



Prospect Resources

PROSPECT RESOURCES LIMITED

ACN 124 354 329

Notice of 2017 Annual General Meeting

Explanatory Statement

Proxy Form

Time: 10:30am (Perth time)
Date: Monday, 13 November 2017
Place: Suite 6, 245 Churchill Avenue, Subiaco WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting. Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 8072 1400.

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Venue

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (Perth time) on 13 November 2017 at:

Suite 6, 245 Churchill Avenue,
Subiaco WA 6008

Your vote is important

The business of the Annual General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and either:

1. lodge online at www.linkmarketservices.com.au, instructions as follows:

Select 'Investor Login' and enter Prospect Resources Limited or the ASX code **PSC** in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website;

2. deliver the Proxy Form:

- (a) by hand to:

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or

- (b) by post to:

Prospect Resources Limited
c/- Link Market Services Limited
Locked Bag A14, South Sydney, NSW 1235 Australia; or

3. by facsimile to +61 2 9287 0309.

Your Proxy Form must be received not later than 48 hours before the commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

Notice of annual general meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Prospect Resources Limited ACN 124 354 329 will be held at 10:30am (Perth time) on 13 November 2017 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 10:30am (Perth time) on 11 November 2017. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Agenda

Ordinary business

Financial statements and reports

“To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2017 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

Note: This item of ordinary business is **for discussion only and is not a resolution**.

However, pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

Resolutions

Part A: Remuneration report

1. Resolution 1 – Adoption of remuneration report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2017.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company’s key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person’s Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as **Restricted Voter**). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote “against”, or to abstain from voting on, this Resolution.

Part B: Election/Re-election of directors

2. Resolution 2 – Election of Qingjiao Yu as director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Qingjiao Yu, a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company’s Constitution and ASX Listing Rule 14.4, be re-elected as a Director of the Company.”

3. Resolution 3 – Re-election of Duncan (Harry) Greaves as director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Duncan (Harry) Greaves, a Director who retires by rotation in accordance with the Company’s Constitution and ASX Listing Rule 14.4, and being eligible offers him/herself for re-election as a Director of the Company.”

4. Resolution 4 – Re-election of Zivanayi (Zed) Rusike as director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Zivanayi (Zed) Rusike, a Director who retires by rotation in accordance with the Company’s Constitution and ASX Listing Rule 14.4, and being eligible offers him/herself for re-election as a Director of the Company.”

Part C: ASX Listing Rule 7.1A

5. Resolution 5 – ASX Listing Rule 7.1A approval of future issue of securities

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 5 by:

- (a) a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part D: Ratification of prior issue of equity securities

6. Resolution 6 – Ratification of prior issue of equity securities

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 65,000,000 unlisted options which were issued on 21 July 2017 utilising the Company’s existing capacity under Listing Rule 7.1 (**July Options**) and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

Voting exclusion statement: The Company will disregard any votes cast on Resolution 6 by:

- (a) a person who participated in the issues and received July Options; and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part E: Conditional Spill Resolution

7. Resolution 7 – Conditional Spill Resolution

The following resolution is conditional on at least 25% of the votes cast on Resolution 1 (Adoption of Remuneration Report) of this Notice of Meeting being against the adoption of the Remuneration Report.

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional on at least 25% of the votes cast on Resolution 1 of this Annual General Meeting (Adoption of Remuneration Report), being cast against that resolution:

- (a) an extraordinary general meeting (**Spill Meeting**) of the Company be held within 90 days after the passing of this resolution;*
- (b) all of the Directors of the Company in office at the time when the Board resolution to make the Directors’ Report for the financial year ended 30 June 2017 was passed (other than the managing director), and who remain Directors at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices will be vacated immediately before the end of the Spill Meeting to be put to the vote of Shareholders at the Spill Meeting.”*

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 7 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 7; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the Chair and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 7 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote against Resolution 7. If you do not want your vote exercised against Resolution 7, you should direct the person chairing the Meeting to vote “for”, or to abstain from voting on, this Resolution.

Dated: 13 October 2017

BY ORDER OF THE BOARD

Andrew Whitten
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:30am (Perth time) on 13 November 2017 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Annual General Meeting are set out below.

Agenda

Ordinary business

Financial statements and reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2017 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at www.prospectresources.com.au.

No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

Resolutions

Part A: Remuneration report

Resolution 1 – Adoption of remuneration report

In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at www.prospectresources.com.au.

At last year's 2016 Annual General Meeting, the resolution to adopt the remuneration report as contained in the 2016 Annual Financial Report was not passed by Shareholders of the Company. Accordingly, the Company received a "first strike".

