



HALF-YEAR **FINANCIAL REPORT**

31 December 2017

ACN 124 354 329



Prospect Resources



CORPORATE DIRECTORY

DIRECTORS

Hugh Warner
Harry Greaves
Gerry Fahey
Zed Rusike
Manana Nhlanhla
HeNian Chen

SECRETARY

Andrew Whitten

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LEGAL REPRESENTATIVES

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DIRECTORS' REPORT

The directors of Prospect Resources Limited (the “Company” or “Prospect”) and its controlled entities (the “Group”) submit herewith the financial report of the Group for the half-year ended 31 December 2017.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Hugh Warner
Duncan (Harry) Greaves
Gerry Fahey
Zivanayi (Zed) Rusike
Manana Nhlanhla
HeNian Chen – appointed 13 November 2017
Meng Sun (alternate director to Mr Chen) – appointed 22 December 2017
Qingjiao Yu – resigned 13 November 2017
Yan Wang (alternate director to Mr Yu) – resigned 13 November 2017

REVIEW OF OPERATIONS

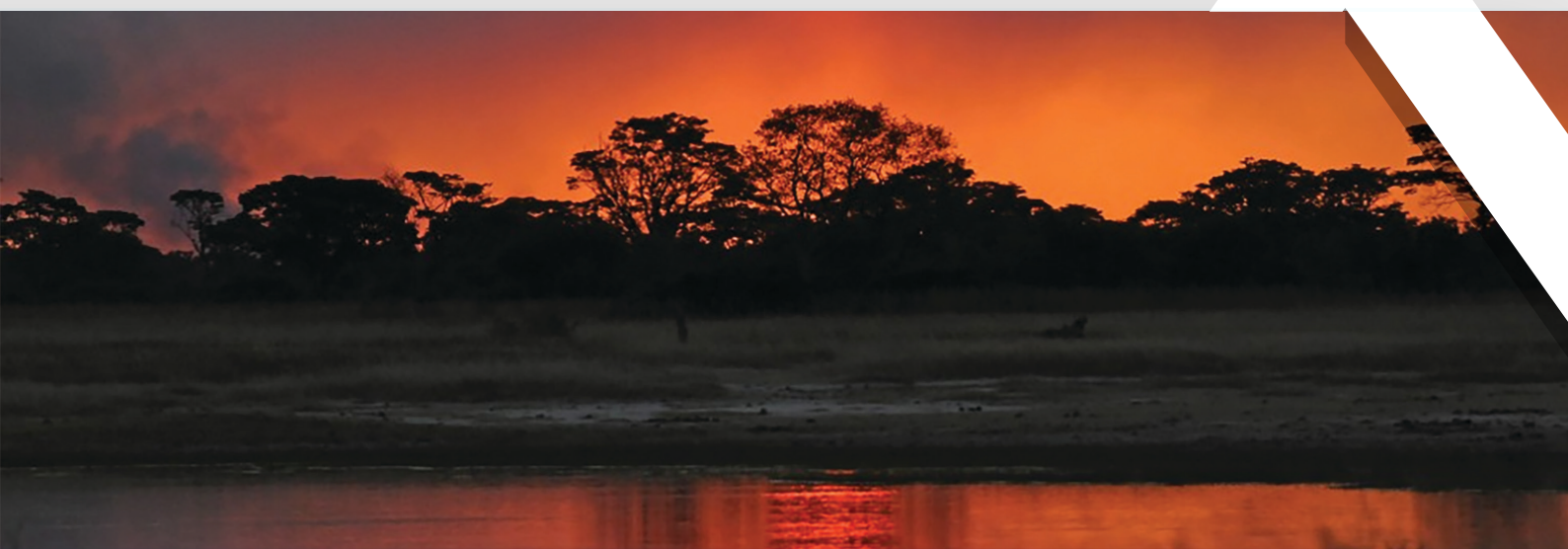
The first half of the year focussed on infill drilling of the proposed Arcadia pit, bulk sampling and grade control, building our lithium carbonate laboratory, meeting potential offtake partners and potential financiers and investors and investigating additional lithium and cobalt acquisitions in the region.

