Prospect Resources Limited

Half-Year Financial Report
31 December 2013

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DIRECTORS' REPORT

The directors of Prospect Resources Limited ("the Company") submit herewith the financial report of the Company for the half year ended 31 December 2013.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Hugh Warner	
Duncan (Harry) Greaves	(appointed 15 July 2013)
Gerry Fahey	(appointed 15 July 2013)
Zivanayi (Zed) Ruiske	(appointed 26 September 2013)
Jonathan Pager	(resigned 15 July 2013)
Michael Pollak	(resigned 15 July 2013)

REVIEW OF OPERATIONS

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

Australia

Northampton, Western Australia (including Mary Springs)

The Northampton area is well known for its structurally controlled copper, lead, zinc and silver mineralisation. Anomalous gold values have also been returned from regional sampling.

As at the date of this financial report, the Company has 100% of Exploration Licence 66/56 ("the Mary Springs project") and 5 Mining Access Agreements to 6 Queen Victoria Crown Grants.

Zimbabwe

During the period, the Company's 100% owned Singaporean subsidiary (Prospect Singapore) has agreed to subscribe for new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited ('HME'). HME has entered into a senior exploration and mining agreement, providing HME the right to explore and mine the historic Bushtick Gold Mine and surrounding acreage including tailings dumps. The right to explore outside of the tailings dumps is subject to a special mining grant which has been received. At completion of the above transaction, HME own 100% of the right to explore and mine the Bushtick Gold Mine, and 100% of the tenements comprising the Penhalonga Gold Project and the Chisanya Phosphate Project. The Company expects to complete this transaction imminently.

Subsequent to 31 December 2013, HME has entered into the Greater Farvic Farm-in Agreement whereby HME can earn a 100% interest in certain mining claims by spending USD$3m on exploration and associated activities over 3 years. HME has also entered into a conditional agreement to acquire additional mining claims from Mixnote Investments (Pvt) Limited in consideration for USD$424,000.

Prospect and Farvic Consolidated Mines (Pvt) Ltd ('Farvic'), who owns the remaining 30% of HME, have entered into a shareholders agreement which governs the operation of HME.

Details of the Projects

The Bushtick Gold Project is a dormant mine situated 8km NNE of Esigodini in the Esigodini Greenstone belt, in the grounds of Falcon College (the grantor of the rights to HME). The mine was historically a major producer. The surrounding ground of approximately 25km^2 is also very prospective and has not been the subject of any modern prospecting. The deposit which strikes 120°, dips 80° north, is formed by the silicification, carbonatisation and brecciation of mafic volcanics along a wide shear zone near the edge of the Essexvale Tonalite. Greenstones of intermediate to basic composition are the predominant rock type, underlain by granodiorites. Historical production from four shafts; down to 12 level or approx 300m was 15,000 kg (+-470,000 oz Au. with a cut-off grade of 5.4 g/t.)

The Penhalonga Gold Project consists of a number of shear and vein hosted gold deposits along the southern side of the Penhalonga Valley covering an area of approximately 1.8km^2, including the historic Battersea Gold Mine and the dormant Penhalonga Gold Mine, 5km north of Mutare. It is situated in the Mutare Greenstone Belt which extends eastward into Mozambique. In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km2 is one of the richest belts within Zimbabwe. Historical production from the Penhalonga valley between 1897 and 1937 amounted to: Gold 1.3m oz, Silver 1.6m oz, Lead 7,258 tonnes and Copper 5.2 tonnes. Coldawn owns a number of lead tenements within the Mutare Greenstone Belt all of which have been acquired by Prospect.

The Chisanya Phosphate Project is one of 5 known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The deposit is a series of un-exploited phosphate in apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland.

The Greater Farvic Project covers Prestwood Mine, Sally Mine, Colleen Bawn Mine, Valley Mine and other smaller but prospective old mines include; Bye & Bye, Act, Beaufort, Wilson and Ettrick.

Prestwood Mine (Historic Production of 499kg, or approx. 16,000oz of gold at 33.1g/t)
The Prestwood Mine consists of multiple veins in greenstones at the monzonite contact. The reef is open ended down dip below 250m. It is considered particularly prospective as it lies in the same geological setting as the Farvic Gold Mine.

The Company's maiden drilling programme is underway and results will be released as received.

