

15 May 2012

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

By E-Lodgement

ASX Code: PSC

We are pleased to advise that in accordance with Shareholder approval received at the Extraordinary General Meeting of the Company on 28 February 2012, on Monday 14 May 2012 the Board of Prospect Resources Limited (**Prospect**) resolved to issue and allot 100,000,000 fully paid ordinary shares at an issue price of \$0.0025 per share to raise \$250,000 to parties nominated by a syndicate headed by Pager Partners (**the Syndicate**).

In addition, 60,000,000 options in the capital of Prospect were issued to parties nominated by the Syndicate at an issue price of \$0.000025 per option (**the Options**) to raise \$1,500. The terms of the Options are set out below:

The Options entitle the holder to subscribe for shares on the following terms and conditions:

- (a) Each Option gives the optionholder the right to subscribe for one (1) share. To obtain the right given by each Option, the optionholder must exercise the Options in accordance with these terms and conditions.
- (b) The Options will expire at 5:00pm (AEST) on 30 June 2015 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).
- (d) The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
- (e) Optionholders may exercise their Options by lodging with the company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and

- (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice)

- (f) An Exercise Notice is only effective when the company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the company will allot the number of shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are freely transferable.
- (i) All shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other shares.
- (j) The company will not apply for quotation of the Options on ASX. However, the company will apply for quotation of all shares allotted pursuant to the exercise of the Options on ASX within 10 business days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the company is reconstructed, all rights of the optionholders are to be changed in a manner consistent with the Corporations Act 2001 and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and the optionholder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced. This will give the optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.
- (m) In the event the company proceeds with a pro rata issue (except a bonus issue) of securities to shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the company proceeds with a bonus issue of securities to shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the optionholder would have received if the Option had been exercised before the record date for the bonus issue.

The effective date of the securities will be Monday 14 May 2012 being the date of their issue and allotment. Holding statements will be despatched shortly.

An Appendix 3B (New issue announcement, application for quotation of additional securities and agreement) is attached detailing the issues.

For further information, please contact Mr Andrew Whitten.

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