The above resulted in

- the PFS being released;
- product samples being delivered to customers;
- 99.5% battery grade lithium carbonate produced from petalite at our in-house laboratory;
- A conditional Offtake and A\$10m Placement and Framework Agreements with Sinomine Resources Exploration Co. Ltd. and Sinomine International Exploration (Hong Kong) Co. Ltd. (collectively “Sinomine”);
- the Mineral Resource Estimate and Ore Reserve upgraded;
- Acquired option over Tombolo Copper/Cobalt Project;
- A\$10m placement via Hunter Capital; and
- Option over the Good Days Lithium Project being exercised.

UPDATE ON ZIMBABWE

On 24 November 2017, a new Government of Zimbabwe was formed. As a company, we have seen the positive and almost immediate effects of this new government. As announced on 17 January 2018, Arcadia has been identified as a priority project by the new Government. Various members of our team have already presented to the new President of Zimbabwe and the new Mines Minister and both have offered strong support for Prospect and Arcadia. Harry Greaves, Paul Chimbodza and I attended Indaba, Cape Town promoting Prospect, Arcadia and the new business friendly environment of Zimbabwe. We think Prospect is one of the best positioned international companies to participate in the renewal of Zimbabwe. A recently released promotional video welcoming investors to Zimbabwe can be found at <http://www.prospectresources.com.au/zimbabwe>



CONDITIONAL OFFTAKE AND \$10M PLACEMENT AND FRAMEWORK AGREEMENTS

Prospect executed a conditional Placement and Framework Agreement with Sinomine Resources Exploration Co. Ltd. and Sinomine International Exploration (Hong Kong) Co. Ltd. (collectively "Sinomine").

The conditional agreements include the following parts:

- 1) Placement and Framework Agreement – Sinomine to invest A\$10,000,000 via a share placement in Prospect at A\$0.05 per share.
- 2) Offtake Agreement – Prospect agrees to sell:
 - a) 390,000 tonnes of Spodumene Concentrate; and
 - b) 1,097,000 tonnes of Petalite Concentrate;

over a proposed 7 year period priced using a market linked price which is referenced to Lithium Carbonate sold into China

- 3) Lithium Carbonate Plant – Prospect can, at any time, build a lithium carbonate plant and divert 50% of the Petalite Concentrate to this facility and supply Lithium Carbonate to Sinomine under the Offtake contract

The parties have also agreed indicative terms for a Facility Agreement and a Build and Transfer Contract. These term sheets provide:

- Facility Agreement Term Sheet – Sinomine to fully finance the Build and Transfer Contract outlined below, including relevant working capital to take the mine to annualised production targets and Prospect will commence repayments of the facility upon shipment of first product under the Offtake Agreement.

- Build and Transfer Contract Term Sheet – Sinomine will:
 - Construct, build and commission the mine, tailings facilities, plant and equipment and all associated infrastructure for the Arcadia Lithium Project on a build and transfer basis; and
 - Prospect will take ownership of the plant once the mine and plant have achieved 3 months of annualised production as per the above Offtake Agreement.

On the 12 February 2018 the Company announced it had agreed to extend the period in which Sinomine may complete the proposed \$10m placement to 31 March 2018.

Sinomine's reason for requesting an extension was to allow for further time to discuss:

- 1) the terms of the Definitive Build and Transfer Contract and the Definitive Facility Agreement; and
- 2) the potential acquisition of the Arcadia lithium project, via either:
 - a) an offer to acquire a minimum of 51% of Prospect; or
 - b) an offer to purchase 100% of the Arcadia lithium project directly.

In granting the extension, the directors considered Sinomine's ambition to become a leading battery minerals company, the central role that Prospect's Arcadia lithium project might play in its strategy and the benefits to Prospect's shareholders of being engaged with a significant participant in a key market for its lithium products.

