

Dear Investor

The restructure and recapitalisation of Prospect Resources Limited (formerly Ethan Resources Limited) (**the Company or Prospect**) approved by Shareholders on 28 February 2012 and has been completed and the Company has applied for the reinstatement of its Shares to Official Quotation on ASX.

The following activities report is provided to update shareholders and in order to satisfy the ASX's re-instatement conditions.

1.1 The capital structure of the Company is as follows

Total Shares on Issue:	372,593,287
Total Options on issue:	72,559,000

1.2 Exploration assets

The Company's exploration assets comprise: a 100% interest in one exploration licence, an 80% interest in a further 3 exploration licences and 5 Mining Access Agreements to 6 Queen Victoria Crown Grants as well as two mining applications pending.

The Company's most developed asset and lead prospect is the historical Mary Springs Mine (100% owned by the Company, tenement E66/56). As announced to the market on 25 October 2010, the Mary Springs project hosts a JORC compliant Indicated and Inferred Mineral Resource of 394,419 tonnes @ 6.5% Pb for approximately 25,637 tonnes of contained lead metal. The resource is open in all directions.

More specifically, the Company's mineral rights are as follows:

- (a) A tenement package of exploration licenses, as noted in the table below, covering approximately 900km² located about 400km north northwest of Perth dissected into 3 main project areas: Mary Springs, Baddera and Narra Tarra, which in turn contain a number of prospects and exploration targets.

The following table provides a summary of the Company's mineral rights:

Tenement	Holder	Status	Date Granted	Expiry Date	Sub-blocks Held	District/Project Area	The Company's Equity %
E66/53 ³	Duketon Consolidated Pty Ltd ¹	Live	10/9/08	9/9/13	70	Baddera	80%
E66/56	Jason Stanley Macdonald ²	Live	19/10/09	18/10/14	5	Mary Springs	100%
E66/64	Duketon Consolidated Pty Ltd ¹	Live	27/10/09	19/10/14	176	Springvale	80%
E66/73	Duketon Consolidated Pty Ltd ¹	Live	27/10/10	26/10/15	70	Boundary Hill	80%
E66/80 ⁴	Prospect Resources Limited	Pending	N/A	N/A	1	Mendip	N/A
E66/81 ⁴	Prospect Resources Limited	Pending	N/A	N/A	4	Narra Tarra	N/A

Notes:

- ¹ Pursuant to the tenement option agreement dated 19 October 2009 between the Company and Duketon Consolidated Pty Ltd, the Company acquired an 80% interest in each of E66/53, E66/64 and E66/73. Duketon Consolidated Pty Ltd and the Company are in the process of transferring title, as to 80%, of each of E66/53, E66/64 and E66/73 to the Company.
- ² Pursuant to the tenement sale agreement dated 29 December 2008 between the Company and Jason Stanley Macdonald, the Company acquired a 100% interest in E66/56. Jason Stanley Macdonald and the Company are in the process of transferring title, as to 100% of E66/56, to the Company.
- ³ E66/53 is subject to numerous additional heritage and environmental conditions.
- ⁴ The status of both E66/80 and E66/81 are pending. The Company is scheduled to attend a status conference with the National Native Title Tribunal and various native title party claimants on 8 August 2012. Compliance dates have been vacated.

The Company also has land access and compensation agreements with landholders in relation to certain of the tenements.

- (b) The Company is party to the following mining access agreements (the Mining Access Agreements) in relation to the Queen Victoria Crown Grants (the QVCG's) which provide the Company with the exclusive right and licence to carry out exploration and mining operations on each respective QVCG.

The QVCG's were given to private landholders prior to the forming of the State of Western Australia. Hence, the Western Australia Government does not hold the mineral rights to the QVCG's (other than in relation to gold, silver and precious metals) nor is the Government permitted to grant exploration licences over the land. Native title does not apply to the QVCG's.

