

Corporate Governance Statement

PROSPECT RESOURCES LIMITED ACN 124 354 329

This corporate governance statement sets out Prospect Resources Limited's (**Company**) current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**). The ASX Principles and Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the ASX Principles and Recommendations. This corporate governance statement is current as at 30 June 2017 and has been approved by the board of the Company (**Board**).

ASX Principles and Recommendations	and Comply (Yes/No)	Explanation
1. Lay solid foundations for management and oversight		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Yes	<p>The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:</p> <ul style="list-style-type: none"> (a) maintain and increase shareholder value; (b) ensure a prudential and ethical basis for the Company's conduct and activities; and (c) ensure compliance with the Company's legal and regulatory objectives. <p>Consistent with these goals, the Board assumes the following responsibilities:</p> <ul style="list-style-type: none"> (a) developing initiatives for profit and asset growth; (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis; (c) acting on behalf of, and being accountable to, the shareholders; and (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality. <p>The Company is committed to the circulation of relevant materials to directors in a timely manner to facilitate directors' participation in Board discussions on a fully informed basis.</p> <p>The Company intends to regularly review the balance of responsibilities between the Board and management to ensure that the division of functions remains appropriate to the needs of the Company.</p>
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director; and	Yes	<p>The Company undertakes appropriate checks before appointing a person as a Director of the Company.</p> <p>When the election of Directors are put to security holders at a meeting of members, all</p>

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(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.		material information relevant to the vote are incorporated in the meeting documents, which includes their relevant professional history and qualifications.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has written agreements in place with each of its Directors and senior executives.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary position is directly accountable to the Board on all matters to do with the proper functioning of the Board.
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	No	<p>The Company has not found it necessary to create a diversity policy or to annually report on measurable objectives with respect to achieving gender diversity. However, the Board notes that during the reporting period it had a female member, and all of its members came from diverse ethnic backgrounds.</p> <p>As the Company develops, the Board intends to review its practices, and if deemed necessary in the future, the Board may consider adopting a formal diversity policy with a set of measurable objectives.</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its</p>	No	The Company has not found it necessary to disclose the process for evaluating performance. However, performance evaluation will be undertaken by the Chairman against agreed key performance

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<p>committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	<p>indicators and reported to the Board. In the case of the Chairman, performance evaluation will be undertaken by the Board against agreed key performance indicators, with the Chairman excusing himself from such discussion and not participating in any vote or resolution on the issue.</p> <p>A performance evaluation was conducted in the reporting period.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>No</p> <p>Yes</p>	<p>The Board and senior management team will regularly review the performance of its senior executives and address any issues that may emerge. However, the Company has not found it necessary to disclose the process for evaluating performance.</p> <p>A performance evaluation was conducted in the reporting period.</p>
2 Structure the board to add value		
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>No</p> <p>Yes</p>	<p>No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisers (if required), has been committed to by the Board.</p>

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2.2 A listed entity should disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve its membership.	No	The Board strives to ensure that it is comprised of Directors with a blend of skills, experience and attributes appropriate to the Company and its business. The principal criterion for the appointment of new Directors is their ability to add value to the Company and its business. In light of this, it has not been deemed necessary to create a formal document outlining the particular skills of the existing Board.
2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes N/A Yes	The Board has reviewed the independence of each Director and considers that Mr Yu is the only independent director. Information with respect to potential issues of independence may be disclosed to the market but no formal policy exists to ensure such disclosure. The length of service of each Director is published in the Company's Annual Report.
2.4 A majority of the board of a listed entity should be independent directors.	No	For the reporting period, a majority of the Board was not independent. However, the Company considers that the Board is appropriately structured given the extensive knowledge of each of the directors regarding the Company and its business and their substantial experience and recognition in the mining industry and other industries relevant to the Company's operations. For these reasons, and the stage of the development of the Company, the Company takes the view that it is in the best interests of members that the current Directors, with their extensive background and experience, be Directors of the Board.
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	No	The Company does not have a CEO, however, the equivalent function is shared by Messrs Hugh Warner and Harry Greaves as Executive Chairman and Executive Director. Mr Warner is also the Company's Executive Chairman. Despite this, the Board considers Mr Warner's current role as essential to the success of the Company at this stage of its development.

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4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Company does have a CFO and a declaration in this form has been prepared. The Company does not have a CEO.
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	An external auditor will be present at the AGM and be available to answer questions from security holders relevant to the audit.
5 Make timely and balanced disclosure		
5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure requirements under the Listing Rules; and (b) disclose that policy or a summary of it.	No	<p>Due to the current stage of development of the Company, there are no written policies in place. The Company is however committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act.</p> <p>The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX and shareholders as well as providing guidance to Directors and employees on disclosure requirements and procedures.</p> <p>As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a formal continuous disclosure policy.</p>
6 Respect the rights of security holders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company's information is provided on its website www.prospectresources.com.au .
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	No	The Company has no formal investor relations program in place, but ensures that all material information is conveyed to its investors so as to facilitate communication.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Although the Company does not have a formal communications policy in place, all material matters will be disclosed to the market in accordance with the ASX Listing Rules.

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6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Company encourages shareholders to register for receipt of announcements and updates electronically.
7 Recognise and manage risk		
7.1 The board of a listed entity should: <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors and; (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	No	<p>The Company does not have a separately constituted risk committee due to its current stage of development.</p> <p>The Board is responsible for the oversight and management of all material business risks. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation as Board meetings.</p> <p>The risk profile can be expected to change and procedures adapted as the Company develops and it grows in size and complexity.</p> <p>The Board intends to continue to regularly review and approve the risk management and oversight policies of the Company.</p>
	Yes	As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a charter establish a committee.
7.2 The board or a committee of the board should: <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>The Board is responsible for overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.</p> <p>As of the end of this reporting period, the Board has completed its review.</p>
7.3 A listed entity should disclose: <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	No	The Company does not have an internal audit function, and does not disclose the processes it uses to improve risk management. Nonetheless, it remains committed to effective management and control of these factors.
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it	Yes	All material risk are announced to the market, in accordance with the requirements of the ASX Listing Rules and otherwise.

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does, how it manages or intends to manage those risks.		
8 Remunerate fairly and responsibly		
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings, or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>No</p> <p>Yes</p>	<p>The Company does not have in place a separately constituted remuneration committee due to its current stage of development.</p> <p>The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision-making process.</p> <p>The total maximum remuneration is currently set at \$500,000. Any increases will be the subject of a shareholder resolution in accordance with the Company's constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive directors' remuneration within that maximum amount will be made by the Board, having regard to the inputs and value to the Company of the respective contributions by each non-executive director.</p> <p>The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.</p> <p>As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a charter establish a committee.</p>
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company's policies and practices regarding the remuneration of all Directors and other senior executives is set out in the Company's Annual Report for each financial year.
8.3 A listed entity which has an equity-based remuneration scheme should:	No	Although the company did not have a formal policy during the reporting period, the Company had a Securities Trading Policy that restricted the trading of the Company's securities by those who have equity interests in the Company.