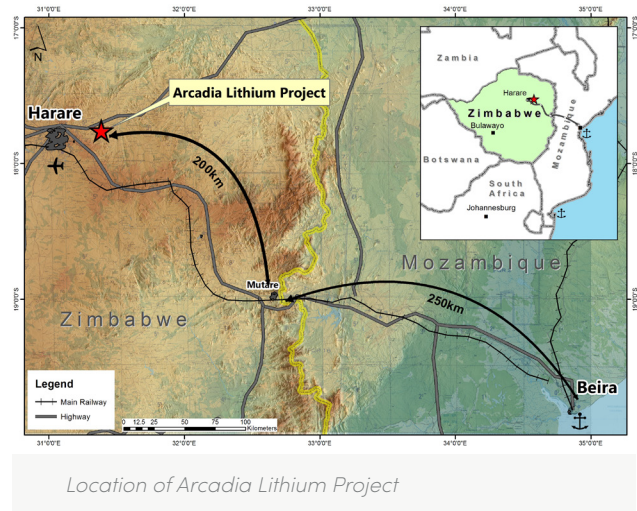
DIRECTORS' REPORT

ARCADIA LITHIUM PROJECT

The Arcadia Lithium Project is located approximately 38 km east of Harare, Zimbabwe and occupies an area of more than 14 km² of granted Mining Rights and consists of several historical lithium and beryl workings within an existing agricultural area. The Project is located close to major highways and railheads, with the Beira Port being less than 450 km away by rail/road transport.

GEOLOGY & EXPLORATION

The Arcadia Lithium deposit is hosted within a series of 14 stacked, sub parallel petalite-spodumene bearing pegmatites that intrude the local Archaean age Harare Greenstone Belt. Dimensions of the pegmatites defined by drilling to date are 4.5 km along strike (SW-NE), with an average thickness of 15 m and dipping 15 degrees to the NW. The Main Pegmatite is exposed in the historical pit, and the deposit is open along strike to the southwest. The deposit is cut by the NNE-SSW trending Mashonganyika Fault zone, as well as a regional SW-NE trending dolerite dyke that appears to truncate the pegmatite to the NW. Continuation of the Lower Main Pegmatite has been identified and tested to the north east of the Mashonganyika Fault Zone.



JORC MINERAL RESOURCE AND RESERVE ESTIMATES

The Arcadia Ore Reserve estimate was upgraded in December 2017 to 26.9 Mt @ 1.31% Li₂O. This represented a 70% increase in tonnes from the previous Ore Reserve estimate. The Ore Reserve hosts ~ 868,000 t contained lithium carbonate equivalent (LCE) and supports a +20 year mine life.

Arcadia Ore Reserve Statement (>1% Li₂O) (6 December 2017)

Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ (Mlbs)	Fe ₂ O ₃ %
Proven	8,000,000	1.36	128	109,000	2.2	0.93
Probable	18,900,000	1.28	127	242,000	5.3	1.25
TOTAL	26,900,000	1.31	128	351,000	7.6	1.15

Arcadia JORC Mineral Resource Statements (24 October 2017)

High Grade Zone - 1% Li ₂ O Cut-off					
Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ (Mlbs)
Measured	10,200,000	1.45%	132	148,100	3.0
Indicated	27,200,000	1.39%	119	378,400	7.1
Inferred	5,800,000	1.45%	97	84,000	1.2
TOTAL	43,200,000	1.41%	119	610,500	11.3

Global Resource - 0.2% Li ₂ O Cut-off					
Category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm	Li ₂ O Tonnes	Ta ₂ O ₅ (Mlbs)
Measured	15,900,000	1.17%	121	184,900	4.2
Indicated	45,400,000	1.10%	121	501,500	12.1
Inferred	11,400,000	1.06%	111	121,400	2.8
TOTAL	72,700,000	1.11%	119	807,800	19.1

ARCADIA PRODUCTS & MARKETING

The process and metallurgical testwork completed at Arcadia has shown the ability to produce three primary product streams that will be considered suitable feedstock for end users in the lithium battery, glass and ceramic markets.



Arcadia Lithium 6.5
6.5% Li_2O Spodumene (Float)



Arcadia Lithium 6.1
6.1% Li_2O Spodumene (DMS)



Arcadia Lithium 4.2
4.2% Li_2O Petalite (DMS)



99.5% Battery Grade Lithium Carbonate

ARCADIA CHEMICAL PLANT

The Company produced >99.5% lithium carbonate during the period in its Kwekwe laboratory using Arcadia petalite. The results from the laboratory scale lithium carbonate have been fed through to the pilot plant design which is being commissioned. The pilot plant will give the Company and potential off-takers valuable knowledge on how to optimise the lithium carbonate process from the Arcadia petalite concentrates.