Shaft Rehabilitation is underway and once complete, underground drilling for parallel reefs is planned. Evidence of parrallel reefs is supported by the ground magnetic survey completed in January.

Sally Mine (Historic Production of 756kg of gold at 6.9g/t)
The Sally Mine consists of wide quartz stockwork (up to 4m) dipping north in granodiorite.

Colleen Bawn Mine (Historic Production of 1,063kg of gold at 15.1g/t)
The Collen Bawn Mines consists of a quartz reef in greenstone close to monzonite and thrusted limestone contacts. It was historically a sulphide rich, refractory ore that caused recovery problems. These issues can now be addressed using modern processing techniques such as fine grinding.

Valley Mine (Historic Production of 1,315kg of gold at 5g/t and 750kg of copper)
The Valeey Mine is a shallow dipping quartz vein stockwork with disseminated sulphides associated with copper in a felsic intrusion within normally barren country rock gneisses. It is believed that flooding caused the premature end to mining activity.

Conditional Agreement to Acquire Additional Mining Claims
HME has entered into a conditional agreement to acquire certain mining claims from Mixnote Investments (Pvt) Limited (Mixnote) in consideration for US$400,000. HME has acquired an exclusive 6 month option to acquire the claims in consideration for US$24,000. HME may extend the options for a further 3 months by the payment of US$12,000.

During this exclusivity period, the Company may carry out mineral exploration and associated activities on the claims, including exploration in and around the historic Prestwood Mine.

Exclusivity Agreement
Prospect entered into an Exclusivity Agreement with Continental Minerals Ltd representing Harry Greaves, Roger Tyler and Chris Rees, each of whom will play a significant role in the development of Prospect. Prospect issued 60,000,000 fully paid ordinary shares to Continental Minerals Ltd (or its nominees) as consideration for the Exclusivity Agreement.

The Exclusivity Agreement is for a period of 3 years whereby the above parties will present all Zimbabwe mining opportunities that they become aware of to Prospect for acquisition and/or investment. If Prospect decides not to participate in these opportunities, then the parties shall be free to exploit the opportunity themselves. If certain specified opportunities result in an acquisition by Prospect, a performance fee will be payable subject to shareholder approval.

The Greater Farvic Farm-in Agreement is subject to the Placement Exclusivity Agreement. Accordingly, a performance fee is payable to Continental Minerals Limited. In line with the previous performance fee paid, the Company has agreed, subject to shareholder approval, to issue 60 million shares for no consideration to Continental Minerals Limited.

Litigation in relation to Consortium Subscription Agreement
On 15 July 2013, the Company announced entry into a conditional share placement of $4.5 million in total with Sirius Trustees Ltd for $100,000, Investec Zimbabwe Recapitalisation Fund Limited for $500,000 and a consortium including Blumont Group Ltd (BLUM.SI), Alexander Molyneux and Pacific Advisers Pte Ltd (Blumont Consortium) for $3.9m.

On the 29 November 2013, the Company announced that it has commenced proceedings in the Supreme Court of New South Wales against the Blumont Consortium in relation to the subscription for $3.9 million of shares in Prospect by the Blumont Consortium under an agreement for Conditional Share Placement (Subscription Agreement).

Placement
Subsequent to period end, the Company has entered into placing agreements to raise $1,100,000, via the issue of 110,000,000 new ordinary shares at 1 cent each. MBM Capital Partners LLP has subscribed for $850,000, Sirius Trustees has subscribed for $100,000, and entities related to Hugh Warner have subscribed for $150,000 (the issue of securities to Hugh Warner requires shareholder approval). On 21 January 2014, the Company issued 95,000,000 new ordinary shares in satisfaction of the first two placing agreements.

Options
During the period, the Company issued 74,500,000 options with an exercise price of 1.5 cents and expiring 30 June 2015 to directors and management.

RESULTS OF OPERATIONS

The Company incurred an after tax operating loss for the half-year ended 31 December 2013 of $1,511,386 (2012: Loss $705,946), with $1,145,535 relating to share based payments expense (2012: $Nil) and $Nil relating to the impairment of surrendered tenements (2012: $440,796).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of this report.

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

Hugh Warner
Director
14 March 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

14 March 2014

Dear Board Members

Prospect Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Prospect Resources Limited.

