

Prospect Resources Limited

**Half-Year Financial Report
31 December 2016**

PROSPECT RESOURCES LIMITED
HALF-YEAR REPORT
31 DECEMBER 2016

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PROSPECT RESOURCES LIMITED
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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 2016.

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
Qingjiao Yu – appointed 18 November 2016

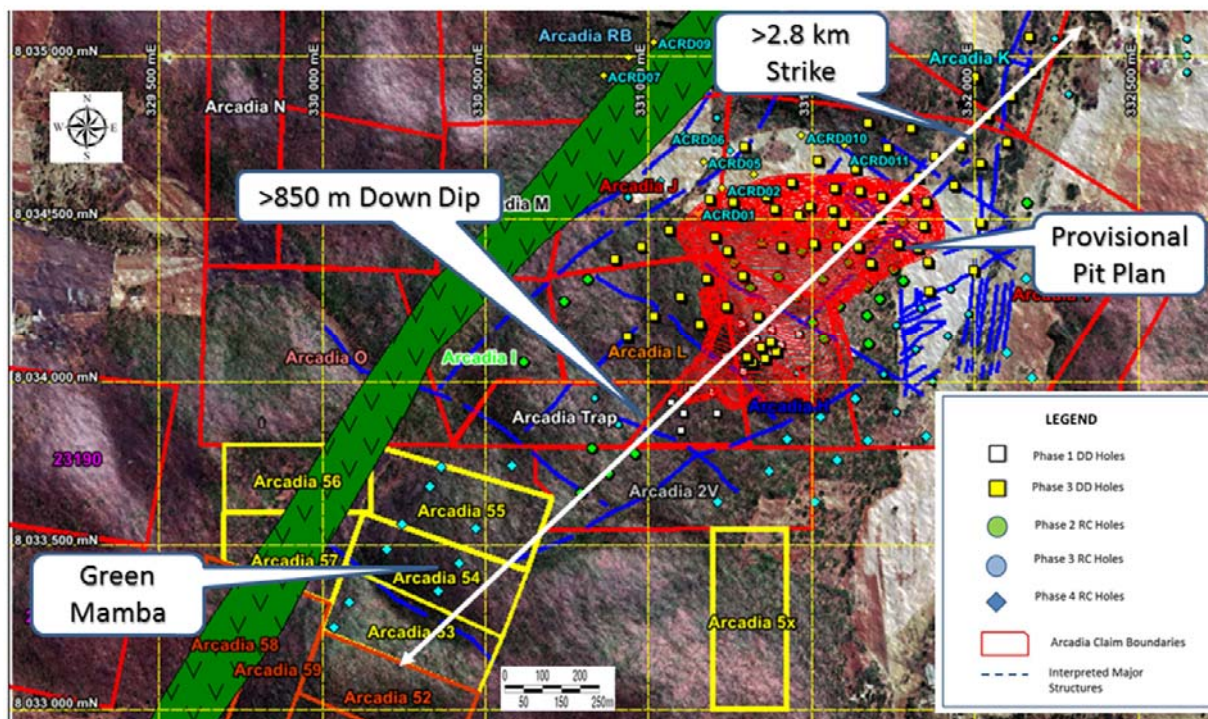
REVIEW OF OPERATIONS

Arcadia Project

The Arcadia project is a Lithium deposit located 35km north east of Harare, the capital of Zimbabwe. The Arcadia pegmatite swarm has a recognised strike of approximately 4.5km, and Prospect has drilled some 2.8km of this strike length to the North East of the historic Arcadia Lithium Mine. The South West extension covers an area of approximately 1.3km along strike stretching from the historical Arcadia Pit to the historical Green Mamba Lithium deposit.

Figure 1

ARCADIA LITHIUM – Open Ended Along Strike, NE & SW, and NW Down Dip



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The Company completed a Scoping Study to commence production over a high grade section of its Mineral Resource Estimate. The results of the scoping study were announced on 13 December 2016. The Company is now undertaking a Pre-Feasibility Study over this project and expects to complete this study in Q1 2017.

The Company announced an upgraded Mineral Resource Estimate on 16 March 2017. Refer to Table 1 and 2 below.