The establishment of a lithium chemical plant at Arcadia will make the Arcadia project one of the few vertically integrated lithium projects in the world and certainly a first for Africa. Arcadia has the added benefit of its proximal location to key infrastructure such as electricity, by-product consumers and transport resources, as well as regional access to major consumables such as coal and sulphuric acid that are required for the conversion process.

GOLD PROJECTS – GWANDA EAST

The Company continues to evaluate the gold potential of the greater Farvic gold camp through accessing and developing existing historical infrastructure, surface and underground diamond drilling as well as focused surface geochemical surveys.

EXERCISE OF OPTION OVER GOOD DAYS LITHIUM PROJECT

Subsequent to 31 December 2017, Prospect exercised its option over the Good Days Lithium Project. Key terms of the agreement are:

- 1) That the Company and Barrington Resources Pvt Ltd ("Barrington") incorporate a Special Purpose Vehicle ("SPV") to be owned 70% by Prospect and 30% by local parties including Barrington, Farvic Consolidated Mines Pvt Ltd (a company associated with Harry Greaves and Zed Rusike, both directors of the Company) and Tamari Trust (a trust associated with Mr Chimbodza, the vendor of the Company's Arcadia Lithium Project) in order to own a 100% interest in the Good Days Lithium Project.
- 2) On exercise of the option by the Company and the transfer of 100% of Good Days Lithium Project to the SPV, the Company will pay Barrington US\$50,000.
- 3) For a period of 48 months from the date of exercise of the option and the transfer of 100% of Good Days Lithium Project (whichever is later), the Company shall fund 100% of the exploration costs and complete exploration activities so that a Decision to Mine can be made.

- 4) If a Decision to Mine is not declared within 48 month referred to above, then the Company shall cause the SPV to transfer the SPV's 100% interest in the Good Days Lithium Project and all exploration data and drill core to Barrington, unless the Company elects, in its absolute discretion, to extend the period by 12 months at which time the Company shall pay to Barrington US\$100,000.

During the option period, the Company performed two phases of soil sampling totalling 2,556 samples from almost 51km of surveyed lines on the western extension to the previously identified Ford-Ntabeni lithium pegmatites swarm. Though thin, these form part of a parallel zone to the main Good Days pegmatite.

A total of 195 samples returned anomalous values; greater than the statistically determined threshold of 60ppm. 33 of these samples assayed greater than 100ppm, with a peak value of 8531ppm. Three distinct 200-300m long anomalies have been defined on different pegmatites within the Ford-Ntabeni swarm.

ACQUIRED OPTION OVER TOMBOLO COPPER/COBALT PROJECT (PEPM1787)

Subsequent to 31 December 2017, Prospect has secured an option to acquire a 100% direct interest in the Tombolo Klippe project in the Democratic Republic of Congo. The option covers an area of 21km² containing numerous cobalt and copper occurrences.

SHARE PLACEMENT TO RAISE A\$10M

Subsequent to 31 December 2017, the Company raised A\$10,000,000 via the issue of new shares at 5c per share. These funds were raised via clients of Hunter Capital. These additional funds will enable Prospect to accelerate the development of Arcadia, continue exploration work at the Good Days Lithium Project and contribute to working capital.

FARMING – ARCADIA SURFACE RIGHTS

Prospect's first maize crop covering some 80 hectares was harvested during the period and a new crop of soya beans, corn and potato has been planted. This project forms part of Prospect's ongoing commitment to local stakeholders and communities. These farming operations are expected to provide an additional source of employment within the region and a small source of income to Prospect.

FINANCIAL RESULTS

	Half-year ended	
	31 December 2017 \$'000	31 December 2016 \$'000
Reported loss after tax	(2,640)	(9,661)
Exploration and evaluation expenditure expensed	762	334
Impairment of exploration and evaluation/mine properties	444	1,610
Share based payments expense	299	6,628
Loss after adjustment for exploration expenditure, impairments and share based payments	(1,135)	(1,089)

The loss after adjustment for exploration and evaluation expenditure, impairments and share based payments is consistent with the prior period and is in line with expectations.

Exploration and evaluation expenditure expensed relates to expenditure incurred by Prospect Resources Limited on the Arcadia Project, outside of Zimbabwe.

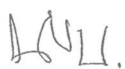
The Group has impaired the capitalised costs incurred on the Prestwood and Sally Mines.