As lead audit partner for the review of the half-year financial statements of Prospect Resources Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith

Neil Smith
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	Half year ended 31 December 2013 $	Half year ended 31 December 2012 $
Continuing operations			
Interest received	3	2,558	14,423
Impairment of exploration and evaluation expenditure		-	(440,796)
Directors remuneration		(58,456)	(90,000)
Employee & consultant expenses		(25,000)	(25,000)
Exclusivity agreement fee – share based payment	12(b)	(720,000)	-
Occupancy expenses		(33,682)	(17,334)
Project generation expense - cash		(89,500)	-
Project generation expense – share based payment	12(b)	(24,000)	-
Share based payments expense	12(a)	(401,535)	-
Other administration expenses		(161,771)	(147,239)
Loss before income tax		(1,511,386)	(705,946)
Income tax benefit		-	-
Loss after tax from continuing operations		(1,511,386)	(705,946)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(258)	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period net of tax		(258)	-
Total comprehensive loss for the period		(1,511,644)	(705,946)
Loss attributable to:			
Equity holders of the Company		(1,511,386)	(705,946)
		(1,511,386)	(705,946)
Total comprehensive income attributable to:			
Equity holders of the Company		(1,511,644)	-
		(1,511,644)	(705,946)
Earnings per share (cents per share)			
- Basic loss for the half year	13	(0.38)	(0.19)
- Diluted loss for the half year	13	(0.38)	(0.19)

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	31 December 2013 $	30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	73,979	399,991
Trade and other receivables		-	3,136
Other current assets		23,211	9,000
Total Current Assets		97,190	412,127
Non-Current Assets			
Exploration and evaluation expenditure	5	748,266	745,923
Loan receivable		56,857	-
Total Non-Current assets		805,123	745,923
TOTAL ASSETS		902,313	1,158,050
LIABILITIES			
Current liabilities			
Trade and other payables	6	126,912	91,540
Borrowings	7	75,000	-
Total Current Liabilities		201,912	91,540
TOTAL LIABILITIES		201,912	91,540
NET ASSETS		700,401	1,066,510
EQUITY			
Contributed equity	10	15,575,130	14,831,130
Other reserves		1,300,927	899,650
Accumulated losses		(16,175,656)	(14,664,270)
TOTAL EQUITY		**700,401**	**1,066,510**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Notes	Half year ended 31 December 2013 $	Half year ended 31 December 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(344,822)	(372,661)
Net cash flows (used in)/from operating activities		**(344,822)**	**(372,661)**
Cash flows from investing activities			
Interest received		2,558	14,423
Payments for exploration expenditure		(1,891)	(41,505)
Loans to other entities		(56,857)	-
Net cash flows (used in) investing activities		**(56,190)**	**(27,082)**
Cash flows from financing activities			
Proceeds from share applications, shares not issued		600,000	-
Repayment of share applications		(600,000)	-
Proceeds from related party loan		75,000	-
Capital raising costs		-	(76,262)
Net cash flows (used in)/from financing activities		**75,000**	**(76,262)**
Net (decrease)/increase in cash and cash equivalents		(326,012)	(476,005)
Cash and cash equivalents at beginning of period		399,991	1,201,790
Cash and cash equivalents at end of period	4	**73,979**	**725,785**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued shares	Option reserve	Foreign exchange reserve	Accumulated losses	Total Equity
	$	$	$	$	$
At 1 July 2013	14,831,130	899,650	-	(14,664,270)	1,066,510
Loss for the period	-	-	-	(1,511,386)	(1,511,386)
Other comprehensive income:					
Exchange differences arising on translation of foreign operations	-	-	(258)	-	(258)
Total comprehensive income for the period	-	-	(258)	(1,511,386)	(1,511,644)
Shares issued	744,000	-	-	-	744,000
Options issued	-	401,535	-	-	401,535
At 31 December 2013	15,575,130	1,301,185	(258)	(16,175,656)	700,401

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

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of Preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except in relation to some of the matters discussed at Note 1(d) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Going concern

The half year financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the half year ended 31 December 2013, the Consolidated Entity recorded a loss of $1,511,386 (2012: loss $705,946), net cash outflows from operating and investing activities of $401,012 (2012 $399,743). Included in the half year loss are share based payments totalling $1,145,545 (2012: $nil). At 31 December 2013 the Consolidated Entity had cash and cash equivalents of $73,979 (June 2013: $399,991) and a working capital deficiency of $104,722 (June 2013: working capital surplus $320,587).