The Company's QVCG's are noted as follows:

- (i) Mining Access Agreement dated 13 July 2007 with Dennis Vivian Simpson and Margaret Elizabeth Simpson in relation to QVCG (Lots 1 and 2);
- (ii) Mining Access Agreement dated 13 July 2007 with A.J., E.M. and S.J. Mitchell Pty Ltd in relation to QVCG 312 and QVCG 32;
- (iii) Mining Access Agreement dated 11 July 2007 with Coolooloo Nominees Pty Ltd in relation to QVCG 334;
- (iv) Mining Access Agreement dated 18 July 2007 with Kevin Andrew Johnson in relation to QVCG 437; and
- (v) Mining Access Agreement dated 19 July 2007 with Philip Anthony Johnson in relation to QVCG 2647.

The Mining Access Agreements each terminate on the date that the Company advises the respective grantor(s) that mining operations are not feasible or that mining operations have ceased and the mining area has been rehabilitated or on that date which is 25 years from the date of each Mining Access Agreement (whichever the earlier).

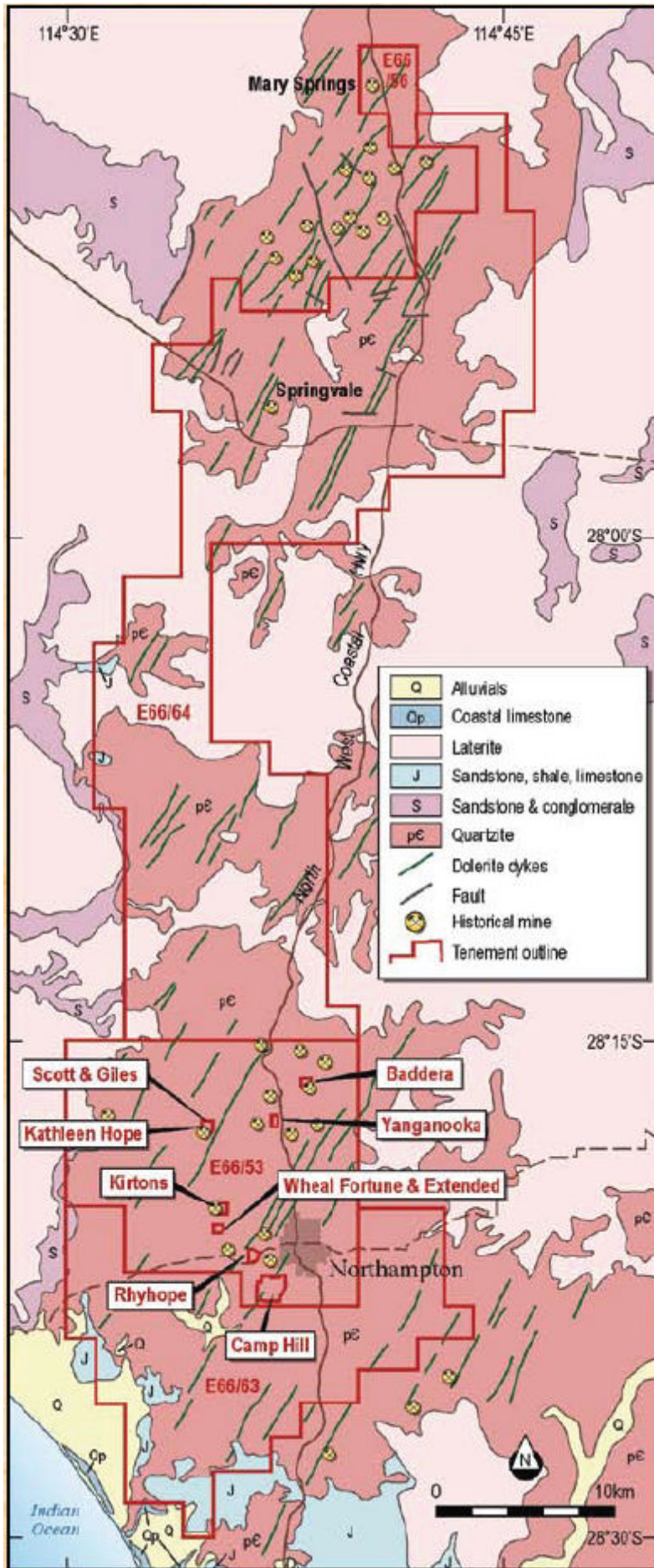
If mining operations have not commenced by the fifth anniversary of the date of each Mining Access Agreement (and the fourth anniversary for QVCG1472), the grantor(s) has the right, at its sole discretion, to terminate the respective Mining Access Agreement. Hence, given mining operations have not yet commenced on the QVCGs, the grantor(s) of the above Mining Access Agreements will have the right to terminate the respective Mining Access Agreements in July this year. However, should any Mining Access Agreement be terminated in accordance with this right, the Company has the first right of refusal to renegotiate a further mining access agreement.