The Group issued 65,000,000 options to employees and consultants on 21 July 2017 (2016: 115,000,000 options). The main driver in the fair value of these options is the share price on issue date, which in the prior period increased significantly from when the board agreed the terms and conditions to the date of the shareholder meeting when the issue of options was approved.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 8 of this report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Hugh Warner
Director

15 March 2018

Competent Person Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on and fairly represents information and supporting documentation compiled by Mr Roger Tyler, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Mr Tyler is the Company's Senior Geologist. Mr Tyler has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Mr Tyler consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on and fairly represents information and supporting documentation compiled by or under the supervision of Mr David Miller, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Miller is Prospect Resources' Marketing Consultant. Mr Miller has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012 Edition. Mr Miller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

15 March 2018

The Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
SUBIACO, WA 6008

Dear Sirs

RE: PROSPECT RESOURCES LIMITED

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

As Audit Director for the review of the financial statements of Prospect Resources Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Half-year ended	
		31 December 2017 \$'000	31 December 2016 \$'000
Revenue from continuing operations	3	735	58
Depreciation expense		(77)	(36)
Employee benefits expenses		(288)	(335)
Exploration and evaluation expenditure expensed		(762)	(334)
Farming expenses		(133)	-
Impairment of exploration and evaluation expenditure	5	(444)	-
Impairment of mine properties		-	(1,610)
Occupancy expenses		(27)	(30)
Project generation expense		(122)	(298)
Share based payments – options expense	8	(299)	(6,628)
Other administration expenses		(1,223)	(448)
Loss before income tax		(2,640)	(9,661)
Income tax		-	-
Loss after tax		(2,640)	(9,661)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(106)	129
Other comprehensive (loss) / income for the period net of tax		(106)	129
Total comprehensive loss for the period		(2,746)	(9,532)
Loss attributable to:			
Equity holders of the Company		(2,606)	(9,096)
Non-controlling interests		(34)	(565)
		(2,640)	(9,661)
Total comprehensive loss attributable to:			
Equity holders of the Company		(2,712)	(8,967)
Non-controlling interests		(34)	(565)
		(2,746)	(9,532)
Earnings per share (cents per share)			
-Basic loss for the half-year	10	(0.16)	(0.59)
-Diluted loss for the half-year	10	(0.16)	(0.59)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

PROSPECT RESOURCES LIMITED / HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2017

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	2,345	7,339
Trade and other receivables		282	84
Other current assets		108	41
Total Current Assets		2,735	7,464
Non-Current Assets			
Plant and equipment		647	597
Exploration and evaluation expenditure	5	8,471	6,443
Mine properties		-	-
Total Non-Current Assets		9,118	7,040
TOTAL ASSETS		11,853	14,504
LIABILITIES			
Current liabilities			
Trade and other payables	6	714	1,067
Total Current Liabilities		714	1,067
Non-Current Liabilities			
Provisions		38	39
Total Non-Current Liabilities		38	39
TOTAL LIABILITIES		752	1,106
NET ASSETS		11,101	13,398
EQUITY			
Contributed equity	7	37,126	36,976
Reserves		9,603	9,410
Accumulated losses		(34,551)	(31,945)
Total Equity Attributable to Shareholders of Parent Company		12,178	14,441
Non-controlling interests		(1,077)	(1,043)
TOTAL EQUITY		11,101	13,398

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017



	Notes	Half-year ended	
		31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities			
Receipts from customers		549	48
Payments to suppliers and employees		(1,688)	(1,752)
Payments for exploration expenditure expenses		(864)	(214)
Net cash flows (used in) operating activities		(2,003)	(1,918)
Cash flows from investing activities			
Interest received		4	10
Payment for plant and equipment		(182)	(213)
Payments for exploration expenditure (net of gold sold)		(2,897)	(2,968)
Payment for development costs (net of gold sold)		-	(687)
Advance to related entities		-	(97)
Net cash flows (used in) investing activities		(3,075)	(3,955)
Cash flows from financing activities			
Proceeds from issue of shares		150	17,415
Capital raising costs		-	(912)
Repayment of related party loan		-	(102)
Net cash flows from financing activities		150	16,401
Net (decrease) / increase in cash and cash equivalents		(4,928)	10,528
Cash and cash equivalents at beginning of period		7,339	2,417
Effects of exchange rate changes on the balance of cash held in foreign currencies		(66)	404
Cash and cash equivalents at end of period	4	2,345	13,349

