



Prospect Resources

PROSPECT RESOURCES LIMITED

ACN 124 354 329

NOTICE OF MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 11:00 am (WST)
DATE: 14 May 2014
PLACE: Suite 6
245 Churchill Avenue
Subiaco, Western Australia 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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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be at 11:00 am (WST) on 14 May 2014 at:

Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 6008

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Extraordinary 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:

- (a) deliver the proxy form:
 - (a) by hand to Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 6008; or
 - (b) by post to PO Box 1273, Subiaco, Western Australia 6904; or
- (b) by facsimile to (+61 8) 9388 3006

so that it is received not later than 11:00 am (WST) on 12 May 2014.

Proxy Forms received later than this time will be invalid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Prospect Resources Limited will be held at 11:00 am (WST) on 14 May 2014 at Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 6008.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary 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 of the Company at 11:00 am (WST) on 12 May 2014. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Part A: Placement to investors to raise \$1.1 million

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass 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 95,000,000 fully paid ordinary shares of the Company on the terms set out 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 1 by:

- (a) a person who participated in the issue;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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.

2. RESOLUTION 2 – RELATED PARTIES APPROVAL – HUGH WARNER AND RELATED ENTITIES

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

“For the purposes of ASX Listing Rule 10.11, section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company approve the issue of the following securities to entities related to Hugh Warner, a current director of the Company:

1. *7,500,000 fully paid ordinary shares at an issue price of 1 cent (\$0.01) per shares to Hugh Warner & Dianne Warner <atf CBM Superfund> in consideration for \$75,000; and*
2. *7,500,000 fully paid ordinary shares at an issue price of 1 cent (\$0.01) per shares to Elliot Holdings Pty Ltd <atf CBM Family Trust> in consideration for \$75,000,*

and otherwise on the terms set out 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 2 by:

- (a) Hugh Warner;
- (b) Dianne Warner;
- (c) Shareholders of Elliot Holdings Pty Ltd;
- (d) 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
- (e) an associate of any person described in (a) – (d).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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 B: Acquisition of further mining claims

3. RESOLUTION 3 – APPROVAL OF FUTURE ISSUE OF SHARES TO CONTINENTAL MINERALS LIMITED

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

“For the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders approve the issue and allotment of 42,900,000 fully paid ordinary shares at a deemed issue price of 1 cent (\$0.01) per share to Continental Minerals Limited (or its nominees), as part of the CML Fee Placement and otherwise on the terms set out in the Explanatory Memorandum which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 3 by:

- (a) Continental Minerals Limited;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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.

4. RESOLUTION 4 – RELATED PARTY APPROVAL – HARRY GREAVES

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

“For the purposes of ASX Listing Rule 10.11, section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company approve the issue of 7,500,000 fully paid ordinary shares at a deemed issue price of 1 cent (\$0.01) per share to Harry Greaves, a current director of the Company, as part of the CML Fee Placement and otherwise on the terms set out 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 4 by:

- (a) Harry Greaves;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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.

5. RESOLUTION 5 – RELATED PARTY APPROVAL – ZED RUSIKE

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

“For the purposes of ASX Listing Rule 10.11, section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company approve the issue of 9,600,000 fully paid ordinary shares at a deemed issue price of 1 cent (\$0.01) per share to Zed Rusike, a current director of the Company, as part of the CML Fee Placement and otherwise on the terms set out 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 4 by:

- (a) Zed Rusike;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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.

6. RESOLUTION 6 – RELATED PARTY APPROVAL – GREATER FARVIC FARM-IN AGREEMENT

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

“For the purposes of section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company ratify Hawkmoth Mining and Exploration (Private) Limited’s entry into the Greater Farvic Farm-in Agreement dated 25 February 2014, on the terms set out 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) Shareholders or directors of Hawkmoth Mining and Exploration (Private) Limited;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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 C: Placement in anticipation of future transactions

7. RESOLUTION 7 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS

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

“For the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders approve the issue of up to 500,000,000 fully paid ordinary shares at a price of no less than 1 cent (\$0.01) per share to non-related sophisticated investors invited by the Company to subscribe for shares on the terms set out in the Explanatory Memorandum which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 7 by:

- (a) a person who proposes to participate in any such placement;
- (b) 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
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**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.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 11:00 am (WST) on 14 May 2014 at Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 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 this Notice of Meeting. If you are in any doubt about what to do in relation to the Resolutions contemplated in this 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 Extraordinary General Meeting are set out below.

Part A: Placement to investors to raise \$1.1 million

Background

On 21 January 2014, the Company announced that it had completed a placement to raise \$1,100,000 from a number of investors depicted in the table below, through the execution of subscription agreements, in consideration for Shares in the Company at an issue price of \$0.01 per Share (**Placement**).

Table 1 – Investors under the Placement

| Investors | Subscription Amount \$ |
|---|-------------------------------|
| MBM Capital Partners LLP (MBM Subscription Agreement) | \$850,000.00 |
| Sirius Trustees Ltd, as trustee of the Abangane (Sirius Trustees Subscription Agreement) | \$100,000.00 |
| Entities related to Hugh Warner (Related Party Subscription Agreements) | \$150,000.00 |
| Total | \$1,100,000.00 |

In accordance with the terms of the MBM Subscription Agreement and Sirius Trustees Subscription Agreement, the Company issued 85,000,000 Shares and 10,000,000 Shares respectively to MBM Capital Partners LLP and Sirius Trustees Ltd, as trustee of the Abangane. Resolution 1 seeks Shareholder approval to ratify the issue of these Shares.

In the same announcement (21 January 2014), it was noted that the Related Party Subscription Agreements would be subject to Shareholder approval being obtained by the Company. Shareholder approval for the issue of Shares pursuant to these Agreements is being sought under Resolution 2 of this Notice of Meeting.

Furthermore, it was noted that the funds raised under the Placement would be used as follows:

Table 2 – Proposed use of funds raised under the Placement

| Proposed use of funds |
|--|
| General working capital. |
| Fund exploration of the Company's Zimbabwe gold assets. |
| Progress the previously announced (29 November 2013) litigation against Alexander Molyneux, Blumont Group Ltd and Pacific Advisers Pte Ltd in relation to a subscription for \$3,900,000 worth of Shares in the Company at issue price of \$0.012 per Share. |

RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

Resolution 1 proposes that Shareholders approve and ratify the issue and allotment of 95,000,000 fully paid ordinary shares in the capital of the Company which was made by the Company on 21 January 2014 as part of the Placement pursuant to ASX Listing Rule 7.1.