Table 1: Arcadia Lithium Deposit Mineral Resource Estimate Summary (>1% Li₂O)

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 lbs
Measured	5,700,000	1.48%	134	83,800	1,700,000
Indicated	15,100,000	1.38%	118	208,000	3,900,000
Inferred	14,100,000	1.44%	133	203,000	4,100,000
GRAND TOTAL	34,900,000	1.42%	127	494,800	9,700,000

Table 1 above refers to a high grade portion of the Arcadia Project. The total Arcadia Project Mineral Resource Estimate comprises 57.3Mt at 1.12% Li₂O. Refer Table 2 below.

Table 2: Arcadia Lithium Deposit Mineral Resource Estimate Summary

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 lbs
Measured	9,000,000	1.17%	134	106,200	2,700,000
Indicated	24,200,000	1.10%	118	268,000	6,300,000
Inferred	24,100,000	1.11%	133	268,000	7,000,000
GRAND TOTAL	57,300,000	1.12%	127	642,200	16,000,000

A total of 81 DD holes (10,129m) and 115 RC holes (6,082m) were used to generate the above Mineral Resource Estimate.

Prospect has an additional Exploration Target** of 80-100Mt @ 1.2%-1.5% Li₂O, within flat lying pegmatites.

** The potential quality and grade stated by the Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource over the Exploration Target area and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Farming – Arcadia Surface Rights

During the period, the Company entered into a government approved farm lease, covering a large proportion of the surface area of the Arcadia Project. Prospect has purchased farming equipment and planted its first maize crop covering some 80 hectares.

This is part of Prospect's commitment to local stakeholders. These farming operations are expected to provide an additional source of employment within the region and a source of income to Prospect. We plan to approach other landholders relevant to Arcadia and offer to farm their land on standard leasing terms for the 2018 season.

Gwanda East Gold Projects

During the period, additional drilling was completed under the historic workings at Prestwood, however grades were not consistent enough to commence production. The Company has decided to refocus on the historic Sally Mine. As a result of this uncertainty over consistent grades, the Company has provided for capitalised expenditure at Prestwood.

The Sally shaft has been dewatered, a headframe erected and rails delivered for installation. The head gear has been commissioned and shaft rehabilitation was completed by the end of February, with waste rock removed and sent for assay. The mine face has been surveyed and the reef identified. Drilling and blasting is now underway.

Fimpimpa West Copper/Cobalt Project

Due diligence has been completed by Geoquest

- Initial Exploration Target of 15-25Mt at 1.0%-1.5% Cu.+.
- Drill program being designed to twin historic holes

Note* The Fimpimpa West Copper/Cobalt Project has been the subject of historic drilling, exploration however, the Company has not undertaken a detailed exploration programme nor a drilling programme. The Exploration Target is based on previously published data, much of which predates JORC 2012 and the Company's future exploration programme. The potential quantities and grades are conceptual in nature and there has been insufficient exploration to date to define a Mineral Resource. It is not certain that further exploration will result in the determination of a Mineral Resource under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code" (JORC 2012).

God's Gift Lithium Project

Due diligence drilling during the period generated no significant leads, therefore a decision was made to not exercise our option.

Personnel

During the period, the Company has been successful in building our team with the following key hires:

Gavin Stephens – Financial Consultant

Lee John – Technical Consultant

Mike Kitney – Metallurgy, Process Design Consultant

David Miller – Marketing and Off-take Consultant

We would also like to welcome our non-executive director Mr Qingjiao Yu to the board and his alternate non-executive director Ms Yan Wang.

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Financial Results

	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Reported loss after tax	(9,660,602)	(855,964)
Exploration and evaluation expenditure expensed	334,347	-
Impairment of exploration and evaluation/mine properties	1,610,391	503,735
Share based payments expense	6,627,808	47,072
Loss after adjustment for exploration expenditure, impairments and share based payments	(1,088,056)	(305,157)

The loss after adjustment for exploration and evaluation expenditure, impairments and share based payments has increased due to increased operational activities 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.

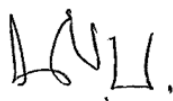
As discussed above under the heading Gwanda East Gold Projects, the Group has impaired the capitalised mine property costs for Prestwood and will refocus on the historic Sally Mine.

The Group issued 115,000,000 options to directors, employees and consultants on 22 July 2016, upon receiving shareholder approval. The main driver in the fair value of these options is the share price on issue date, which 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 7 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
 16 March 2017

Competent Person's Statement

The information in this announcement that relates to Exploration Results, Exploration Targets and Mineral Resources and Ore Reserves is based on information 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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.