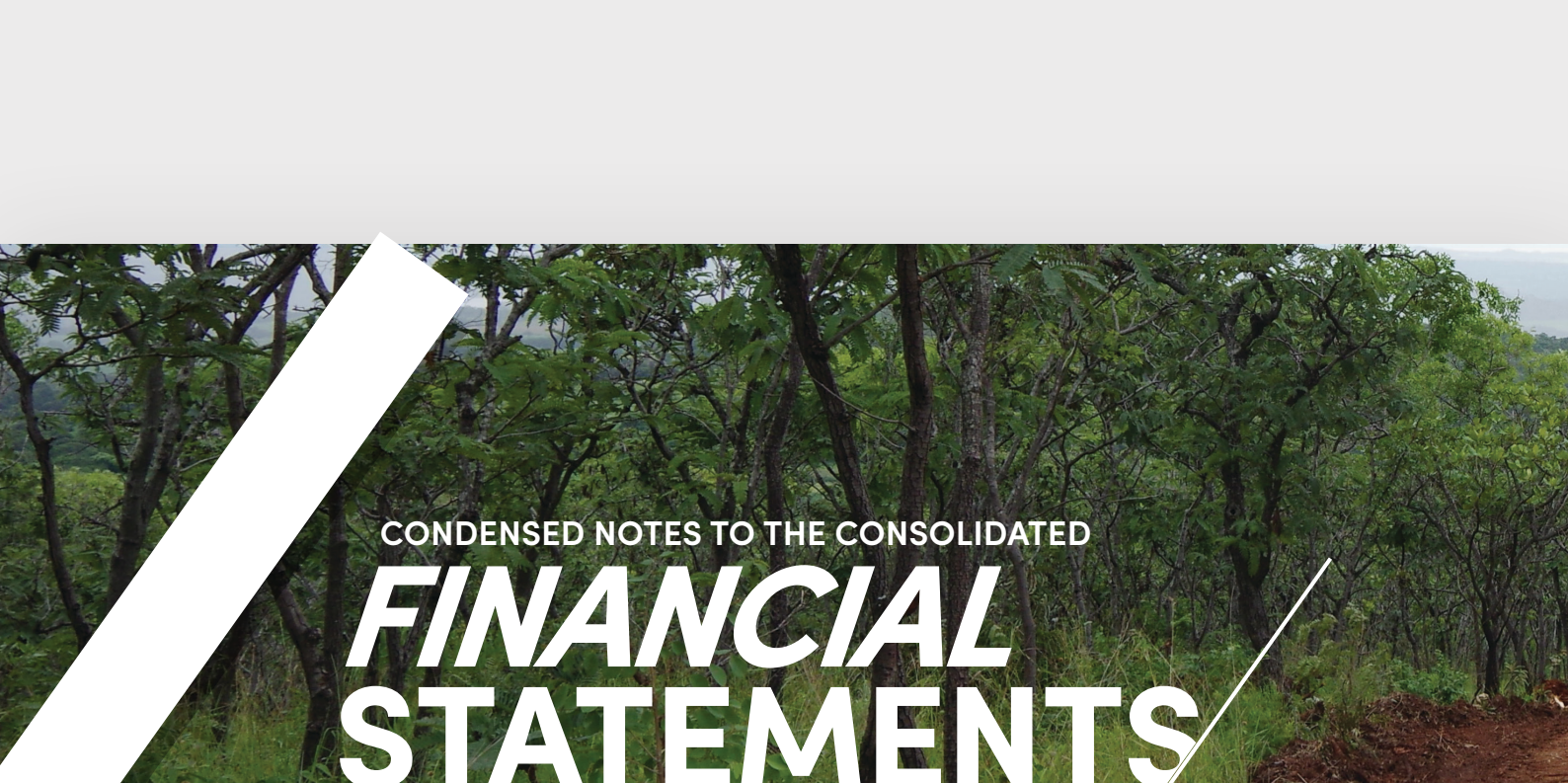
The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF -YEAR ENDED 31 DECEMBER 2017

PROSPECT RESOURCES LIMITED / HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2017