As outlined in Table 1, in accordance with their respective subscription agreements:

- MBM Capital Partners LLP received 85,000,000 Shares in the Company; and
- Sirius Trustees Ltd, as trustee of the Abangane received 10,000,000 Shares in the Company.

Listing Rule 7.1 allows the Board of an ASX Listed Company to issue up to 15% of the Company's issued capital in any 12 month period without the approval of the members of the Company.

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

The effect of approval of Resolution 1 is to allow the Board of the Company to issue additional Shares within the 15% limit under ASX Listing Rule 7.1 after this Resolution is adopted, instead of having to wait until 21 January 2015 (being 12 months after the issue of Shares to MBM Capital Partners LLP and Sirius Trustees Ltd, as trustee of the Abangane).

Information Required by ASX Listing Rule 7.5

The following information in relation to the shares is provided to shareholders for the purposes of ASX Listing Rule 7.5.

- (a) 95,000,000 Shares in the capital of the Company were issued as part of the Placement.
- (b) Shares under the Placement were issued at \$0.01 per Share.
- (c) Shares under the Placement were fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company.

- (d) MBM Capital Partners LLP has been allotted 85,000,000 Shares in accordance with the MBM Subscription Agreement, and Sirius Trustees Ltd, as trustee of the Abangane has been allotted 10,000,000 Shares in accordance with the Sirius Trustees Subscription Agreement.
- (e) The Company intends to use funds raised in accordance with Table 2.

RESOLUTION 2 – RELATED PARTIES APPROVAL – HUGH WARNER AND RELATED ENTITIES

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without shareholder approval.

A “related party” for the purposes of the ASX Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of ‘related party’ also includes (section 228(6) of the Corporations Act) a person whom there is reasonable grounds to believe will become a “related party” of a public company.

Hugh Warner (**Mr Warner**) is the current Executive Chairman and Director of the Company and therefore a related party for the purposes of Chapter 2E of the Corporations Act and this Notice of Meeting. Mr Warner currently directly and indirectly holds Securities in the Company through a number of entities (**Warner Related Entities**).

As outlined in Table 1, it is proposed Shares in the Company are issued to two of the Warner Related Entities, being Hugh Warner & Dianne Warner <atf CBM Superfund> and Elliot Holdings Pty Ltd <atf CBM Family Trust> (**Relevant Warner Related Entities**) in accordance with the Related Party Subscription Agreements.

These Related Party Subscription Agreements can be further broken down as follows:

Table 3 – Related Party Subscription Agreements

| Relevant Warner Related Entities | Subscription Amount subject to Shareholder Approval \$ |
|---|--|
| Hugh Warner & Dianne Warner <atf CBM Superfund> | \$75,000.00 |
| Elliot Holdings Pty Ltd <atf CBM Family Trust> | \$75,000.00 |
| Total | \$150,000.00 |

The Relevant Warner Related Entities are related to Mr Warner, and therefore related parties for the purposes of Chapter 2E of the Corporations Act and this Notice of Meeting for the following reasons:

- Dianne Warner (**Ms Warner**) is the spouse of Mr Warner;
- Mr and Ms Warner, in their capacity as trustees of the CBM Superfund, controls the CBM Superfund; and
- Ms Warner is the sole director of Elliot Holdings Pty Ltd (which in turn acts as the trustee of the CBM Family Trust), controls the CBM Family Trust and Mr Warner is a beneficiary of the CBM Family Trust.

Current and proposed Shareholdings of Mr Warner (and related entities) are as follows:

Table 4 – Mr Warner and Warner Related Entities

| Shareholder | Current interests in the Company | Proposed issue of Shares pursuant to this Resolution |
|--|---|---|
| Mr Warner and Warner Related Entities ^(a) | <ul style="list-style-type: none"> • 61,300,000 Shares • 16,000,000 unlisted options • 12,500,000 management options | <ul style="list-style-type: none"> • 15,000,000 Shares |

Notes:

^(a) Warner Related Entities include Hugh Warner & Dianne Warner <atf CBM Superfund>, Elliot Holdings Pty Ltd <atf CBM Family Trust>, Anglo Pacific Ventures Pty Ltd and The Longevity Fund Pty Ltd.

For the purposes of Chapter 2E of the Corporations Act, the issue of Shares to the Relevant Warner Related Entities constitute the giving of a financial benefit.

Resolution 3 seeks Shareholder approval for the issue of 15,000,000 Shares at an issue price of 1 cent (\$0.01) per Share as announced by the Company on 21 January 2014, to the Relevant Warner Related Entities.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

The non-related Directors of the Company, being Harry Greaves, Gerry Fahey and Zed Rusike believe that the issue of Shares to the Relevant Warner Related Entities could fall within the “arms-length terms” exception set out in section 210 of the Corporations Act. These non-related Directors have based their belief on the following facts:

- (a) The Relevant Warner Related Entities are taking part in the issue as part of the Placement, wherein MBM Capital Partners LLP and Sirius Trustees Ltd, as trustee of the Abangane, who are not related parties of the Company, are also being issued Shares in the Company at the same issue price of 1 cent (\$0.01) per Share.
- (b) The issue price at which the Placement is being conducted, 1 cent (\$0.01), is significantly higher than 0.7 cent (\$0.007), which is the price at which the Shares of the Company are currently trading (as of 28 February 2014). Since December 2013, the Shares in the Company have not traded higher than 0.7 cent (\$0.007), therefore the issue price at which the Placement is being conducted represents a significant premium.

Notwithstanding this, the Board of the Company considered it prudent to seek related party approval for the issue of Shares to the Relevant Warner Related Entities.

Information Required by ASX Listing Rule 10.13

The following information in relation to the Shares is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The maximum number of Shares to be issued to the Relevant Warner Related Entities is 15,000,000.
- (b) The Shares will be issued by 14 June 2014.
- (c) The issue price of each Share being issued to the Relevant Warner Related Entities is 1 cent (\$0.01).
- (d) The allottees are the Relevant Warner Related Entities, being Hugh Warner & Dianne Warner <atf CBM Superfund> and Elliot Holdings Pty Ltd <atf CBM Family Trust>.
- (e) The Shares to be issued to the Relevant Warner Related Entities will be fully paid on issue and rank equally in all aspects with all existing Shares previously issued by the Company.
- (f) The Company intends to use funds raised in accordance with Table 2.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

Each of the Relevant Warner Related Entities, being Hugh Warner & Dianne Warner <atf CBM Superfund> and Elliot Holdings Pty Ltd <atf CBM Family Trust> are a related party of the Company to whom this Resolution would permit the financial benefit to be given.