If the votes cast against Resolution 1 of this Notice of Meeting (which is to adopt the Remuneration Report as contained in the Annual Financial Report) are again at least 25% of the total votes cast, the Company will receive a "second strike". If the Company receives two strikes, it is required to put a resolution (**Spill Resolution**) to the meeting to determine whether the Company's Directors (who were in office at the time the Directors' Report was approved, excluding the managing director) will need to stand for re-election at an extraordinary general meeting (**Spill Meeting**) which is to be held within 90 days of the passing of the Spill Resolution.

Accordingly, as the Company has received a "first strike", this Notice of Annual General Meeting includes a "conditional" resolution (Resolution 7 of this Notice of Meeting), which serves as the "Spill Resolution". Resolution 7 will only be put to Shareholders and voted on at this AGM if, based on the formal results of the poll, it is evident that the Company has received a "second strike".

Further details of the "conditional" Resolution 7 is set out in the Explanatory Statement to Resolution 7 of this Notice of Meeting.

The Company's response to the "first strike" was to arrange for senior management to discuss with key investors and Shareholders to understand the main reasons why the "first strike" was received.

The Board maintains a principle of ensuring Director remuneration is closely aligned to the interests of Shareholders. Accordingly, the Board took the decision early during this last financial year to take comprehensive action. Actions taken include:

- Resolutions 7 to 9 at the 2016 Annual General Meeting (which were in relation to the proposed issue of executive options as part of remuneration) were withdrawn and not put to a vote, as the Board considered that since the share price (at the time of the meeting) was below the price at which the last placement was conducted by the Company, that it would not be appropriate;
- Messrs Hugh Warner and Harry Greaves travelling to China to meet major shareholders; and
- Additional announcements to ASX so that shareholders gain a better appreciation of the work being undertaken by the Company's Board and its staff.

The Directors thank the Company's Shareholders for their ongoing support through the Company's transition.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed him to vote in accordance with his stated intention to vote in favour of Resolution 1.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

Part B: Election/re-election of directors

Resolution 2 – Election of Qingjiao Yu as director

The Company's Constitution provides the Board may at any time appoint any person to be a Director provided that the total number of Directors does not exceed 9 (**Additional Director**). Clause 13.4 of the Company's Constitution and ASX Listing Rule 14.4 also provides each Additional Director appointed during the year is to hold office until the next general meeting and is then eligible for election as a Director of the Company.

Mr Qingjiao Yu was appointed as an Additional Director of the Company on 18 November 2016 and has since served as a Director of the Company. At the same time, Ms Yan Wang was also appointed as an alternate Director to Mr Yu.

Under this Resolution, Mr Yu seeks election at this AGM. If Shareholder approval is obtained for this Resolution 2, it is intended that Ms Wang will continue as an alternate Director to Mr Yu.

Mr Yu has over fifteen years of experience in the Lithium-ion battery industry in China and is well known for being a key figure in the China battery technology sector. Mr Yu is Chairman and CEO of Energy Finance Net and China Battery Net. He is also the President for the China Battery Magazine, Secretary-General for ABEC BBS (Lithium electricity "Davos") committee and also a Director of Zhongguancun Battery Industry Technology Innovation Alliance.

Directors' recommendation

The Directors (excluding Mr Yu) recommend that Shareholders vote for this Resolution 2.

Resolution 3 – Re-election of Duncan (Harry) Greaves as director

The Company's Constitution requires that if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. Where 2 or more Directors have served equally the longest, the retiring Director is determined either amongst the Directors, or by drawing lots.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election.

Mr Duncan (Harry) Greaves was last appointed as a Director at the annual general meeting held on 20 November 2015.

Under this Resolution, Mr Greaves retired by rotation and seeks re-election at this AGM.

Mr Greaves is a fourth generation Zimbabwean. He holds a B.Sc (agriculture) from University of Natal (in South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe all of which he brought back into production over the last 10 years including the design and construction of two milling facilities. He is a well respected and well known member of the Zimbabwe mining fraternity.

Directors' recommendation

The Directors (excluding Mr Greaves) recommend that Shareholders vote for this Resolution 3.

Resolution 4 – Re-election of Zivanayi (Zed) Rusike as director

The Company's Constitution requires that if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. Where 2 or more Directors have served equally the longest, the retiring Director is determined either amongst the Directors, or by drawing lots.

A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election.

Mr Zivanayi (Zed) Rusike was last appointed as a Director at the annual general meeting held on 20 November 2015.

