

Prospect Resources Limited

**Half-Year Financial Report
31 December 2012**

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2012

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PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2012

DIRECTORS' REPORT

The directors of Prospect Resources Limited ("the Company") submit herewith the financial report of the Company for the half year ended 31 December 2012.

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.

Jonathan Pager appointed 3 January 2012
Michael Pollak appointed 3 January 2012
Hugh Warner appointed 3 January 2012

REVIEW OF OPERATIONS

The Company's principal activities were the exploration for mineral resources.

Australia

Northampton, Western Australia (including Mary Springs)

During the period, the Company undertook a review of its tenement portfolio to prioritise exploration areas. This review resulted in the Company surrendering its interests in Exploration Licence 66/64 and 66/73 to Duketon Consolidated Pty Ltd. The Company has also surrendered a portion of Exploration Licence 66/53 as per its statutory obligations. As at the date of signing this half-year financial report, the Company has 100% of Exploration Licence 66/56 ("the Mary Springs project"), an 80% interest in a further exploration licence (E66/53) and 5 Mining Access Agreements to 6 Queen Victoria Crown Grants.

RESULTS OF OPERATIONS

The Company incurred an after tax operating loss for the half-year ended 31 December 2012 of \$705,946 (2011: Loss \$128,316), with \$440,796 relating to the impairment of surrendered tenements (2011: \$Nil).

INCOMPLETE RECORDS FOR COMPARATIVE BALANCES

In the prior period, the management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the Deed of Company Arrangement ("DOCA") was effectuated, being 28 March 2012.

The prior period financial reports were prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the full prior periods presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the prior period financial reports, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrators for the period from their appointment on 1 July 2011.

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company which were excised under the DOCA.

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DIRECTORS' REPORT (continued)

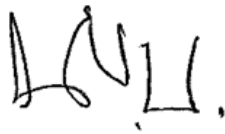
INCOMPLETE RECORDS FOR COMPARITIVE BALANCES (continued)

Consequently, although the Directors prepared the prior period financial reports to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the corresponding figures for the half year ended 31 December 2011 have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of this report.

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

A handwritten signature in black ink, appearing to read 'H. Warner'.

Hugh Warner
Director

14 March 2013

The Board of Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
Subiaco, WA 6008

14 March 2013

Dear Board Members

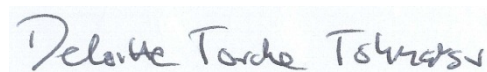
Prospect Resources Limited

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.

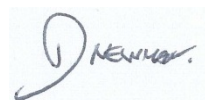
As lead audit partner for the review of the half-year financial statements of Prospect Resources Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 sincerely



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	Half year ended 31 December 2012 \$	Restated Half year ended 31 December 2011 \$
Continuing operations			
Interest received	3	14,423	1,011
Other income	3	-	6,796
Impairment of exploration and evaluation expenditure	5	(440,796)	-
Directors remuneration		(90,000)	-
Occupancy expenses		(17,334)	(9,753)
Employee & consultant expenses		(25,000)	(23,904)
Other administration expenses		(147,239)	(822,846)
Loss before income tax		(705,946)	(848,696)
Income tax benefit		-	720,380
Loss after tax from continuing operations		(705,946)	(128,316)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period net of tax		-	-
Total comprehensive loss for the period		(705,946)	(128,316)
Loss attributable to:			
Equity holders of the Company		(705,946)	(128,316)
		(705,946)	(128,316)
Total comprehensive income attributable to:			
Equity holders of the Company		-	-
		(705,946)	(128,316)
Earnings per share (cents per share)			
- Basic loss for the half year	10	(0.19)	(0.16)
- Diluted loss for the half year	10	(0.19)	(0.16)

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31 December 2012 \$	Restated 30 June 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	725,785	1,201,790
Trade and other receivables		8,157	9,302
Other current assets		16,167	-
Total Current Assets		750,109	1,211,092
Non-Current Assets			
Exploration and evaluation expenditure	5	956,432	1,355,087
Total Non-Current assets		956,432	1,355,087
TOTAL ASSETS		1,706,541	2,566,179
LIABILITIES			
Current liabilities			
Trade and other payables	6	48,870	199,656
Total Current Liabilities		48,870	199,656
TOTAL LIABILITIES		48,870	199,656
NET ASSETS		1,657,671	2,366,523
EQUITY			
Contributed equity	8	14,831,128	14,834,034
Reserve	9	899,650	899,650
Accumulated losses		(14,073,107)	(13,367,161)
TOTAL EQUITY		1,657,671	2,366,523