16 March 2017

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 2016, 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

PROSPECT RESOURCES LIMITED
HALF-YEAR REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Revenue from continuing operations	3	57,701	52,283
Depreciation expense		(36,418)	(26,136)
Employee benefits expenses		(335,286)	(25,000)
Exploration and evaluation expenditure expensed		(334,347)	-
Impairment of exploration and evaluation expenditure	5	-	(503,735)
Impairment of mine properties	5	(1,610,391)	-
Occupancy expenses		(29,454)	(23,752)
Project generation expense		(297,806)	(99,769)
Share based payments - consultants		-	(40,000)
Share based payments – options expense		(6,627,808)	(7,072)
Other administration expenses		(446,793)	(182,783)
Loss before income tax		(9,660,602)	(855,964)
Income tax		-	-
Loss after tax		(9,660,602)	(855,964)
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		128,705	(18,751)
Other comprehensive loss for the period net of tax		128,705	(18,751)
Total comprehensive loss for the period		(9,531,897)	(874,715)
Loss attributable to:			
Equity holders of the Company		(9,095,738)	(705,994)
Non-controlling interests		(564,864)	(149,970)
		(9,660,602)	(855,964)
Total comprehensive loss attributable to:			
Equity holders of the Company		(8,967,033)	(724,745)
Non-controlling interests		(564,864)	(149,970)
		(9,531,897)	(874,715)
Earnings per share (cents per share)			
- Basic loss for the half-year	10	(0.59)	(0.09)
- Diluted loss for the half-year	10	(0.59)	(0.09)

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF-YEAR REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	13,349,436	2,417,274
Trade and other receivables		250,380	244,914
Other current assets		104,210	28,301
Total Current Assets		13,704,026	2,690,489
Non-Current Assets			
Plant and equipment		350,054	168,646
Exploration and evaluation expenditure	5	3,523,361	102,256
Mine properties	5	-	998,684
Total Non-Current Assets		3,873,415	1,269,586
TOTAL ASSETS		17,577,441	3,960,075
LIABILITIES			
Current liabilities			
Trade and other payables	6	729,452	552,002
Total Current Liabilities		729,452	552,002
Non-Current Liabilities			
Provisions		41,459	40,399
Total Non-Current Liabilities		41,459	40,399
TOTAL LIABILITIES		770,911	592,401
NET ASSETS		16,806,530	3,367,674
EQUITY			
Contributed equity	7	36,976,476	22,192,461
Reserves		9,684,982	1,369,539
Accumulated losses		(29,052,216)	(19,956,478)
Total Equity Attributable to Shareholders of Parent Company		17,609,242	3,605,522
Non-controlling interests		(802,712)	(237,848)
TOTAL EQUITY		16,806,530	3,367,674

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF-YEAR REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Cash flows from operating activities			
Receipts from customers		47,709	29,329
Payments to suppliers and employees		(1,752,427)	(259,705)
Payments for exploration expenditure expenses		(213,743)	-
Net cash flows (used in) operating activities		(1,918,461)	(230,376)
Cash flows from investing activities			
Interest received		9,992	1,112
Payment for plant and equipment		(213,395)	(95,326)
Payments for exploration expenditure		(2,967,545)	(61,985)
Payment for development costs (net of gold sold)		(686,748)	-
Advance to related entities		(96,740)	(95,893)
Net cash flows (used in) investing activities		(3,954,436)	(252,092)
Cash flows from financing activities			
Proceeds from issue of shares		17,414,904	608,647
Capital raising costs		(912,055)	(16,875)
Proceeds from shares to be issued		-	7,500
Proceeds from related party loan		-	46,155
Repayment of related party loan		(101,938)	-
Net cash flows from financing activities		16,400,911	645,427
Net increase in cash and cash equivalents		10,528,014	162,959
Cash and cash equivalents at beginning of period		2,417,274	100,256
Effects of exchange rate changes on the balance of cash held in foreign currencies		404,148	(5,257)
Cash and cash equivalents at end of period	4	13,349,436	257,958