The nature of the financial benefit and other remuneration of the Relevant Warner Related Entities

- (a) The nature of the financial benefit to be given to the Relevant Warner Related Entities is the issue of 15,000,000 Shares in the Company.
- (b) The Relevant Warner Related Entities (through their association with Mr Warner) will not receive other remuneration from the Company in addition to the financial benefit outlined in above paragraph (a). It is the Company's intention to provide remuneration to Mr Warner in the form of a salary for his role as a Director of the Company upon sufficient capital being raised by the Company.
- (c) The full terms of the Shares to be issued to the Relevant Warner Related Entities are set out above under "Information Required by ASX Listing Rule 10.13" for this Resolution.

Directors recommendation and basis of financial benefit

- (a) The Board currently consists of Mr Warner (Executive Chairman), Mr Harry Greaves (Non-Executive Director), Mr Gerry Fahey (Non-Executive Director) and Mr Zed Rusike (Non-Executive Director).
- (b) Mr Warner will not be making a recommendation about this Resolution as Mr Warner, through his control of the Relevant Warner Related Entities, has a direct material interest in the outcome of this Resolution, notwithstanding the fact that the Board believes that the issue of Shares to the Relevant Warner Related Entities could fall within the "arms-length terms" exception set out in section 210 of the Corporations Act.
- (c) Each of the remaining Directors of the Board, being Mr Greaves, Mr Fahey and Mr Rusike do not have a material interest in the outcome of this Resolution. These

non-related Directors recommend that Shareholders vote in favour of this Resolution for the following reasons:

- (a) As set out earlier, the issue of Shares to the Relevant Warner Related Entities could fall within the “arms-length terms” exception set out in section 210 of the Corporations Act.
- (b) The Placement affords an opportunity for the Company to strengthen its cash balance sheet in a climate where raising funds is becomingly increasingly difficult, and as such, the opportunity to raise a further \$150,000 from a related party on the same terms as being offered to other non-related parties and at a premium price should not be passed upon by the Company and its Shareholders.
- (d) The non-related Directors recommend that Shareholders vote in favour of this Resolution.
- (e) The Company intends to use funds raised in accordance with Table 2.

Capital Structure if Resolutions 1 – 6 are approved by Shareholders

Table 5 – Capital Structure if Resolutions 1 – 6 are approved by Shareholders

| Capital Structure | Shares | Unlisted Options |
|--|---------------------------|---------------------------|
| Current issued capital | 529,593,287 | 134,500,000 |
| Shares issued to Relevant Warner Related Entities (Resolution 2) | 15,000,000 | - |
| Shares issued to non-related CML recipients (Resolution 3) | 42,900,000 | - |
| Shares issued to Mr Greaves (Resolution 4) | 7,500,000 | - |
| Shares issued to Mr Rusike (Resolution 5) | 9,600,000 | - |
| Total | <u>604,593,287</u> | <u>142,857,500</u> |

- (a) In the event that Resolutions 1 – 6 are passed, the issue of Shares to the Relevant Warner Related Entities will have a dilutionary effect of 2.48% on existing Shareholders of the Company. If only this Resolution is passed, the issue of Shares to the Relevant Warner Related Entities will have a dilutionary effect of 2.75% on existing Shareholders of the Company. The Table above does not take into consideration the effect of the issue of Shares pursuant to Resolution 7, as this placement may never take place.
- (b) The Relevant Warner Related Entities are subscribing for fully paid ordinary shares at an issue price of 1 cent (\$0.01) per share in consideration for \$150,000

Existing relevant interests

- (a) As outlined in Table 4, Mr Warner currently, either directly or indirectly through the Warner Related Entities owns 61,300,300 Shares, 16,000,000 unlisted options and 12,500,000 management options in the Company.
- (b) The following is a table that outlines Mr Warner’s interests in the Company in the event that certain events materialise.

Table 6 – Relevant interests of related parties (Warner)

| Shareholder | All Resolutions are approved by Shareholders and all options remain unexercised ^(a) | All Resolutions are approved by Shareholders and all management options are exercised ^(b) | All Resolutions are approved by Shareholders and all unlisted options are exercised ^(c) |
|---------------------------------------|--|--|--|
| Mr Warner and Warner Related Entities | 12.62% | 13.11% | 14.18% |

Notes:

^(a) These percentages are based on a total sum of 604,593,287 Company Shares, which has been calculated as follows:

- 529,593,287 (current Shares in issue) + 15,000,000 (Shares proposed to be issued to the Relevant Warner Related Entities under this Resolution) + 60,000,000 (Shares proposed to be issued to recipients under the CML Fee Placement pursuant to Resolutions 3, 4 and 5)

^(b) These percentages are based on a total sum of 677,093,287 Company Shares, which has been calculated as follows:

- Calculation in (a) above + 72,500,000 (management options on issue which are assumed to have been exercised)

^(c) These percentages are based on a total sum of 739,093,287 Company Shares, which has been calculated as follows:

- Calculation in (b) above + 62,000,000 (current unlisted options on issue which are assumed to have been exercised)

Trading history

The following table gives various details of the closing market price of the Company's Shares trading on the ASX since reinstatement to Official Quotation on 19 July 2012.

Table 7 – Trading history

| Description | Date | Closing price |
|---------------|------------------------------------|---------------|
| Reinstatement | 19 July 2012 | \$0.011 |
| Highest price | 20 September 2013 | \$0.012 |
| Lowest price | 5 December 2013, 7 January 2014 | \$0.003 |
| Current price | As of 11 March 2014 | \$0.010 |

Part B: Acquisition of further mining claims

Background

On 15 July 2013, Shareholders of the Company will recall that the Company announced, inter alia, that it had entered into a Placement Exclusivity Agreement (**Exclusivity Agreement**) with Continental Minerals Limited (**CML**), a mining company based in Zimbabwe. CML is a related party of Mr Greaves, the current Non-Executive Director of the Company.

Pursuant to the Exclusivity Agreement, nominees of CML agreed to for a period of 3 years to exclusively present mining opportunities it became aware of in Zimbabwe to the Company.

On 25 February 2014, the Company announced that Hawkmoth Mining and Exploration (Private) Limited (**HME**) (a mining company based in Zimbabwe that Prospect Resources Limited is in the process of acquiring a 70% interest in) had entered into the following agreements:

- *Greater Farvic Farm-in Agreement* – whereby HME can earn a 100% interest in certain mining claims by spending US\$3 million on exploration and associated activities over 3 years (**Greater Farvic Farm-in Agreement**); and
- *Conditional Agreement to Acquire Additional Mining Claims* – whereby HME can acquire a 100% interest in certain mining claims in consideration for US\$424,000 (**Additional Mining Claims Agreement**).