Under this Resolution, Mr Rusike retired by rotation and seeks re-election at this AGM.

Mr Rusike graduated in accountancy in Birmingham, England, before returning to Zimbabwe in 1982. He was Managing Director of United Builders Merchant before being promoted to Group Managing Director for Radar Holdings Limited, then, a large quoted company on the Zimbabwe Stock Exchange. He retired from the Radar Group of companies in 2005 to pursue his personal interests and is currently the Executive Chairman of Dulux Paints Limited. Zed is a former President of The Confederation of Zimbabwe Industries.

Directors' recommendation

The Directors (excluding Mr Rusike) recommend that Shareholders vote for this Resolution 4.

Part C: ASX Listing Rule 7.1A

Resolution 5 – ASX Listing Rule 7.1A approval of future issue of securities

Under Listing Rule 7.1A, certain companies may seek Shareholder approval by special resolution passed at an annual general meeting to have the additional capacity to issue equity securities (which must be in the same class as an existing quoted class of equity securities of the Company) which do not exceed 10% of the existing ordinary share capital without further Shareholder approval. The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1.

Approval under this Resolution is sought for the Company to issue equity securities under Listing Rule 7.1A.

If this Resolution is approved the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- (a) the date which is 12 months after the date of the 2017 Annual General Meeting; or
- (b) the date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by the ASX.

Accordingly, the approval given if this Resolution is passed will cease to be valid on the earlier of 13 November 2018 or the date on which holders of the Company's ordinary securities approve a transaction under Listing Rules 11.1.2 or 11.2.

At the date of this Explanatory Statement, the Company is an 'eligible entity', and therefore able to seek approval under Listing Rule 7.1A, as it is not included in the S&P/ASX300 and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million). If at the time of the

Annual General Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

(A x D) – E

where:

- A** is the number of shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
 - (iii) plus the number of fully paid shares issued in the 12 months with approval of the holders of shares under Listing Rules 7.1 and 7.4 (this does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without Shareholder approval); and
 - (iv) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1. The effect of Resolution will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 27 September 2017, the Company has on issue 1,594,128,296 ordinary shares and therefore has capacity to issue:

- (a) subject to Shareholder approval being obtained for Resolution 6 of this Notice, 239,119,244 equity securities under Listing Rule 7.1; and
- (b) subject to Shareholder approval being obtained for this Resolution 5, 159,412,829 equity securities under Listing Rule 7.1A.

The issue price of the equity securities issued under Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities the subject of this Resolution will be issued is 75% of the volume weighted average market (closing) price (**VWAP**) of the Company's equity securities over the 15 days on which trades in that class were recorded immediately before either:

- (a) the date on which the price at which the equity securities are to be issued is agreed; or
- (b) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (a) the date on which the securities are issued.

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:

- (a) the market price for the Company's equity securities may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- (b) the equity securities issued under Listing Rule 7.1A may be issued at a price that is at a discount (as described above) to the market price for the Company's equity securities on the

issue date;

which may have an effect on the amount of funds raised by the issue.

The table set out below shows the dilution of existing Shareholders on the basis of:

- The current market price of the Company's ordinary shares and the number of ordinary securities as at 27 September 2017.
- Two examples where the number of ordinary shares on issue ("A") has increased, by 50% and 100%. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future specific placements under Listing Rule 7.1 that are approved by Shareholders.
- Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" ASX Listing Rule 7.1A.2		Dilution		
		\$0.018 50% decrease in issue price	\$0.036 issue price **	\$0.072 100% increase in issue price
	10% voting dilution	159,412,829	159,412,829	159,412,829
	Funds raised	\$2,869,431	\$5,738,862	\$11,477,724
	10% voting dilution	239,119,244	239,119,244	239,119,244
	Funds raised	\$4,304,146	\$8,608,293	\$17,216,586
	10% voting dilution	318,825,659	318,825,659	318,825,659
	Funds raised	\$5,738,862	\$11,477,724	\$22,955,447

Notes:

- The table assumes that the Company issues the maximum number of equity securities available under Listing Rule 7.1A.
 - The table assumes that no options are exercised in ordinary shares before the date of the issue of equity securities under Listing Rule 7.1A.
 - The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory Statement.
 - The table shows the effect of an issue of equity securities under Listing Rule 7.1A, not under the Company's 15% placement capacity under Listing Rule 7.1.
 - The issue of equity securities under the Listing Rule 7.1A consists only of ordinary shares. If the issue of equity securities includes options, it is assumed that those options are exercised into ordinary shares for the purposes of calculating the voting dilution effect on existing Shareholders.
- * Any issue of equity securities is required to be made in accordance with the Listing Rules. Any issue made other than under the Company's 15% capacity (Listing Rule 7.1) or the Company's additional 10% capacity (Listing Rule 7.1A) and not otherwise made under an exception in Listing Rule 7.2 (for example, a pro-rata rights issue) would require Shareholder approval.
- ** Based on the closing price of the Company's Shares on ASX on 27 September 2017.
- *** Based on the Company's Share structure as at 27 September 2017.