	Issued shares \$'000	Option reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total Equity \$'000
At 1 July 2017	36,976	9,614	(204)	(31,945)	14,441	(1,043)	13,398
Loss for the period	-	-	-	(2,606)	(2,606)	(34)	(2,640)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	(106)	-	(106)	-	(106)
Total comprehensive loss for the period	-	-	(106)	(2,606)	(2,712)	(34)	(2,746)
Issue of ordinary shares upon exercise of options	150	-	-	-	150	-	150
Options issued	-	299	-	-	299	-	299
At 31 December 2017	37,126	9,913	(310)	(34,551)	12,178	(1,077)	11,101
At 1 July 2016	22,192	1,427	(58)	(19,956)	3,605	(238)	3,367
Loss for the period	-	-	-	(9,096)	(9,096)	(565)	(9,661)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	129	-	129	-	129
Total comprehensive loss for the period	-	-	129	(9,096)	(8,967)	(565)	(9,532)
Issue of ordinary shares for cash	17,255	-	-	-	17,255	-	17,255
Share issue costs	(2,471)	1,559	-	-	(912)	-	(912)
Options issued	-	6,628	-	-	6,628	-	6,628
At 31 December 2016	36,976	9,614	71	(29,052)	17,609	(803)	16,806

The accompanying notes form part of these financial statements



CONDENSED NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

b) Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prospect Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 15 March 2018.

c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

d) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Prospect Resources Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 12.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SEGMENT INFORMATION

Identification of reportable segments

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

In the current year the Group engaged in exploration for minerals in Australia and Zimbabwe. The operations were located in Australia and Zimbabwe with the head office being in Australia.

Geographical segments	Australia		Zimbabwe		Consolidated	
	Half-year 2017 \$'000	Half-year 2016 \$'000	Half-year 2017 \$'000	Half-year 2016 \$'000	Half-year 2017 \$'000	Half-year 2016 \$'000
Revenue						
Other external revenue	4	10	731	48	735	58
Total segment revenue	4	10	731	48	735	58
Results						
Segment net loss before tax	(2,514)	(7,773)	(126)	(1,888)	(2,640)	(9,661)
Depreciation	(1)	-	(76)	(36)	(77)	(36)
	31 Dec 2017 \$'000	30 June 2017 \$'000	31 Dec 2017 \$'000	30 June 2017 \$'000	31 Dec 2017 \$'000	30 June 2017 \$'000
Assets						
Segment assets	1,991	7,249	9,862	7,255	11,853	14,504
Liabilities						
Segment liabilities	371	388	381	718	752	1,106

NOTE 3 REVENUE

Revenue from Continuing Operations

	Half-year ended	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue		
Farm income	308	-
Tribute income	34	48
Consultancy income	28	-
Trading income	361	-
Interest revenue	4	10
	735	58

NOTE 4 CASH AND CASH EQUIVALENTS

For the purposes of the half-year statement of cashflows, cash and cash equivalents are comprised of the following:

	31 Dec 2017 \$'000	30 June 2017 \$'000
Cash at bank and in hand	2,345	7,339

NOTE 5 EXPLORATION, EVALUATION & MINE PROPERTIES

	31 Dec 2017 \$'000	12 Months 30 June 2017 \$'000
Total expenditure incurred and carried forward in respect of specific projects		
Exploration & Evaluation Expenditure		
Arcadia - Lithium	8,471	6,395
Gwanda East - Gold	-	48
Mine Properties		
Gwanda East - Gold	-	-
	8,471	6,443

a) Exploration & Evaluation Expenditure

Opening balance	6,443	102
Acquisition of tenements	-	572
Expenditure incurred	2,632	5,926
Impairment of exploration & evaluation expenditure	(444)	-
Proceeds from gold sales from exploration and evaluation ore	(71)	(157)
Effect of foreign currency exchange differences	(89)	-
Closing balance	8,471	6,443

b) Mine Properties

Mines Under Construction		
Opening balance	-	999
Expenditure incurred	-	831
Impairment of mine properties	-	(1,770)
Proceeds from gold sales from development ore	-	(56)
Effect of foreign currency exchange differences	-	(4)
Closing balance	-	-

NOTE 6 TRADE AND OTHER PAYABLES

	31 Dec 2017 \$'000	30 June 2017 \$'000
Trade creditors	533	874
Accruals	158	100
Related party payable	6	90
Other payables	17	3
	714	1,067

No trade creditors are past due and are normally settled on 30 – 60 day terms.