In January 2014, the Consolidated Entity raised additional cash of $950,000 (before capital raising costs) through issue of shares. A further issue of shares of $150,000 is pending subject to shareholder approval.

During the half year ended 31 December 2013, the Consolidated Entity has entered into a conditional agreement to subscribe for new shares representing 70% of Hawkmoth Mining and Exploration (Pvt) Limited ('HME') in consideration of US$50,000. HME holds rights to explore and mine the historic Bushtick Gold Mine and surrounding acreage in Zimbabwe, 100% of the Penhalonga Gold Project and associated mining claims and the Chisanya Phosphate Project. At the date of signing the financial report, the acquisition is not finalised. The Company has deposited subscription funds of US$50,000 with HME and is awaiting the issue of new shares and for the Company to be entered on HME's share register as per the legal procedures of Zimbabwe. The Directors believe that this process will be completed in a timely manner.

On 24 February 2014, HME entered into a conditional farm-in agreement to earn up to 100% of certain mining claims within the Gwanda Greenstone Belt whereby it can spend US$2m over 2 years to earn a 51% interest in the claims and elect to spend a further US$1m over a final 1 year period to earn a 100% interest.

On the same date, HME entered into a separate conditional agreement to acquire certain mining claims within the Gwanda Greenstone Belt in consideration of US$424,000.This agreement is subject to certain conditions, including the Company having the financial capacity, as determined by the Directors of the Company, to pay the purchase price of US$400,000. The Company's minimum commitment under this contract is US$24,000.

The directors believe that the Company will be able to raise additional capital when required to enable the Consolidated Entity to meet its obligations as and when they fall due and that it is appropriate to prepare the financial statements on the going concern basis. In the event that the Consolidated Entity is unable to raise sufficient capital required to fund the planned activities of HME, the Directors will modify the operations of the Consolidated Entity to a reduced level of activity to meet its obligations as and when they fall due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern (continued)

Should the Consolidated Entity be unable to achieve the matters referred to above, there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern based on its planned operations and therefore, whether it will realise its assets and extinguish its liabilities as and when they fall due.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be necessary should the Consolidated Entity not to continue as a going concern.

(d) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

A number of new and revised accounting standard requirements became mandatory for the first time for the half year period ended 31 December 2013.

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB: *Joint Arrangements*;
- AASB 128: *Investments in Associates and Joint Ventures (August 2011)*;
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;* and
- AASB 2012-10: *Amendments to Australian Accounting Standards - Transition Guidance and* Other Amendments*.*
- AASB 13 *Fair Value Measurement*; and
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for the current half year. Adoption has not resulted in any changes to the Group’s accounting policies and has no effect on the amounts reported for the current or prior half years

(e) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Prospect Resources Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 15.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

2. SEGMENT INFORMATION

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

The Company has subsidiaries in Singapore and the United Kingdom which are either dormant, or not significant at the date of this report to the Group.

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

3. REVENUE

Revenue from Continuing Operations

	Half year ended December 2013 $	*Half year ended December 2012* $
Revenue		
Interest revenue	2,558	14,423

4. CASH AND CASH EQUIVALENTS

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

	December 2013 $	*June 2013* $
Cash at bank and in hand	73,979	399,991

5. EXPLORATION EXPENDITURE

	December 2013 $	*June 2013* $
Exploration at cost at beginning of the period	745,923	1,355,087
Expenditure incurred	2,343	69,917
Write down of tenements surrendered	-	(679,081)
Closing balance	748,266	745,923
Total expenditure incurred and carried forward in respect of specific projects		
- Northampton Project	748,266	745,923
Total carried forward exploration expenditure	748,266	745,923

6. TRADE AND OTHER PAYABLES

	December 2013 $	*June 2013* $
Trade creditors	47,547	3,302
Accruals	79,365	82,708
Other payables	-	5,530
	126,912	91,540

7. BORROWINGS

	December 2013 $	*June 2013* $
Loan from related party	75,000	-

During the half year, the Group received a $75,000 loan from related parties of Hugh Warner, a director of the Company. The loan is interest free and repayable at call. Subsequent to 31 December 2013, related parties of Hugh Warner has agreed to subscribe for 15,000,000 new ordinary shares at $0.01 to raise $150,000, subject to shareholder approval. The proceeds from the loan have been used to meet short-term expenditure needs relating to the Group's Zimbabwe acquisition.