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	Half year ended 31 December 2012 \$	Restated Half year ended 31 December 2011 \$
Cash flows from operating activities			
Payments to suppliers and employees		(372,661)	(492,178)
Proceeds from Research and Development claims		-	513,652
Other receipts received from customers		-	6,796
Net cash flows (used in)/from operating activities		(372,661)	28,270
Cash flows from investing activities			
Interest received		14,423	1,011
Payments for exploration expenditure		(41,505)	(43,099)
Net cash flows (used in) investing activities		(27,082)	(42,088)
Cash flows from financing activities			
Proceeds from deed contribution		-	50,000
Capital raising costs		(76,262)	-
Net cash flows (used in)/from financing activities		(76,262)	50,000
Net (decrease)/increase in cash and cash equivalents		(476,005)	36,182
Cash and cash equivalents at beginning of period		1,201,790	2,140
Cash and cash equivalents at end of period	4	725,785	38,322

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2012

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Issued shares	Option reserve	Accumulated losses	Total Equity
At 1 July 2012	14,834,034	899,650	(13,367,161)	2,366,523
Loss for the period	-	-	(705,946)	(705,946)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(705,946)	(705,946)
Share capital raising costs	(2,906)	-	-	(2,906)
At 31 December 2012	<u>14,831,128</u>	<u>899,650</u>	<u>(14,073,107)</u>	<u>1,657,671</u>

	Issued shares	Option reserve	Accumulated losses	Total Equity
At 1 July 2011 (restated)	12,757,392	898,150	(13,134,126)	521,416
Loss for the period	-	-	(128,316)	(128,316)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(128,316)	(128,316)
Issue of shares	-	-	-	-
Share capital raising costs	-	-	-	-
At 31 December 2011 (restated)	<u>12,757,392</u>	<u>898,150</u>	<u>(13,262,442)</u>	<u>393,100</u>

The accompanying notes form part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of Preparation

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the changes noted below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Company include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year. However the application of AASB 2011-9 has resulted in a change to the Company's presentation of, or disclosure in, its half year financial statements.

The Company has also changed its accounting policy in relation to accounting for Exploration and Evaluation Expenditure, which is now capitalised as opposed to being expensed to the Statement of Profit or Loss as incurred, refer to note 1(b) for further information.

Refer to Note 12 for information in relation to the structure of the Company/consolidated entity during the periods presented.

Incomplete records

In the prior period, the management and affairs of the Company were not under the control of the Directors of the Company since it entered voluntary administration on 1 July 2011 until the date that the Deed of Company Arrangement ("DOCA") was effectuated, being 28 March 2012.

The prior period financial reports were prepared by the Company's current Directors who were not in office at the time the Company entered voluntary administration or for the full prior periods presented in this report. The Directors who prepared this financial report were appointed on 3 January 2012.

To prepare the prior period financial reports, the Directors have reconstructed the financial records of the Company using:

- data extracted from the Company's accounting system for the period 1 July 2010 to the date the Company entered administration; and
- the record of receipts and payments made available by the Administrators for the period from their appointment on 1 July 2011.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Incomplete records (continued)

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;
- of the Company maintained by the Administrators since their appointment on 1 July 2011; and
- of the subsidiaries of the Company which were excised under the DOCA.

Consequently, although the Directors prepared the prior period financial reports to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the corresponding figures for the half year ended 31 December 2011 have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(b) Changes in accounting policy

During the half year ended 31 December 2012, the Company changed the following accounting policy:

Exploration Expenditure

Up to and including the year ended 30 June 2012, the Company's accounting policy in relation to exploration and evaluation expenditure was to expense it to profit or loss as incurred with the exception of initial tenement acquisition costs which were capitalised as incurred. During the current period, the Company has changed its policy to capitalise exploration and evaluation expenditure as permitted by AASB 6 'Exploration and Evaluation of Mineral Resources'. As a result of this revised policy, exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The Company believes that the new policy results in the financial information being more reliable and relevant to users of the financial statements in that it clearly identifies the periodic and cumulative exploration and evaluation expenditure for current projects, and also results in the Company's financial statements being comparable to the majority of its peers being Australian listed junior exploration companies.