The Farvic Agreement is the product of the efforts of the CML nominees pursuant to the Exclusivity Agreement. As such, and in accordance with the terms of the Exclusivity Agreement, a fee is payable to CML. The parties negotiated in good faith about this fee, and in accordance with the previous consideration paid for with respects to entry into the Exclusivity Agreement, the Company agreed, subject to Shareholder approval (which is being sought under Resolution 3 of this Notice of Meeting), to issue 60,000,000 Shares in the Company to CML (or its nominees) for no monetary consideration (**CML Fee Placement**).

CML has advised that the recipients of the 60,000,000 Shares under the CML Fee Placement are as follows:

Table 8 – Proposed recipients under the CML Fee Placement

| Proposed recipients under the CML Fee Placement | Proposed number of Company Shares |
|--|--|
| Harry Greaves | 7,500,000 |
| Zed Rusike | 9,600,000 |
| Other parties | <u>42,900,000</u> |
| <u>Total</u> | <u>60,000,000</u> |

The issue of Shares under the CML Fee Placement to each of Mr Greaves and Mr Rusike, current Executive Director and Non-Executive Director (respectively) of the Company will be considered under separate related party approval resolutions under Resolutions 4 and 5 of this Notice of Meeting.

The issue of Shares under the CML Fee Placement to non-related parties will be considered under Resolution 3 of this Notice of Meeting.

Further details of the Greater Farvic Farm-in Agreement and Additional Mining Claims Agreement are set out as below.

Greater Farvic Farm-in Agreement

As announced by the Company on 25 February 2014, HME entered into the Greater Farvic Farm-in Agreement with Farvic Consolidated Mines (Pvt) Limited (**FCM**).

The Company is currently in the process of acquiring a 70% interest in HME. The remaining 30% of HME is held by FCM. FCM is a related party to Mr Greaves and Mr Rusike. Therefore, as the Greater Farvic Farm-in Agreement involves related entities to the Company, Shareholder approval is being sought under Resolution 7 of this Notice of Meeting to ratify the Company's entry into the agreement.

Material terms of the Greater Farvic Farm-in Agreement are as follows:

- HME may earn 51% in certain mining claims by spending US\$1.5 million within 24 months of all conditions being satisfied (**First Vesting Date**).
- HME may earn 100% of the mining claims by spending a further US\$1.5 million within 12 months from the First Vesting Date.
- Conditions that need to be satisfied include:
 - FCM to obtain all consents necessary under the laws of Zimbabwe;
 - HME and FCM to obtain land access rights from any party owning surface rights to the claims;
 - Approval from regulatory authorities in Australia, if required;
 - Shareholder approval from the Company for the issue of 60,000,000 Shares under the CML Fee Placement; and
 - Approval from the Zimbabwe Investment Authority for HME to acquire an interest in the claims.

The mining claims that fall within the ambit of the Greater Farvic Farm-in Agreement are as follows:

Table 9 – Mining claims under Greater Farvic Farm-in Agreement and the Additional Mining Claims Agreement

| Mining Claims | Description |
|-------------------|---|
| Prestwood Mine | <p>Historic production of 499kg or approximately 16,000oz of gold at 33.1 g/t.</p> <p>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.</p> <p>Shaft rehabilitation is underway and once complete, underground drilling for parallel reefs is planned. Evidence of parallel reefs is supported by the ground magnetic survey in January.</p> <p>The Company's maiden drilling programme to test down dip extension of main reef and surface anomalies is scheduled to commence shortly.</p> |
| Sally Mine | <p>Historic production of 756kg of gold at 6.9 g/t.</p> <p>The Sally Mine consists of wide quartz stockwork (up to 4m) dipping north in granodiorite.</p> |
| Colleen Bawn Mine | <p>Historic production of 1,063kg of gold at 15.1 g/t.</p> <p>The Colleen Baw Mine consists of a quartz reef in greenstone close to monzonite and thrust 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.</p> |
| Valley Mine | <p>Historic production of 1,315kg of gold at 5 g/t and 750kg of copper.</p> <p>The Valley 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.</p> |
| Other Mines | <p>Other smaller but prospective older mines include Bye & Bye, Act, Beaufort, Wilson and Etrick.</p> |

Additional Mining Claims Agreement

As announced by the Company on 25 February 2014, HME has entered into the Additional Mining Claims Agreement with Mixnote Investments (Pvt) Limited (**Mixnote Investments**). Mixnote Investments is a subsidiary of FCM. As noted previously, FCM is a related party to Mr Greaves and Mr Rusike. Although Mixnote Investments will be deriving a financial benefit under the Additional Mining Claims Agreement, related party approval will not be sought for Mixnote Investments as the non-related Directors of the Company, being Mr Warner and Mr Fahey are of the view that the transaction has been undertaken on an arms-length basis.

These non-related Directors have come to form their view based on the fact that during November 2013, Mixnote Investments acquired the mining claims subject of the Additional Mining Claims Agreement from a third party vendor, in consideration for US\$400,000. In order to settle this transaction, Mixnote Investments borrowed funds at an interest rate of 12% p.a. HME has entered into the Additional Mining Claims Agreement to acquire the same claims for the exact same purchase price, plus the interest charge which has been accruing since the date of entry. As such, the non-related Directors are of the view that as HME is simply taking Mixnote Investment's place in the earlier November 2013 transaction, this transaction has been undertaken on an arms-length basis.

Material terms of the Additional Mining Claims Agreement are as follows:

- HME has acquired an exclusive 6 month option to acquire the claims for US\$400,000. This 6 month option cost HME \$24,000 which represents the interest charge on the loan taken out by Mixnote Investments to finance the November 2013 transaction.
- HME may extend the 6 month option for a further 3 months. This extension option will cost HME \$12,000 which represents the interest charge to be incurred by Mixnote Investments during that 3 month period.
- During this exclusivity period, HME may carry out mineral exploration and associated activities on the mining claims, including exploration in and around the historic Prestwood Mine.
- Conditions that need to be satisfied include:
 - HME having sufficient funds to acquire the mining claims and exercise the option as determined by the Board of the Company;
 - FCM to obtain all consents necessary under the laws of Zimbabwe;
 - Approval from regulatory authorities in Australia, if required;
 - Shareholder approval from the Company, if required;
 - Approval from the Zimbabwe Investment Authority for HME to acquire an interest in the claims.