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF-YEAR REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued shares	Option reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2016	22,192,461	1,427,258	(57,719)	(19,956,478)	3,605,522	(237,848)	3,367,674
Loss for the period	-	-	-	(9,095,738)	(9,095,738)	(564,864)	(9,660,602)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	128,705	-	128,705	-	128,705
Total comprehensive loss for the period	-	-	128,705	(9,095,738)	(8,967,033)	(564,864)	(9,531,897)
Issue of ordinary shares for cash	17,255,000	-	-	-	17,255,000	-	17,255,000
Share issue costs	(2,470,985)	1,558,930	-	-	(912,055)	-	(912,055)
Options issued	-	6,627,808	-	-	6,627,808	-	6,627,808
At 31 December 2016	36,976,476	9,613,996	70,986	(29,052,216)	17,609,242	(802,712)	16,806,530
At 1 July 2015	18,163,021	1,301,185	(55,360)	(18,375,753)	1,033,093	(91,248)	941,845
Loss for the period	-	-	-	(705,994)	(705,994)	(149,970)	(855,964)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	(18,751)	-	(18,751)	-	(18,751)
Total comprehensive loss for the period	-	-	(18,751)	(705,994)	(724,745)	(149,970)	(874,715)
Issue of ordinary shares for cash	756,480	-	-	-	756,480	-	756,480
Issue of ordinary shares for fees	40,000	-	-	-	40,000	-	40,000
Share issue costs	(20,875)	-	-	-	(20,875)	-	(20,875)
Options issued	-	7,072	-	-	7,072	-	7,072
At 31 December 2015	18,938,626	1,308,257	(74,111)	(19,081,747)	1,091,025	(241,218)	849,807

The accompanying notes form part of these financial statements

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016 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 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 16 March 2017.

(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.

PROSPECT RESOURCES LIMITED
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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 Company 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	Half-year	Half-year	Half-year	Half-year	Half-year
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenue						
Other external revenue	9,992	1,112	47,709	51,171	57,701	52,283
Total segment revenue	9,992	1,112	47,709	51,171	57,701	52,283
Results						
Segment net loss before tax	(7,773,198)	(410,145)	(1,887,404)	(445,819)	(9,660,602)	(855,964)
	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016
	\$	\$	\$	\$	\$	\$
Assets						
Segment assets	13,322,884	2,527,684	4,254,557	1,432,391	17,577,441	3,960,075
Liabilities						
Segment liabilities	278,579	348,785	492,332	243,616	770,911	592,401
Depreciation	245	-	36,173	18,704	36,418	18,704

3. REVENUE

Revenue from Continuing Operations

	<i>Half-year ended 31 Dec 2016</i>	<i>Half-year ended 31 Dec 2015</i>
	\$	\$
Revenue		
Tribute income	47,709	51,171
Interest revenue	9,992	1,112
	<u>57,701</u>	<u>52,283</u>

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>31 Dec 2016</i>	<i>30 Jun 2016</i>
	\$	\$
Cash at bank and in hand	<u>13,349,436</u>	<u>2,417,274</u>

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5. EXPLORATION, EVALUATION & MINE PROPERTIES

	31 Dec 2016	12 Months 30 Jun 2016
	\$	\$
Total expenditure incurred and carried forward in respect of specific projects		
Exploration & Evaluation Expenditure		
Arcadia - Lithium	3,523,361	102,256
Mine Properties		
Gwanda East - Gold	-	998,684
	<u>3,523,361</u>	<u>1,100,940</u>

(A) Exploration & Evaluation Expenditure

Opening balance	102,256	1,001,922
Acquisition of tenements	-	53,864
Expenditure incurred	3,418,418	186,867
Provision for rehabilitation	-	40,399
Impairment of exploration and evaluation expenditure	-	(489,476)
Transfer to mines under construction	-	(730,459)
Effect of foreign currency exchange differences	2,687	39,139
Closing balance	<u>3,523,361</u>	<u>102,256</u>

(B) Mine Properties

Mines Under Construction

Opening balance	998,684	-
Expenditure incurred	645,057	304,107
Transfer from exploration and evaluation expenditure	-	730,459
Proceeds from gold sales from development ore	(59,588)	(35,882)
Effect of foreign currency exchange differences	26,238	-
Provision for impairment of mine properties	(1,610,391)	-
Closing balance	<u>-</u>	<u>998,684</u>