The Company does not have sufficient financial information (refer to Note 1(a) incomplete records) to amend the prior year balances prior to the financial year ended 30 June 2012. The financial impact of this change of accounting policy is to increase the Company's Exploration and Evaluation asset by \$42,141 as at 31 December 2012 (30/6/12 increase \$55,087; 31/12/11 increase \$43,099) with a corresponding reduction in retained losses. It has also resulted in the Statement of Cash Flows reclassifying payments for exploration expenditure of \$41,505 (2011: \$43,099) from operating activities to investing activities.

No other changes in accounting policy have been adopted.

The Company has not elected to early adopt any new standards or amendments.

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern

The 31 December 2012 half year financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half year ended 31 December 2012, the Company recorded a loss of \$705,946 (2011: loss \$128,316), net cash outflows from operating and investing activities of \$399,743 (2011 \$13,818) and had cash and cash equivalents as at 31 December 2012 of \$725,785 (June 2012: \$1,201,790). Included in the half year loss is an impairment expense as at 31 December 2012 of \$440,796 relating to tenements surrendered (2011: \$Nil). In order to maintain the mineral tenements in which the Company is involved, the Company is committed to fulfill the minimum annual expenditure conditions under which the tenements are granted, which is \$87,875 within the next year (refer note 7).

The cash flow forecast prepared by management indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for a period of at least 12 months from the date of signing the half-year financial report based on management's current forecast expenditure. Accordingly, the directors are satisfied that the going concern basis of preparation is appropriate.

However the level of headroom within management's cash flow forecasts is minimal. Consequently any increase in forecast expenditure over the next 12 months may require the Company to either reduce any non-committed expenditure or raise additional funds.

Due to the potential requirement for the Company to raise additional funds over the next 12 months, there is material uncertainty as to the ability of the Company to continue as a going concern, and therefore whether it will realise its assets and discharge its liabilities in the ordinary course of business.

No adjustments have been made to the Financial Report relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that may be necessary should the Company not continue as a going concern.

2. SEGMENT INFORMATION

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

The Company has one geographic segment being Australia and operates in one industry being the exploration of minerals.

3. REVENUE

Revenue from Continuing Operations

	<i>Half year ended December 2012 \$</i>	<i>Half year ended December 2011 \$</i>
<i>Revenue</i>		
Interest revenue	14,423	1,011
Other income		
Other	-	6,796
	<u>14,423</u>	<u>7,807</u>

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
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4. CASH AND CASH EQUIVALENTS

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

	<i>December 2012</i>	<i>June 2012</i>
	\$	\$
Cash at bank and in hand	725,785	1,201,790

5. EXPLORATION EXPENDITURE

	<i>December 2012</i>	<i>June 2012</i>
	\$	\$
Exploration at cost at beginning of the period	1,355,087	1,300,000
Expenditure incurred	42,141	55,087
Write down of tenements surrendered	(440,796)	-
Closing balance	956,432	1,355,087

Total expenditure incurred and carried forward in respect of specific projects

- Northampton Project	956,432	1,355,087
Total carried forward exploration expenditure	956,432	1,355,087

During the period, the Company changed its accounting policy to capitalise exploration expenditure as opposed to expensing it. Refer to Note 1(b) for further information.

6. TRADE AND OTHER PAYABLES

	<i>December 2012</i>	<i>June 2012</i>
	\$	\$
Trade creditors	43,870	115,552
Accruals	5,000	67,982
Other creditors	-	16,122
	48,870	199,656

7. COMMITMENTS AND CONTINGENCIES

Exploration Commitments

In order to maintain an interest in the mining and exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

	<i>December 2012</i>	<i>June 2012</i>
	\$	\$
Not longer than 1 year	87,875	366,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	87,875	366,000

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2012

8. CONTRIBUTED EQUITY

(a) Issued share capital

	<i>December 2012</i>	<i>June 2012</i>
	Shares	Shares
Ordinary shares fully paid	372,593,287	372,593,287