RESOLUTION 3 – APPROVAL OF FUTURE ISSUE OF SHARES TO CONTINENTAL MINERALS LIMITED

As noted above, Shareholder approvals for the issue of the Company's Shares to each of Harry Greaves and Zed Rusike under the CML Fee Placement (that totals 17,100,000 fully paid ordinary shares) will be dealt with under Resolutions 4 and 5 of this Notice of Meeting.

This Resolution seeks approval for the issue of the remaining balance of the total of Company's Shares under the CML Fee Placement, being 42,900,000 fully paid ordinary shares to CML (or its nominees).

The effect of this Resolution is to provide Shareholder consent to the issue of the Shares, and for the issue of Shares to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these Shares without using the Company's annual 15% placement capacity.

Information Required by ASX Listing Rule 7.3

The following information in relation to the Shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of Shares to be issued is 42,900,000.
- (b) The Shares will be issued on a fixed date within 3 months from the day of this Meeting, by 14 August 2014.

- (c) The Shares are to be issued at a deemed price of 1 cent (\$0.01) per Share.
- (d) The allottees are nominated recipients under the CML Fee Placement who are not related parties of the Company.
- (e) The Shares will be fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company.
- (f) The Company intends to issue the Shares as fee payable under the Exclusivity Deed.

RESOLUTIONS 4 AND 5 – RELATED PARTIES APPROVAL – HARRY GREAVES AND ZED RUSIKE

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without shareholder approval.

A “related party” for the purposes of the ASX Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of ‘related party’ also includes (section 228(6) of the Corporations Act) a person whom there is reasonable grounds to believe will become a “related party” of a public company.

Harry Greaves (**Mr Greaves**) and Zed Rusike (**Mr Rusike**) are current Executive Director and Non-Executive Director (respectively) of the Company and therefore related parties for the purposes of Chapter 2E of the Corporations Act and this Notice of Meeting.

Current and proposed Shareholdings of Mr Greaves and Mr Rusike are as follows:

Table 10 – Mr Greaves and Mr Rusike

| Shareholder | Current interests in the Company | Proposed issue of Shares under the CML Fee Placement |
|---------------------------|--|--|
| Mr Greaves ^(a) | <ul style="list-style-type: none"> • 13,457,944 Shares • 12,500,000 management options | <ul style="list-style-type: none"> • 7,500,000 Shares |
| Mr Rusike | <ul style="list-style-type: none"> • 2,803,738 Shares • 7,500,000 management options | <ul style="list-style-type: none"> • 9,600,000 Shares |

Notes:

^(a) 13,457,944 Shares in the Company are held in trust by CML for Mr Greaves.

For the purposes of Chapter 2E of the Corporations Act the issue of Shares to Mr Greaves and Mr Rusike as part of the CML Fee Placement constitute the giving of a financial benefit.

Resolution 4 seeks Shareholder approval for the issue of 7,500,000 Shares at a deemed issue price of 1 cent (\$0.01) per Share as part of the CML Fee Placement, to Mr Greaves.

Resolution 5 seeks Shareholder approval for the issue of 9,600,000 Shares at a deemed issue price of 1 cent (\$0.01) per Share as part of the CML Fee Placement, to Mr Rusike.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

The non-related Directors of the Company, being Mr Warner and Mr Fahey believe that the issue of Shares to Mr Greaves and Mr Rusike could fall within the “arms-length terms” exception set out in section 210 of the Corporations Act. Mr Warner and Mr Fahey have based their belief on the following fact that Mr Warner and Mr Rusike are being issued shares as part of the CML Fee Placement, which includes recipients who are not related parties of the Company. That means the terms and quantum of the fee payable under the Exclusivity Deed would have been negotiated by factoring in majority interests from non-related parties.

Notwithstanding this, the Board of the Company considered it prudent to seek related party approval for the issue of Shares to Mr Greaves and Mr Rusike.

Information Required by ASX Listing Rule 10.13

The following information in relation to the Shares is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The maximum number of Shares to be issued to Mr Greaves is 7,500,000.
- (b) The maximum number of Shares to be issued to Mr Rusike is 9,600,000.
- (c) The deemed issue price of each Share being issued to Mr Greaves and Mr Rusike is 1 cent (\$0.01).
- (d) The Shares will be issued by 14 June 2014.
- (e) The allottees are CML (that will hold the Shares on trust for Mr Greaves) and Mr Rusike.
- (f) The full terms of the Shares to be issued to Mr Greaves and Mr Rusike (as part of the CML Fee Placement) are set out in the Explanatory Statement for Resolution 3.
- (g) The Company intends to issue the Shares as fee payable under the Exclusivity Deed.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

Mr Greaves and Mr Rusike are each a related party of the Company to whom Resolutions 4 and 5 would permit the financial benefit to be given.

The nature of the financial benefit and other remuneration of the Relevant Warner Related Entities

- (a) The nature of the financial benefit to be given to Mr Greaves is the issue of 7,500,000 Shares in the Company.

- (b) The nature of the financial benefit to be given to Mr Rusike is the issue of 9,600,000 Shares in the Company.
- (c) Mr Greaves and Mr Rusike will not receive other remuneration from the Company in addition to the financial benefits outlined above in paragraphs (a) and (b) (respectively). It is the Company's intention to provide remuneration to Mr Greaves and Mr Rusike in the form of a salary for their roles as Directors of the Company upon sufficient capital being raised by the Company.
- (d) The full terms of the Shares to be issued to Mr Greaves and Mr Rusike (as part of the CML Fee Placement) are set out in the Explanatory Statement for Resolution 3.

Directors recommendation and basis of financial benefit

- (a) As noted previously, the Board currently consists of Mr Warner (Executive Chairman), Mr Greaves (Executive Director), Mr Fahey (Non-Executive Director) and Mr Rusike (Non-Executive Director).
- (b) Mr Greaves and Mr Rusike will not be making a recommendation about Resolutions 4 and 5 as they each have a direct material interest in the outcome of these Resolutions, notwithstanding the fact that the Board believes that the issue of Shares to each of them could fall within the "arms-length terms" exception set out in section 210 of the Corporations Act.
- (c) Each of the remaining Directors of the Board, being Mr Warner and Mr Fahey do not have a material interest in the outcome of Resolutions 4 and 5. These non-related Directors recommend that Shareholders vote in favour of Resolutions 4 and 5 for the following reasons:
 - (a) As set out earlier, the issue of Shares to Mr Warner and Mr Fahey could fall within the "arms-length terms" exception set out in section 210 of the Corporations Act.
 - (b) HME's entry into the Greater Farvic Farm-in Agreement could have only been achieved by the Company's entry into the Exclusivity Agreement. Given that the majority of the recipients under the CML Fee Placement are non-related parties, the non-related Directors believe that the quantum of fee payable is appropriate.
- (d) The non-related Directors recommend that Shareholders vote in favour of Resolutions 4 and 5.
- (e) The Company intends to issue the Shares as fee payable under the Exclusivity Deed.

