

# 2018 CORPORATE GOVERNANCE STATEMENT

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 28 September 2018 and has been approved by the board of the Company (**Board**).

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<b>1.</b> Lay solid foundations for management and oversight		
<p>1.1. <i>A listed entity should disclose:</i></p> <p>(a) <i>the respective roles and responsibilities of its board and management; and</i></p> <p>(b) <i>those matters expressly reserved to the board and those delegated to management.</i></p>	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"> <li>(a) maintain and increase Shareholder value;</li> <li>(b) ensure a prudential and ethical basis for the Company's conduct and activities; and</li> <li>(c) ensure compliance with the Company's legal and regulatory objectives.</li> </ul> <p>Consistent with these goals, the Board assumes the following responsibilities:</p> <ul style="list-style-type: none"> <li>(a) developing initiatives for profit and asset growth;</li> <li>(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;</li> <li>(c) acting on behalf of, and being accountable to, the Shareholders; and</li> <li>(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.</li> </ul> <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>It is expected that the division of responsibility of the Board and senior executives will vary with the evolution of the Company. The Company intends to regularly review the balance of responsibilities to ensure that the division of functions remains appropriate to the needs</p>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<p>1.2. <i>A listed entity should:</i></p> <p>(a) <i>undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and</i></p> <p>(b) <i>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.</i></p>	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 material information relevant to the vote are incorporated in the meeting documents, which includes their relevant professional history and qualifications.</p>
<p>1.3. <i>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</i></p>	Yes	<p>The Company has written agreements in place with each of its Directors and senior executives.</p>
<p>1.4. <i>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.</i></p>	Yes	<p>The Company Secretary is directly accountable to the Board on all matters to do with the proper functioning of the Board.</p>
<p>1.5. <i>A listed entity should:</i></p> <p>(a) <i>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;</i></p> <p>(b) <i>disclose that policy or a summary of it; and</i></p> <p>(c) <i>disclose as at the end of each reporting period the measurable 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:</i></p> <p>(1) <i>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</i></p> <p>(2) <i>if the entity is a "relevant employer" under the Workplace Gender Equality</i></p>	No	<p>The Board recognises the importance and value of diversity and will develop and disclose an appropriate policy for implementation, at such time as is practical.</p>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<i>Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</i>		
<p>1.6. <i>A listed entity should:</i></p> <p>(a) <i>have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</i></p> <p>(b) <i>disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</i></p>	Yes	<p>Performance evaluation is undertaken by the Chairman against agreed key performance indicators and reported to the Board. In the case of the Chairman, performance evaluation is 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. The Board will implement and disclose a formal policy at such time as is practical.</p> <p>A performance evaluation was conducted in the reporting period.</p>
<p>1.7. <i>A listed entity should:</i></p> <p>(a) <i>have and disclose a process for periodically evaluating the performance of its senior executives; and</i></p> <p>(b) <i>disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</i></p>	Yes	<p>The Board and senior management team will regularly review the performance of its senior executives and manage any issues that may emerge. However, the Company has not found it necessary to disclose the process for evaluating performance. The Board will implement and disclose a formal policy at such time as is practical.</p> <p>A performance evaluation was conducted in the reporting period.</p>
<b>2. Structure the board to add value</b>		
<p>2.1. <i>The board of a listed entity should:</i></p> <p>(a) <i>have a nomination committee which:</i></p> <p>(1) <i>has at least three members, a majority of whom are independent directors; and</i></p> <p>(2) <i>is chaired by an independent director, and disclose:</i></p> <p>(3) <i>the charter of the committee;</i></p> <p>(4) <i>the members of the committee; and</i></p> <p>(5) <i>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;</i></p> <p>or</p> <p>(b) <i>if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills,</i></p>	No	<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>
	Yes	