Post re-listing, the new Board intends to assess the prospectivity of each of the Mining Access Agreements to the QVCGs and may subsequently enter into discussions and/or negotiations with the grantors of the QVCGs to extend the Mining Access Agreements for a further period.

1.3 Future Exploration Activities of the Company

The Company intends to continue minerals exploration over its existing fully and partly owned Exploration Licences and those licenses the subject of mining access agreements (**Northampton Project**). This contiguous project area of approximately 900km² is surrounding the town of Northampton, Western Australia. All the licences are accessible via a network of public and private roads. Historical reports and production figures indicate over 100 historical base metal workings within the Northampton mineral field.

The following is a map of Northampton Project area:



The Northampton Project is prospective for lead, zinc and copper mineralisation of similar style to past producers. Previous exploration has focused on the outcropping veins and breccias, however other styles of mineralisation (including other metals such as iron ore) may be present under shallow cover.

As discussed above, the Company's lead prospect is the historical Mary Springs Mine. As announced to the market on 25 October 2010, the Mary Springs project hosts a JORC compliant Indicated and Inferred Mineral Resource of 394,419 tonnes @ 6.5% Pb for approximately 25,637 tonnes of contained lead metal. The resource is open in all directions.

The Company is currently proposing to undertake exploration activities initially based on the work program designed by the Company's independent geological consultants Jemda Pty Ltd as outlined below:

- Complete the digital data compilation of all available historic exploration and mining data including drilling, underground development, sampling and geophysics;
- Planning a reconnaissance-sampling program seeking other metals such as iron ore and other new base metal discoveries;
- The acquisition and interpretation of available geophysical data; and
- Stream sediment sampling across the entire tenement package to occlude non-prospective areas and hence reduce holding costs and focus on hot spots in 2013.

1.4 Other opportunities

The Company intends to maintain an active program of identifying additional mineral projects that are in line with the Company's strategy and that complement the existing tenement portfolio of the Company.

Shareholders need to be aware that the expansion of the business activities of the Company will take time and there is no certainty that the Company's activities will be successful.

1.5 Use of funds

Following the capital raising under the recapitalisation proposal the intended use of funds is set out below¹:

	Year 1	Year 2	Total
Development of existing assets ²	\$255,000	\$285,000	\$540,000
Review and evaluation of new projects	\$105,000	\$100,000	\$205,000
Working capital	\$110,000	\$186,500	\$296,500
Total	\$470,000	\$571,500	\$1,041,500

Notes:

- ¹ The Board reserves the right to alter this budget as a result of a change in circumstances or intervening events. This budget is a statement of present intention.
- ² Refer to Sections 1.2 and 1.3 above for details of the existing exploration assets and proposed activities. Exploration activities will be undertaken across the contiguous family of tenement package allowing the minimum spend to be spread across the whole area. In addition, the Board will review

the entire tenement package post re-listing with a view to reducing tenement holdings in non-prospective areas in line with DMP requirements.

1.6 Pending Tenements - E66/80 and E66/81

The status of both E66/80 and E66/81 are pending.

The Company is scheduled to attend a status conference with the National Native Title Tribunal and various native title party claimants on 8 August 2012. Compliance dates have been vacated.

The Company advises that the following objections are currently before the National Native Title Tribunal:

Tribunal Objection Number	Native Title Party	Tenement Number
WO11/904	Amangu	E66/80
WO11/905	Amangu	E66/81
WO11/911	Hutt River	E66/80
WO11/912	Hutt River	E66/81
WO11/913	Naaguja	E66/80
WO11/914	Naaguja	E66/81
WO11/968	Mullawa Wadjari	E66/80
WO11/969	Mullawa Wadjari	E66/81

Yours faithfully

Hugh Warner
Chairman
Prospect Resources Limited