If this Resolution is approved the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Explanatory Statement, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under Listing Rule 7.1A will depend on the issue price of the equity securities which will be determined at the time of issue. In some circumstances, the Company may issue equity securities under Listing Rule 7.1A for non-cash consideration (for example, in lieu of cash payments to consultants, suppliers or vendors). While the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A, some of the purposes for which the Company may issue equity securities under Listing Rule 7.1A include (but are not limited to):

- (a) raising funds to further develop the Company's business;
- (b) raising funds to be applied to the Company's working capital requirements;
- (c) acquiring assets. In these circumstances, the issue of the ordinary shares may be made in substitution for the Company making a cash payment for the assets; and
- (d) paying service providers or consultants of the Company.

Details regarding the purposes for which any particular issue under Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to Listing Rule 7.1A.4 and Listing Rule 3.10.5A at the time the issue is made. The identity of the allottees of equity securities under Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- (a) the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- (b) the potential effect on the control of the Company;
- (c) the Company's financial situation and the likely future capital requirements; and
- (d) advice from the Company's corporate or financial advisors.

Offers made under Listing Rule 7.1A may be made to parties including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

The allocation policy the Company may adopt for a particular issue of equity securities under Listing Rule 7.1A and the terms on which those equity securities may be offered will depend upon the circumstances existing at the time of the proposed capital raising under Listing Rule 7.1A. Subject to the requirements of the Listing Rules and the Corporations Act, the Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, it is required by Listing Rule 7.3A.6 to provide details of all issues of securities in the 12 months preceding the date of the Meeting. The details of all issues of Securities by the Company during the 12 months preceding the date of the Meeting are detailed below:

Number/Class of equity securities issued	Terms and Purpose of issue	Price and discount to closing market price on the date of issue (if any)	Consideration details	Allottees of the Securities
<i>Securities issued on 21 July 2017</i>				
65,000,000 unlisted options.	Issue of unlisted and unvested options to a certain key executive of the Company as part of their executive services agreement.	N/A – issued for nil consideration.	N/A – issued for nil consideration.	Certain employees of the Company.

Total equity securities issued in previous 12 months	65,000,000
Percentage total equity securities issued in previous 12 months* represent of the total number of equity securities on issue at the commencement of that 12 month period	3.66%

*Based on Company's fully diluted capital structure as at date of 2016 Annual General Meeting

This Resolution is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of ordinary shares) must be in favour of this Resolution.

Part D: Ratification of prior issue of equity securities

Resolution 6 – Ratification of prior issue of equity securities

Background to the issue of the July Options

As announced by the Company on 24 July 2017, the Company issued 65,000,000 unlisted options to certain employees as part of their remuneration (**July Options**).

The July Options were issued by the Company utilising its existing capacity under Listing Rule 7.1.

Background to this resolution

Resolution 6 proposes that Shareholders of the Company approve and ratify the prior issue and allotment of the 65,000,000 July Options which were issued only utilising the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12 month period without the approval of the Shareholders of the Company. Separately, the Company sought and obtained Shareholder approval at its 2016 annual general meeting to issue up to a further 10% (in addition to the 15% under Listing Rule 7.1) of the Company's issued capital under Listing Rule 7.1A.

Listing Rule 7.4 sets out an exception to Listing Rules 7.1, which provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rules 7.1.

The effect of approval of this Resolution 6 is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 instead of having to wait 12 months after the issue.

Separate Shareholder approval to ratify the issue of shares made pursuant to Listing Rule 7.1A is not required, as the Company is seeking specific Shareholder approval under Resolution 6 of this Notice for the additional 10% capacity under Listing Rule 7.1A.

Information required by ASX Listing Rule 7.5

The following information in relation to the July Options which were issued utilising the Company's existing capacity (at the respective times) under Listing Rule 7.1 is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Company issued 65,000,000 July Options.
- (b) Each of the July Options were issued for nil cash consideration, as part of the remuneration of certain employees.
- (c) The material terms of the July Options are as follows:
 - (i) Exercise price: \$0.05 per option
 - (ii) Expiry date: 31 December 2018
- (d) The July Options were issued to certain employees of the Company as part of their remuneration.
- (e) If and when the July Options are exercised, funds raised will be applied towards general working capital.