Capital Structure if Resolutions 1 – 6 are approved by Shareholders

See Table 5 for the capital structure of the Company if Resolutions 1 – 6 are approved by Shareholders.

- (a) In the event that Resolutions 1 – 6 are passed, the issue of Shares to Mr Greaves will have a dilutionary effect of 1.24% on existing Shareholders of the Company. If only Resolution 4 is passed, the issue of Shares to Mr Greaves will have a dilutionary effect of 1.39% on existing Shareholders of the Company.

- (b) In the event that Resolutions 1 – 6 are passed, the issue of Shares to Mr Rusike will have a dilutionary effect of 1.59% on existing Shareholders of the Company. If only Resolution 5 is passed, the issue of Shares to Mr Greaves will have a dilutionary effect of 1.78% on existing Shareholders of the Company

Existing relevant interests

- (a) As outlined in Table 9, Mr Greaves currently, either directly or indirectly owns 13,457,944 Shares and 12,500,000 management options in the Company.
- (b) As outlined in Table 9, Mr Rusike currently, either directly or indirectly owns 2,803,738 Shares and 7,500,000 management options in the Company.
- (c) The following is a table that outlines Mr Greaves and Mr Rusike's interests in the Company in the event that certain events materialise.

Table 11 – Relevant interests of related parties (Greaves and Rusike)

| Shareholder | Resolutions 1 – 6 are approved by Shareholders and all options remain unexercised ^(a) | Resolutions 1 – 6 are approved by Shareholders and all management options are exercised ^(b) | Resolutions 1 – 6 are approved by Shareholders and all unlisted options are exercised ^(c) | All Resolutions are approved by Shareholders and all unlisted options are exercised ^(d) |
|-------------|--|--|--|--|
| Mr Greaves | 3.47% | 4.94% | 4.53% | 2.70% |
| Mr Rusike | 2.05% | 2.94% | 2.69% | 1.61% |

Notes:

^(a) These percentages are based on a total sum of 604,593,287 Company Shares, which has been calculated as follows:

- 529,593,287 (current Shares in issue) + 15,000,000 (Shares proposed to be issued to the Relevant Warner Related Entities under this Resolution) + 60,000,000 (Shares proposed to be issued to recipients under the CML Fee Placement pursuant to Resolutions 3, 4 and 5)

^(b) These percentages are based on a total sum of 677,093,287 Company Shares, which has been calculated as follows:

- Calculation in (a) above + 72,500,000 (management options on issue which are assumed to have been exercised)

^(c) These percentages are based on a total sum of 739,093,287 Company Shares, which has been calculated as follows:

- Calculation in (b) above + 62,000,000 (current unlisted options on issue which are assumed to have been exercised)

^(d) These percentages are based on a total sum of 1,239,093,287 Company Shares, which has been calculated as follows:

- Calculation in (c) above + 500,000,000 (Shares proposed to be issued pursuant to Resolution 7, assuming that the full capacity is used by the Company)

Trading history

See Table 7 for the trading history of the Company.

RESOLUTION 6 – RELATED PARTY APPROVAL – GREATER FARVIC FARM-IN AGREEMENT

As outlined in Part B of this Explanatory Statement, on 25 February 2014, HME entered into the Greater Farvic Farm-in Agreement with FCM. Under the terms of the Greater Farvic Farm-in Agreement, HME has the potential to earn 51% in certain mining claims (outlined in Table 9) by spending US\$1.5 million within 24 months of all conditions being satisfied (First Vesting Date). HME can then earn the remaining 49%, therefore taking 100% ownership of the mining claims if it spent a further US\$1.5 million within 12 months from the First Vesting Date.

HME is jointly held by the Company (which is the process of acquiring 70% of HME) and FCM (which owns the remaining 30% of HME).

A “related party” for the purposes of the Corporations Act is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of ‘related party’ also includes (section 228(4) of the Corporations Act) an entity controlled by a related party referred to in subsection (1), (2) or (3) of section 228 (which includes directors, their spouses and relatives).

FCM is a related party to Mr Greaves and Mr Rusike, current Directors of the Company. By virtue of this relationship, FCM becomes and is a related party of the Company, as FCM is controlled by Mr Greaves and Mr Rusike.

Therefore, for the purposes of Chapter 2E of the Corporations Act and this Notice of Meeting HME’s entry into the Greater Farvic Farm-in Agreement is a related party transaction.

Under the terms of the Greater Farvic Farm-in Agreement, FCM stands to gain a financial benefit as it will retain a 30% stake in the mining claims (as outlined in Table 9) through its shareholding in HME. This is despite the fact that HME will be procuring its funds to invest in the mining claims from Prospect alone, and not from FCM. FCM will not be contributing to these funds at all, however will benefit from Prospect contributing to and applying the funds to develop the mining claims that FCM currently holds. In summation, FCM will be getting a “free carry” of a 30% interest in the development of the mining claims through the Greater Farvic Farm-in Agreement.

Any funds, revenue or interest derived from the mining claims will be first applied to settle the monies Prospect has loaned to HME (to spend on the mining claims), before it is apportioned to HME’s shareholders.

Resolution 6 seeks Shareholder approval to ratify HME’s entry into the Greater Farvic Farm-in Agreement which stands to financially benefit, amongst others, FCM, which is a related party to Mr Greaves and Mr Rusike.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

The Directors of the Company who do not have a material personal interest in the transaction, being Mr Warner and Mr Fahey, believe that HME’s entry into the Greater Farvic Farm-in Agreement and its terms therein, could fall within the “arms-length terms” exception

set out in section 210 of the Corporations Act. Mr Warner and Mr Fahey have based their belief on their experience in having dealt with similar farm-in agreements and also the due diligence process that took place with respects to the Greater Farvic Farm-in Agreement. Notwithstanding this, given Mr Greave's and Mr Rusike's relationship with FCM and the heightened potential for a conflict in interest, the Board of the Company considered it prudent to seek related party approval for the ratification of HME's entry into the Greater Farvic Farm-in Agreement.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

FCM is a related party of the Company to whom Resolution 6 would permit the financial benefit to be given.

The nature of the financial benefit and other remuneration of FCM

- (a) The nature of the financial benefit to be given to FCM is through the Greater Farvic Farm-in Agreement. As explained previously, under the terms of the Greater Farvic Farm-in Agreement, FCM will be getting a "free carry" of a 30% interest in the development of the mining claims.
- (b) FCM will not receive other remuneration from the Company in addition to the financial benefits outlined above in paragraph (a).