NOTE 7 CONTRIBUTED EQUITY

a) Issued share capital	31 Dec 2017 Shares	30 June 2017 Shares
Ordinary shares fully paid	1,604,128,296	1,594,128,296

b) Movement in ordinary share capital	Number of shares	\$'000
Balance at 1 July 2016	1,237,128,296	22,192
Issue of shares via placements	340,000,000	17,000
Issue of shares via exercise of options	17,000,000	255
Cost of capital raising	-	(2,471)
Balance at 30 June 2017	1,594,128,296	36,976
Issue of shares via exercise of options	10,000,000	150
Balance at 31 December 2017	1,604,128,296	37,126

NOTE 8 OPTION RESERVE

	31 Dec 2017 Options	31 Dec 2017 \$'000	30 Jun 2017 Options	30 Jun 2017 \$'000
a) Options at the end of the period	245,000,000	9,913	190,000,000	9,614

b) Movement in options

Date	Details	Number of option	Fair value issue price	\$'000
01/07/2016	Opening balance	65,000,000		1,427
22/07/2016	Options issued	115,000,000	\$0.05763	6,628
22/07/2016	Options issued	27,000,000	\$0.05774	1,559
21/09/2016	Options exercised	(7,000,000)		-
10/10/2016	Options exercised	(10,000,000)		-
Balance at 30 June 2017		190,000,000		9,614
21/07/2017	Options issued	65,000,000	\$0.0046	299
14/12/2017	Options exercised	(10,000,000)		-
Balance at 31 December 2017		245,000,000		9,913

NOTE 9 SHARE BASED PAYMENTS

a) Options

The share based payments expense was \$299,000 (2016: \$8,186,738), with \$299,000 recognised in the consolidated statement of profit or loss and other comprehensive income (2016: \$6,627,808) and \$Nil recognised within contributed equity as a cost of capital raising (2016: \$1,558,930). The following table lists the inputs to the model used:

No. of options	65,000,000
Grant date	21/07/2017
Share price	\$0.027
Exercise price	\$0.050
Interest rate	1.775%
Expiry date	31/12/2018
Volatility	82.69%
Fair value at grant date before discount	\$0.0058
Discount for being unlisted	20%
Fair value after discount	\$0.0046

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 EARNINGS PER SHARE

	Half-year ended	
	31 Dec 2017	31 Dec 2016
Basic and diluted loss per share (cents per share)	(0.16)	(0.59)
Amount used in the calculation of basic EPS		
Loss after income tax attributable to members of Prospect Resources Limited (\$'000)	(2,606)	(9,096)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	1,595,052,209	1,541,514,166

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

NOTE 11 EVENTS AFTER BALANCE DATE

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

- 1) The Company issued 200,000,000 new ordinary shares at 5c to raise \$10,000,000 before costs.
- 2) The Company issued 10,320,008 new ordinary shares at 5c as part settlement of costs of \$10,000,000 capital raising.
- 3) The Company issued 20,000,000 unlisted options exercisable at \$0.10 that expire 6 February 2019.
- 4) The Group signed an option agreement to acquire a 100% direct interest in the Tombolo Klippe Project in the Democratic Republic of Congo.
- 5) The Group exercised its option to acquire the Good Days Project.

NOTE 12 INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2017. The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

	Principal activity	Country incorporation	Ownership and voting interest	
			Dec 2017	Jun 2017
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Hawkmouth Mining & Exploration (Pvt) Ltd	Exploration & evaluation	Zimbabwe	70%	70%
Coldawn Investments (Private) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Examix Investments (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Thornvlei Farming Enterprises (Private) Limited	Dormant	Zimbabwe	70%	-
Greenjinx Investments (Private) Limited	Dormant	Zimbabwe	-	70%

DIRECTORS' DECLARATION

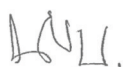
In the opinion of the Directors of Prospect Resources Limited ("the Company")

(a) the financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

On behalf of the Directors



Hugh Warner
Director

Perth, 15 March 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PROSPECT RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prospect Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Prospect Resources Limited (the consolidated entity). The consolidated entity comprises both Prospect Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prospect Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Prospect Resources Limited on 15 March 2018.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prospect Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
15 March 2018



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