result in an increase in future US\$ operational costs, which without a concurrent increase in the US\$ price of minerals sold, could have a material adverse effect upon the Company's operations and financial condition.

(d) **Zimbabwe's legal environment**

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

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

(e) **Indigenisation and Economic Empowerment Regulations**

Under the laws of Zimbabwe, all operating companies must be either 51% owned by indigenous parties or have the capability to be 51% owned by indigenous parties.

(f) **Foreign exchange**

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

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

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

(g) **Resources Risk**

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

(h) **Costs of Litigation**

The Company lost the previously announced Court case in Australia. Costs are expected to be assessed over the coming months. It is expected that such costs will be within the previously reported region of \$200,000 however, no certainty can be known until such time as a decision is made. Part of the funds raised will be applied to settle this matter.

### 5.3 **General Risks**

(a) **Additional requirements for capital**

The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its exploration and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) **General economic conditions**

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors.

(c) **Equity market conditions**

Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating

performances of such companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

**(d) Change in government policy and legislation**

Any material adverse changes in relevant government policies or legislation of Australia or Zimbabwe may affect the viability and profitability of the Company, and consequent returns to investors. The activities of the Company are subject to various federal, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health and safety, and other matters.

## **5.4 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

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

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## 6. DEFINED TERMS

**\$ or A\$** means an Australian dollar.

**Additional Shares** means those New Shares not issued under the Offer.

**Applicant** refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

**Application** refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

**ASX** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** means the Listing Rules of the ASX.

**Closing Date** means the closing date set out in Section 3.3 or such other date as may be determined by the Directors.

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

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

**Directors** mean the directors of the Company.

**Eligible Shareholder** means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

**Entitlement** means the entitlement to subscribe for 1 New Share for every 2 Shares held by an Eligible Shareholder on the Record Date.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document.

**New Share** means a new Share proposed to be issued pursuant to this Offer.

**Offer** or **Rights Issue** means the pro rata non-renounceable offer of New Shares at an issue price of \$0.004 each on the basis of 1 New Share for every 2 Shares held on the Record Date subscribed for pursuant to this Offer Document.

**Offer Document** means this Offer Document.

**Opening Date** means the opening date set out in Section 3.3 of this Offer Document.

**Record Date** means the record date set out in Section 3.3 of this Offer Document.

**Section** means a section of this Offer Document.

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

**Shareholder** means a holder of Shares.

**Shortfall** means those Shares under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Offer** means as defined in Section 4.5 of this Offer Document.

**US Person** means a person who receives the Offer when they are located in either the United States of America.