Directors recommendation and basis of financial benefit

- (c) As noted previously, the Board currently consists of Mr Warner (Executive Chairman), Mr Greaves (Executive Director), Mr Fahey (Non-Executive Director) and Mr Rusike (Non-Executive Director).
- (d) Mr Greaves and Mr Rusike will not be making a recommendation about this Resolution as they each have a material personal interest in the outcome of this Resolution through their relationship with FCM, notwithstanding the fact that the Board believes that HME's entry into the Greater Farvic Farm-in Agreement and its terms therein could fall within the "arms-length terms" exception set out in section 210 of the *Corporations Act*.
- (e) Each of the remaining Directors of the Board, being Mr Warner and Mr Fahey do not have a material personal interest in the outcome of this Resolution. These Directors recommend that Shareholders vote in favour of Resolution 6 for the following reasons:
 - (a) As set out earlier, HME's entry into the Greater Farvic Farm-in Agreement and its terms therein could fall within the "arms-length terms" exception set out in section 210 of the *Corporations Act*.
 - (b) The Greater Farvic Farm-in Agreement presents an exciting opportunity for the Company (through HME) to acquire a significant interest in mining claims (as outlined in Table 9), therefore solidifying its mining interests in Zimbabwe. This transaction should not come to the surprise of Shareholders given the Company's entry in the Exclusivity Agreement earlier. The Company has consistently maintained its desire to build its portfolio of mining interests in Zimbabwe and surrounding regions. HME's entry into the Greater Farvic

Farm-in Agreement represents a step in this direction and in accordance with the Company's strategic vision.

- (f) Mr Warner and Mr Fahey recommend that Shareholders vote in favour of Resolution 6.

The effect of this Resolution on the Capital Structure of the Company

- (g) As no securities of the Company are proposed to be issued under this Resolution, the passing of this Resolution will not have a dilutionary effect on existing Shareholders of the Company.

Existing relevant interests

- (h) Table 11 sets out the interests of Mr Greaves and Mr Rusike.

Trading history

See Table 7 for the trading history of the Company.

Part C: Placement in anticipation of future transactions

RESOLUTION 7 – APPROVAL OF FUTURE ISSUE OF SHARES TO NON-RELATED SOPHISTICATED INVESTORS

This Resolution seeks approval for the issue of up to 500,000,000 Shares in the Company at an issue price of no less than 1 cent (\$0.01) per Share to non-related, sophisticated investors whom will be invited by the Company to take part in the Future Placement.

The effect of this Resolution is to provide Shareholder consent to the issue of the Shares, and for the issue of Shares to fall within an exception to Listing Rule 7.1, which will therefore allow the Directors to issue these Shares without using the Company's annual 15% placement capacity.

Information Required by ASX Listing Rule 7.3

The following information in relation to the Shares is provided to shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of Shares to be issued is 500,000,000.
- (b) The Shares will be issued progressively within 3 months from the day of this Meeting, by 14 August 2014.
- (c) The Shares are to be issued at a price of no less than 1 cent (\$0.01) per Share.
- (d) The allottees are non-related, sophisticated investors whom will be invited by the Company to take part in the Future Placement.
- (e) The Shares will be fully paid on issue and rank equally in all aspects with all existing ordinary shares previously issued by the Company.
- (f) The Company intends to use the funds raised under the Future Placement to develop its mining interests in Zimbabwe and surrounding regions and Northampton.

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

ACN means Australian Company Number.

Additional Mining Claims Agreement means the conditional agreement between HME and Mixnote Investments, which is detailed in Part B of the Explanatory Statement in this Notice of Meeting.

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 means the official 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.

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.

CML means Continental Minerals Limited of 6 Douglas Road, Workington, Harare, Zimbabwe.

CML Fee Placement means the issue of 60,000,000 Shares at a deemed price of 1 cent (\$0.01) per Share, as fee payable pursuant to the Exclusivity Agreement.

Company means Prospect Resources Limited (ACN 124 354 329) of Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 6008.

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.

Dollar or "\$" means Australian dollars.

Exclusivity Agreement means the placement exclusivity agreement entered into by CML and the Company as announced by the Company on 15 July 2013.

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

Extraordinary General Meeting means the meeting of the Company's members convened by this Notice of Meeting.

FCM means Farvic Consolidated Mines (Private) Limited (Company Registration Number 20/2003) of Cleveland Ranch, Colleen Bawn, Zimbabwe.

First Vesting Date means the date on which HME is deemed to have spent US\$1.5 million on mining claims pursuant to the Greater Farvic Farm-in Agreement.

Future Placement means the proposed issue of up to 500,000,000 Shares in the Company at an issue price of no less than 1 cent (\$0.01) per Share to non-related sophisticated investors invited by the Company. Shareholder approval for this placement is sought under this Notice of Meeting at Resolution 7.

Greater Farvic Farm-in Agreement means the farm-in agreement between HME and FCM, which is detailed in Part B of the Explanatory Statement in this Notice of Meeting.

HME means Hawkmoth Mining and Exploration (Private) Limited (Company Registration Number 7555/2007) of 1 Douglas Road, Workington, Harare, Zimbabwe.

MBM Subscription Agreement means the subscription agreement between MBM Capital Partners LLP and the Company, wherein MBM Capital Partners LLP agreed to and was issued with 85,000,000 Shares in the Company at a price of 1 cent (\$0.01) per Share.

Mixnote Investments means Mixnote Investments (Private) Limited, a wholly owned subsidiary of FCM.

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of extraordinary general meeting dated 14 May 2014 including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement means the issue of 110,000,000 Shares at a price of 1 cent (\$0.01) per Share in accordance with the MBM Subscription Agreement, Sirius Trustees Subscription Agreement and Related Party Subscription Agreements.

Prospect means the Company.

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

Related Party Subscription Agreements means the subscription agreements between Relevant Warner Related Entities and the Company, wherein the Relevant Warner Related Entities agreed to, subject to shareholder approval (which is being sought under Resolution 2 of this Notice of Meeting), subscribe for and be issued with 15,000,000 Shares in the Company at a price of 1 cent (\$0.01) per Share.

Relevant Warner Related Entities means two of the Warner Related Entities, being Hugh Warner & Dianne Warner <atf CBM Superfund>, and Elliot Holdings Pty Ltd <atf CBM Family Trust>.

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

Securities mean Shares and/or Options (as the context requires).

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

Shareholder means a holder of a Share.