Part E: Conditional Spill Resolution

Resolution 7 – Conditional Spill Resolution

This Resolution is a “conditional” resolution. Even if this Resolution 7 is passed, it will only become effective if, based on the formal results of the poll, it is clear that 25% or more of the votes cast on Resolution 1 are cast against the adoption of the Remuneration Report.

This Resolution 7 will be considered an ordinary resolution, which means that, to be passed, the Resolution requires the approval of a simple majority of the votes cast by or on behalf of Shareholders entitled to vote on the matter.

If this Resolution 7 is passed, and becomes effective based upon the results of the poll on Resolution 1, then the Company must hold a Spill Meeting within 90 days after this AGM to consider the composition of the Board. If a Spill Meeting is required, the date of the Spill Meeting will be notified to Shareholders in due course.

If a Spill Meeting is held, the following Directors (**Relevant Directors**) will automatically cease to hold office as Directors of the Company at the conclusion of the Spill Meeting, unless they are willing to stand for re-election and are re-elected at that Spill Meeting:

- (a) Mr Duncan (Harry) Greaves, Executive Director;
- (b) Mr Gerry Fahey, Non-Executive Director;
- (c) Mr Zivanayi (Zed) Rusike, Non-Executive Director;
- (d) Ms Manana Nhlanhla, Non-Executive Director; and
- (e) Mr Qingjiao Yu, Non-Executive Director.

Messrs Greaves, Rusike and Yu are seeking re-election at this Annual General Meeting under Resolutions 2 to 4 of this Notice of Meeting. In the event that Resolutions 2 to 4 are passed by Shareholders of the Company but a Spill Meeting is held, each of them will need to be re-elected at the Spill Meeting to remain in office after the Spill Meeting.

Directors’ recommendation

The Directors unanimously recommend that Shareholders vote **against** the Resolution 7.

The Board considers that a Spill Meeting would be extremely disruptive to the Company and that it would be inappropriate to remove all the Relevant Directors in the circumstances. The Board also notes that Shareholders can remove a Director by a majority Shareholder vote at any general meeting and for any reason.

Voting

Note that a voting exclusion applies to Resolution 7 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 7 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed him to vote in accordance with his stated intention to vote against Resolution 7.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

Enquiries

Shareholders are asked to contact Mr Andrew Whitten, Company Secretary, on (+61 2) 8072 1400 if they have any queries in respect of the matters set out in these documents.

Glossary

Additional Director means an additional director appointed by the Board in accordance with the Constitution.

Annual Financial Report means the 2017 Annual Report to Shareholders for the period ended 30 June 2017 as lodged by the Company with ASX on 28 September 2017.

Annual General Meeting or **AGM** or **Meeting** means an Annual General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

ASIC means Australian Securities and Investment Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Auditor's Report means the auditor's report of Stantons International Audit and Consulting Pty Ltd dated 27 September 2017 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means Prospect Resources ACN 124 354 329.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "\$" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

July Options means the unlisted options that were issued on 21 July 2017

KMP means key management personnel (including the Directors) who remuneration details are included in the Remuneration Report.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 13 October 2017 including the Explanatory Statement.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to this Notice of Meeting.

Remuneration Report means the remuneration report as set out in the Annual Financial Report.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Spill Meeting means the meeting that will be convened within 90 days of this AGM if a threshold of votes is cast against Resolution 1 of this Notice of Meeting.

Spill Resolution means Resolution 7 of this Notice of Meeting, being the resolution required to be put to Shareholders this AGM if a threshold of votes is cast against Resolution 1 of this Notice of Meeting.

VWAP means the volume weighted average price, with respects to the price of Shares.



LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Prospect Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Prospect Resources Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am (Perth time) on Monday, 13 November 2017 at Suite 6, 245 Churchill Avenue, Subiaco WA 6008 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 1 and 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business except Resolution 7 where undirected proxies will be voted against the resolution (if it is put to the meeting).

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 ASX Listing Rule 7.1A approval of future issue of securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Qingjiao Yu as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Ratification of prior issue of equity securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Duncan (Harry) Greaves as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Important Note: The following resolution will only be put to the meeting if more than 25% of votes validly cast on Resolution 1 are cast against that Resolution.			
4 Re-election of Zivanayi (Zed) Rusike as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Conditional Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (Perth time) on Saturday, 11 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Prospect Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**