(b) Movement in ordinary share capital

Details	Number of shares	\$
Balance at 1 July 2011	82,593,287	12,757,392
Share issue – placement at \$0.0025 each	100,000,000	250,000
Share issue – placement at \$0.01 each	190,000,000	1,900,000
Cost of capital raising	-	(73,358)
Balance at 30 June 2012	372,593,287	14,834,034
Cost of capital raising	-	(2,906)
Balance at 31 December 2012	372,593,287	14,831,128

9. RESERVES

	<i>December 2012</i>	<i>December 2012</i>	<i>June 2012</i>	<i>June 2012</i>
	Options	\$	Options	\$
(a) Options at the end of the year	60,857,500	899,650	72,559,000	899,650

(b) Movement in options

Date	Details	Number of option	Fair value issue price	\$
01/07/2010	Opening balance	14,961,000		898,150
03/12/2011	Options expired	(1,000,000)		-
08/12/2011	Options expired	(1,402,000)		-
14/05/2012	Options issued	60,000,000	\$0.000025	1,500
		<u>72,559,000</u>		<u>899,650</u>
30/07/2012	Options expired	(2,000,000)		-
18/10/2012	Options expired	(9,701,500)		-
		<u>60,857,500</u>		<u>899,650</u>

10. EARNINGS PER SHARE

	<i>Half year ended December 2012</i>	<i>Half year ended December 2011</i>
Basic and diluted loss per share (cents per share)	(0.19)	(0.16)
Amount used in the calculation of basic EPS		
Loss after income tax	(705,946)	(128,316)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	372,593,287	82,593,287

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.

11. EVENTS AFTER BALANCE DATE

No events have occurred after balance date that impacts the financial statements.

12. DISPOSAL OF SUBSIDIARIES IN YEAR ENDED 30 JUNE 2012

On 1 July 2011, the Company went into voluntary administration. The Administrators sought expressions of interest from third parties in either acquiring the assets of the Company or reconstructing and recapitalising the Company.

A proposal was submitted by a syndicate headed by Pager Partners, which was agreed to by the Company's creditors and shareholders. The proposal required the Company to make available any cash at bank, its rights in its sundry debtors, its claims against its subsidiaries and shares in its subsidiaries (as well as any other assets not purchased by the Syndicate) for the benefit of the Company's creditors pursuant to the terms of the DOCA. Upon effectuation of the DOCA on the 28 March 2012, the Company lost control of its subsidiaries, with the financial impact being the derecognition of their liabilities.

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
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DIRECTORS' DECLARATION

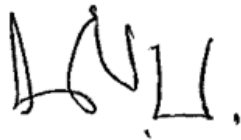
The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'H. Warner', with a stylized flourish at the end.

Hugh Warner
Director

Perth, 14 March 2013

Independent Auditor's Review Report to the members of Prospect Resources Limited

We have reviewed the accompanying half-year financial report of Prospect Resources Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 conducting 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 Prospect Resources Limited's financial position as at 31 December 2012 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.

Auditor's Independence Declaration

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*, which has been given to the directors of Prospect Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Basis for Qualified Conclusion

As stated in Note 1(a) to the half-year financial report, Prospect Resources Limited was in voluntary administration from 1 July 2011 to 28 March 2012. As a result, the directors, who were appointed on 3 January 2012, were unable to obtain all the books and records necessary to ensure the company's financial statements for 31 December 2011 and 30 June 2012 presented a true and fair view.

Because the available accounting and statutory records were not adequate to permit the application of necessary procedures, we were unable to form an audit opinion / review conclusion on the financial reports for the year ended 30 June 2012 and half-year ended 31 December 2011, respectively. Accordingly, we are unable to express a review conclusion on the corresponding figures disclosed in the condensed statement of profit or loss or other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended 31 December 2011.

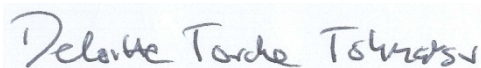
Qualified Conclusion

Based on our review, which is not an audit, with the exception of the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, 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:

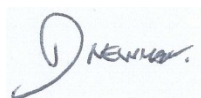
- (a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without further modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report, which indicates that the company incurred a loss of \$705,946 and net cash outflows from operating and investing activities of \$399,743 during the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 14 March 2013