8. COMMITMENTS

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

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

	December 2013 *$*	*June 2013* *$*
Not longer than 1 year	20,000	20,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	20,000	20,000

9. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 December 2013.

10. CONTRIBUTED EQUITY

(a) Issued share capital	*December 2013* **Shares**	*June 2013* **Shares**
Ordinary shares fully paid	434,593,287	372,593,287

(b) Movement in ordinary share capital	**Number of shares**	**$**
Balance at 1 July 2012	372,593,287	14,834,034
Cost of capital raising	-	(2,904)
Balance at 30 June 2013	372,593,287	14,831,130
Shares issued	62,000,000	744,000
Balance at 31 December 2013	434,593,287	15,575,130

11. OPTION RESERVES

	December 2013 **Options**	*December 2013* **$**	*June 2013* **Options**	*June 2013* **$**
(a) Options at the end of the year	134,500,000	1,301,185	60,857,500	899,650

(b) Movement in options

Date	**Details**	**Number of option**	**Fair value issue price**	**$**
01/07/2012	Opening balance	72,559,000		899,650
30/07/2012	Options expired	(2,000,000)		-
18/10/2012	Options expired	(9,701,500)		-
		60,857,500		899,650
25/09/2013	Options issued	74,500,000	0.00539	401,535
05/11/2013	Options expired	(857,500)		-
		134,500,000		1,301,185

12. SHARE BASED PAYMENTS

(a) Options

The share based payments expense was $401,535 (2012: $Nil). The following table lists the inputs to the model used:

No. of options	**74,500,000**
Grant date	23/09/13
Share price	$0.012
Exercise price	$0.015
Interest rate	2.68%
Expiry date	30/06/15
Volatility	176.71%
Value per option	$0.00539

(b) Shares

The share based payments expense was $744,000 (2012: $Nil). The following table lists the inputs used:

	Introduction fee	**Exclusivity Agreement**
Number of shares issued	2,000,000	60,000,000
Valuation date – shareholder approval	23/09/13	23/09/13
Grant date	24/09/13	14/10/13
Share price	$0.012	$0.012
Share based payment expense	$24,000	$720,000

13. EARNINGS PER SHARE

	Half year ended December 2013	*Half year ended December 2012*
Basic and diluted loss per share (cents per share)	(0.38)	(0.19)
Amount used in the calculation of basic EPS		
Loss after income tax	(1,511,386)	(705,946)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	399,093,287	372,593,287

The options of the Company are not considered dilutive for the purpose of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit per share nor increase the net loss per share. Consequently, diluted earnings per share is the same as basic earnings per share.

14. EVENTS AFTER BALANCE DATE

Subsequent to balance date, the Company issued 95,000,000 shares at $0.01 to raise $950,000 before costs. The Company has also received a subscription agreement for $150,000 from entities related to Hugh Warner, subject to shareholder approval.

Additionally, HME has entered into the Greater Farvic Farm-in Agreement whereby HME can earn a 100% interest in certain mining claims by spending USD$3m on exploration and associated activities over 3 years. HME has also entered into a conditional agreement to acquire additional mining claims from Mixnote Investments (Pvt) Limited in consideration for USD$400,000. The Greater Farvic Farm-in Agreement is subject to the Placement Exclusivity Agreement. Accordingly, a performance fee is payable to Continental Minerals Limited. In line with the previous performance fee paid, the Company has agreed, subject to shareholder approval, to issue 60 million shares for no consideration to Continental Minerals Limited.

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

15. INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2013. The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		December 2013	June 2013
Prospect Resources (UK) Limited	United Kingdom	100%	100%
Prospect Minerals Pte Ltd	Singapore	100%	-

16. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value. The consolidated entity does not hold any financial instruments which are required to be measured at fair value.

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, as set out in Note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the Directors

Hugh Warner
Director

Perth, 14 March 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Prospect Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the Consolidated Entity comprising Prospect Resources Limited and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 7 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on conducting our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Prospect Resources Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prospect Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Prospect Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prospect Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report, which indicates that the Consolidated Entity incurred a loss of $1,511,386 and had net cash outflows from operating and investing activities of $400,812 during the half-year ended 31 December 2013. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith

Neil Smith
Partner
Chartered Accountants
Perth, 14 March 2014