Sirius Trustees Subscription Agreement means the subscription agreement between Sirius Trustees Ltd, as trustee of the Abangane, and the Company, wherein Sirius Trustees Ltd, as trustee of the Abangane agreed to and issued with 10,000,000 Shares in the Company at a price of 1 cent (\$0.01) per Share.

Warner Related Entities means entities related to Hugh Warner, current Director of the Company for the purposes of the Corporations Act.

WST means Western Standard Time as observed in Perth, Western Australia.

PROSPECT RESOURCES LIMITED

ACN 124 354 329

Proxy Form

STEP 1: APPOINT A PROXY TO VOTE ON YOUR BEHALF

Full name of security holder(s):.....

Address:.....

I/We being a member/s of Prospect Resources Limited (ACN 124 354 329) ("**Company**") and entitled to attend and vote at the General Meeting of the Company to be held at 11:00 am (WST) on 14 May 2014 appoint:

the Chairman of the General Meeting.

OR

(mark box)

(mark box)

.....
(Full name of proxy or the office of the proxy)

or if the person or body corporate named above fails to attend the General Meeting, or if no person/body corporate is named, the Chairman of the General Meeting as my/our proxy to attend that meeting and vote on my/our behalf at that General meeting and any adjournment or postponement of that General Meeting in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If two proxies are appointed, the proportion of voting rights this proxy represent is%.

STEP 2: VOTING DIRECTIONS ON ALL RESOLUTIONS

You may direct your proxy (which may be the Chairman, if so appointed) on how to vote on Resolutions 1 to 5 (inclusive) by marking one of the boxes with an "X" for each Resolution. If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that particular Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairman of this General Meeting intends to vote undirected proxies IN FAVOUR ("FOR") of all Resolutions.

(mark box)

If the Chairman of this General Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of all the relevant resolutions, please place a mark in the box.

By marking this box, you acknowledge that the Chairman of this General Meeting may exercise your proxy even if he has interest in the outcome of all the Resolution/s ("**Relevant Resolutions**") and that votes cast by the Chairman of this General Meeting for those Relevant Resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, **the Chairman will not cast your votes on all the Relevant Resolutions** and your votes will not be counted in calculating the required majority if a poll is called on all the Relevant Resolutions.

I/We direct that my proxy vote in the following manner (please mark relevant boxes with (✕) to indicate your directions):

| Resolutions | | For | Against | Abstain* |
|-------------|---|--------------------------|--------------------------|--------------------------|
| 1 | Ratification of prior issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Related Parties Approval – Hugh Warner and Related Entities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Approval of Future Issue of Shares to Continental Minerals Limited | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 | Related Party Approval – Harry Greaves | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 | Related Party Approval – Zed Rusike | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 | Related Party Approval – Greater Farvic Farm-in Agreement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 | Approval of Future Issue of Shares to Non-Related Sophisticated Investors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

* Please note if you mark **abstain**, you are directing your proxy not to vote on that Resolution.

STEP 3: SIGNATURE OF SECURITYHOLDER(S)

| | Individual or Securityholder 1 | Securityholder 2 | Securityholder 3 |
|-------|--|------------------|----------------------------|
| | | | |
| | Sole Director and Sole Company Secretary | Director | Director/Company Secretary |
| Date: | / / | / / | / / |

In addition to signing this Proxy Form, please provide the following information in case we need to contact you:

| | | | |
|--------------|-------|---------------------------|-------|
| Contact name | | Contact daytime telephone | |
|--------------|-------|---------------------------|-------|

STEP 4: LODGING YOUR PROXY FORM

You must lodge your Proxy Form by 11:00 am (WST) on 12 May 2014.

Please read carefully and follow the instructions overleaf.

How to complete this Proxy Form

For your proxy vote to be effective, your completed Proxy Form must be received by 11:00 am (WST) on 12 May 2014.

Step 1: Appointing a proxy

If you are entitled to attend and vote at the meeting, you may appoint a proxy to attend the meeting and vote on your behalf. A proxy can be an individual or a body corporate and need not be a securityholder. You may select the Chairman of the meeting as your proxy.

Appointing a second proxy: You can appoint up to two proxies. If you appoint two proxies, you must specify the proportion or number of votes each proxy may exercise. If no percentage is specified, each proxy may exercise half of your votes. Fractions of votes will be disregarded. A separate Proxy Form must be used for each proxy.

Default to the Chairman of the meeting: Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote those proxies as directed.

Additional Proxy Forms: You can obtain additional Proxy Forms by telephoning the Company or you may copy this Form. Please lodge both Proxy Forms together.

Step 2: Voting directions

You may direct your proxy how to vote by placing a mark (✖) in one of the boxes opposite each item of business. All your securities will be voted in accordance with your directions. If you mark the "Abstain" box for an item, you are directing your proxy not to vote on that item. If you mark more than one box for an item, your vote on that item will be invalid.

Voting a portion of your holding: You may indicate that only a portion of your voting rights are to be voted on any item by inserting a percentage or the number of securities you wish to vote in the appropriate box or boxes. The total of votes cast, or the percentage for or against, an item must not exceed your voting entitlement or 100%.

No directions: If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses.

Step 3: Signing instructions

Individual: The Proxy Form must be signed by the securityholder personally or by Power of Attorney (see below).

Joint holding: The Proxy Form must be signed by each of the joint securityholders personally or by Power of Attorney (see below).

Power of Attorney: To sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company. If you have not previously lodged that document, please attach a certified copy of the Power of Attorney to this Proxy Form when you return it.

Companies: For a corporate securityholder, if the company has a sole director who is also the sole company secretary, that person must sign this Proxy Form. If the company does not have a company secretary (under section 204A of the *Corporations Act 2001* ("Act")), its sole director must sign this Proxy Form. Otherwise, a director must sign jointly with either another director or a company secretary in accordance with section 127 of Act. Please indicate the office held by signing in the appropriate place.

Corporate representative: If a representative of a corporate securityholder or proxy is to attend the meeting, the appropriate *Certificate of appointment of Corporate Representative* must be produced before the meeting. A form of the certificate may be obtained by telephoning the Company.

Step 4: Lodging your Proxy Form

This Proxy Form must be received by Prospect Resources Limited by 11:00 am (WST) on 12 May 2014. Any Proxy Form received after that time will not be effective for the meeting. You can return this Proxy Form (and any Power of Attorney under which it is signed):

- **by post** to PO Box 1273, Subiaco, Western Australia 6904;
- **by facsimile** to (+61 8) 9388 3006; or
- **by hand delivery** to Suite 6, 245 Churchill Avenue, Subiaco, Western Australia 6008.