6. TRADE AND OTHER PAYABLES

	31 Dec 2016	30 Jun 2016
	\$	\$
Trade creditors	611,372	112,050
Accruals	118,080	149,575
Related party payable	-	101,938
Other payables	-	188,439
	<u>729,452</u>	<u>552,002</u>

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

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7. CONTRIBUTED EQUITY

(a) Issued share capital

	31 Dec 2016	30 Jun 2016
	Shares	Shares
Ordinary shares fully paid	1,594,128,296	1,237,128,296

(b) Movement in ordinary share capital

	Number of shares	\$
Balance at 1 July 2015	687,424,820	18,163,021
Issue of shares via rights issue	308,690,725	1,352,459
Issue of shares via placement	231,012,751	2,874,178
Issue of shares for consulting fees	10,000,000	40,000
Cost of capital raising	-	(237,197)
Balance at 30 June 2016	1,237,128,296	22,192,461
Issue of shares via placements	340,000,000	17,000,000
Issue of shares via exercise of options	17,000,000	255,000
Cost of capital raising	-	(2,470,985)
Balance at 31 December 2016	1,594,128,296	36,976,476

8. OPTION RESERVE

	31 Dec 2016	31 Dec 2016	30 Jun 2016	30 Jun 2016
	Options	\$	Options	\$
(a) Options at the end of the period	190,000,000	9,613,996	65,000,000	1,427,258

(b) Movement in options

Date	Details	Number of option	Fair value issue price	\$
01/07/2015	Opening balance	-		1,301,185
20/11/2015	Options issued	65,000,000	\$0.00194	126,073
	Balance at 30 June 2016	65,000,000		1,427,258
22/07/2016	Options issued	115,000,000	\$0.05763	6,627,808
22/07/2016	Options issued	27,000,000	\$0.05774	1,558,930
21/09/2016	Options exercised	(7,000,000)		-
10/10/2016	Options exercised	(10,000,000)		-
	Balance at 31 December 2016	190,000,000		9,613,996

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9. SHARE BASED PAYMENTS

(a) Options

The share based payments expense was \$8,186,738 (2015: \$7,072), with \$6,627,808 recognised in the consolidated statement of profit or loss and other comprehensive income (2015: \$7,072) and \$1,558,930 recognised within contributed equity as a cost of capital raising (2015: \$Nil). The following table lists the inputs to the model used:

No. of options	115,000,000	27,000,000	65,000,000
Grant date	22/07/2016	22/07/2016	20/11/2015
Share price	\$0.059	\$0.059	\$0.007
Exercise price	\$0.015	\$0.015	\$0.005
Interest rate	1.47%	1.47%	3.055%
Expiry date	15/06/2019	22/07/2019	14/12/2018
Volatility	231%	231%	100%
Fair value at grant date before discount	\$0.05763	\$0.05774	\$0.00485
Vesting condition	(i)	N/A	(ii)
Discount for 20 day VWAP condition	-	N/A	50%
Discount for being unlisted	-	-	20%
Fair value after discount	\$0.05763	\$0.05774	\$0.00194

- (i) The options vest upon 20 day VWAP of \$0.03. This occurred during the period and the full expense has been recognised.
- (ii) The options vest upon 20 day VWAP of \$0.01. This was deemed as being two years in the prior reporting period. The vesting condition was achieved in the second half of FY2016 where the full expense was recognised.

(b) Shares

The share based payments expense was \$Nil (2015: \$40,000). The following table lists the inputs used:

	Consulting fees
<i>Number of shares issued</i>	10,000,000
<i>Grant date</i>	14/12/2015
<i>Share price</i>	\$0.004
<i>Share based payment expense</i>	\$40,000

10. EARNINGS PER SHARE

	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015
Basic and diluted loss per share (cents per share)	(0.59)	(0.09)
Amount used in the calculation of basic EPS		
Loss after income tax	(\$9,095,738)	(\$705,994)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	1,541,514,166	780,401,484

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.

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12. INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2016. 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 2016	Jun 2016
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Hawkmoth 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	63%	63%

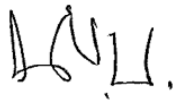
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DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 8 to 17 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 2016 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, 16 March 2017

**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 2016, 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 2016 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 16 March 2017.

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 2016 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
16 March 2017