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<i>knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</i>		
2.2. <i>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</i>	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. <i>A listed entity should disclose:</i> <i>(a) the names of the directors considered by the board to be independent directors;</i> <i>(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</i> <i>(c) the length of service of each director.</i>	Yes  N/A  Yes	<p>The Company recognises that independent directors are important in assuring shareholders that the Board is fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.</p> <p>Directors of Prospect are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of unfettered and independent judgement.</p> <p>In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:</p> <ul style="list-style-type: none"> <li>• Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;</li> <li>• Is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;</li> <li>• Has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;</li> <li>• Is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or</li> <li>• Has a material contractual relationship with the Company or another Company member other than as a Director.</li> </ul>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
		<p>The Board of Prospect consider has reviewed the independence of each Director and considers that Mr Fahey and Mr Chen are independent directors.</p> <p>Information with respect to potential issues of independence may be disclosed to the market but no formal policy exists to ensure such disclosure.</p> <p>The length of service of each Director is published in the Company's Annual Report.</p>
2.4. <i>A majority of the board of a listed entity should be independent directors.</i>	No	<p>For the reporting period, a majority of the Board was not independent. However, the Company considers that the Board is appropriately structured given scale of operation, 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.</p> <p>For these reasons, the Company takes the view that it is in the best interests of shareholders that the current Directors, with their extensive background and experience, be Directors of the Board.</p>
2.5. <i>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.</i>	No	<p>For the financial year ended 30 June 2018, the Company did not have a CEO, however, the equivalent function was shared by Messrs Hugh Warner and Harry Greaves as Executive Chairman and Executive Director respectively.</p> <p>On 16 July 2018, the Company announced that it had appointed Sam Hosack as Managing Director of the Company (equivalent to CEO). As Mr Hosack is not the Chairman, this recommendation may be able to be satisfied for the next financial year.</p>
2.6. <i>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</i>	No	<p>The Company does not have a formal program for inducting new Directors, however the Company takes care in inducting new Directors to ensure they are able to effectively manage and govern the Company before their nomination as potential Directors.</p>
<b>3. Promote ethical and responsible decision-making</b>		
3.1. <i>A listed entity should:</i> <i>(a) have a code of conduct for its directors, senior executives and employees; and</i> <i>(b) disclose that code or a summary of it.</i>	No	<p>The Board is committed to the establishment and maintenance of appropriate ethical standards. However, there is currently no official code of conduct in place.</p> <p>The Board will implement and disclose a policy at such time as is practical.</p>
<b>4. Safeguard integrity in financial reporting</b>		
4.1. <i>The board of a listed entity should:</i> <i>(a) have an audit committee which:</i> <i>(1) has at least three members, all of whom are non-executive</i>	No	<p>The Company does not have a separately constituted audit committee. As the Company develops its operations the</p>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<p><i>directors and a majority of whom are independent directors; and</i></p> <p><i>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</i></p> <p><i>(3) the charter of the committee;</i></p> <p><i>(4) the relevant qualifications and experience of the members of the committee; and</i></p> <p><i>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</i></p> <p><i>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</i></p>	Yes	<p>Board intends to review its practices, and if deemed necessary, establish an audit committee.</p> <p>The Company has an independent external auditor that verifies and safeguards the integrity of the Company's corporate reporting. The Board, from time to time, reviews the scope, performance and fees of the external auditor.</p> <p>An external auditor can be removed and/or appointed at a meeting of shareholders, provided that the requisite notices under the Corporations Act have been provided to the Company and other relevant parties.</p> <p>As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a charter establishing a committee.</p>
<p>4.2. <i>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.</i></p>	Yes	<p>The CEO (or equivalent) and CFO prepared a declaration in this form before the finalisation of its financial statements.</p>
<p>4.3. <i>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.</i></p>	Yes	<p>An external auditor will be present at the AGM and be available to answer questions from security holders relevant to the audit.</p>
<p><b>5. Make timely and balanced disclosure</b></p>		
<p>5.1. <i>A listed entity should:</i></p> <p><i>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</i></p>	No	<p>Whilst 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</p>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<i>(b) disclose that policy or a summary of it.</i>		<p>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>The Board will implement and disclose a policy at such time as is practical.</p>
<b>6. Respect the rights of shareholders</b>		
6.1. <i>A listed entity should provide information about itself and its governance to investors via its website.</i>	Yes	The Company's information is provided on its website <a href="http://www.prospectresources.com.au">www.prospectresources.com.au</a> .
6.2. <i>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</i>	No	<p>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.</p> <p>The Board will implement and disclose a policy at such time as is practical.</p>
6.3. <i>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</i>	No	<p>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.</p> <p>Material communications are dispatched to investors either via email, surface mail and/or via market announcement.</p>
6.4. <i>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</i>	Yes	The Company encourages shareholders to register for receipt of announcements and updates electronically.
<b>7. Recognise and manage risk</b>		
7.1. <i>The Board of a listed entity should:</i> <i>(a) have a committee or committees to oversee risk, each of which:</i> <i>(1) has at least three members, a majority of whom are independent directors; and</i> <i>(2) is chaired by an independent director, and disclose:</i> <i>(3) the charter of the committee;</i> <i>(4) the members of the committee; and</i> <i>(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</i>	No	<p>The Company does not have a separately constituted risk committee.</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 Company's risk profile can be expected to change, and its risk management procedures adapted, as the Company develops significant operations and complexity.</p> <p>The Board intends to continue to regularly review and approve the risk management and oversight policies of the Company.</p>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
<i>(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.</i>	Yes	As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a charter establish a committee.
<p>7.2. <i>The board or a committee of the board should:</i></p> <p><i>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</i></p> <p><i>(b) disclose in relation to each reporting period, whether such a review has taken place.</i></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>
<p>7.3. <i>A listed entity should disclose:</i></p> <p><i>(a) if it has an internal audit function, how the function is structured and what role it performs; or</i></p> <p><i>(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.</i></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. <i>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</i>	Yes	All material risks are announced to the market, in accordance with the requirements of the ASX listing rules and otherwise.
<b>8. Remunerate fairly and responsibly</b>		
<p>8.1. <i>The Board of a listed entity should:</i></p> <p><i>(a) have a remuneration committee which:</i></p> <p><i>(1) has at least three members, a majority of whom are independent directors; and</i></p> <p><i>(2) is chaired by an independent director, and disclose:</i></p> <p><i>(3) the charter of the committee;</i></p> <p><i>(4) the members of the committee; and</i></p> <p><i>(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</i></p>	No	<p>The Company does not have in place a separately constituted remuneration committee.</p> <p>The remuneration of an executive director will be decided by the Board, with the executive director in absentia.</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>

ASX Principles and Recommendations	Comply (Yes/No)	Explanation
(b) <i>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.</i>	Yes	As the Company develops, the Board intends to review its practices, and if deemed necessary, adopt a charter and establish a committee.
8.2. <i>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.</i>	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. <i>A listed entity which has an equity-based remuneration scheme should:</i> (a) <i>have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</i> (b) <i>disclose that policy or a summary of it.</i>	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.