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Prospect Resources Limited

**Half-Year Financial Report
31 December 2014**

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2014**

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**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2014**

DIRECTORS' REPORT

The directors of Prospect Resources Limited ("the Company" or "Prospect") and its controlled entities (the "Group") submit herewith the financial report of the Group for the half year ended 31 December 2014.

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
Gerry Fahey
Zivanayi (Zed) Rusike
Manana Nhlanhla (appointed 29 September 2014)

REVIEW OF OPERATIONS

The loss after tax for the half-year ended 31 December 2014 was \$1,030,626 (2013: Loss \$1,511,386), with \$600,000 relating to impairment of exploration and evaluation expenditure on the Company's 6 Queen Victoria Crown Grants and \$36,000 relating to share based payments expense (2013: \$1,145,535).

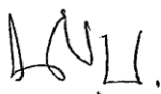
During the period, the Group announced the following:

- Trenching programme confirmed near surface gold mineralisation at the Bushtick Gold Project (please refer to announcement dated 21 July 2014);
- Channel chip sampling confirms high grade gold mineralisation at the Bushtick Gold Project (please refer to announcement dated 28 October 2014);
- Completed the acquisition of Mining Claims in the Greater Farvic Region via the payment of USD\$400,000 (please refer to announcement dated 23 December 2014);
- Appointed Mrs Manana Nhlanhla as a Non-Executive Director of the Company;
- Appointed Somerley International as Exclusive Financial Advisor in Greater China capital market;
- Appointed Vunani Capital Pty Limited as corporate advisor in Southern African Region;
- Completed share placement at 1.5c per share to raise \$1,078,748 on 14 August 2014;
- Entered into a conditional placement at 1.5c per share to raise \$310,000. The Company has received \$103,725 under this agreement and issued 6,915,000 shares subsequent to 31 December 2014.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4 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
13 March 2015

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

13 March 2015

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 2014, 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



Neil Smith
Partner
Chartered Accountants

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Half year ended 31 December 2014 \$	Half year ended 31 December 2013 \$
Continuing operations			
Interest received	3	8,005	2,558
Directors' remuneration		-	(58,456)
Employee & consultant expenses		(25,000)	(25,000)
Exploration and evaluation expenditure expensed		(53,473)	-
Impairment of exploration and evaluation expenditure		(600,000)	-
Occupancy expenses		(24,675)	(33,682)
Project generation Zimbabwe expense		(12,900)	(89,500)
Share based payments - consultants		(36,000)	-
Share based payments expense - options		-	(401,535)
Share based payment - exclusivity agreement		-	(720,000)
Share based payment - project generation		-	(24,000)
Other administration expenses		(286,583)	(161,771)
Loss before income tax		(1,030,626)	(1,511,386)
Income tax		-	-
Loss after tax		(1,030,626)	(1,511,386)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(40,711)	(258)
Other comprehensive income for the period net of tax		(40,711)	(258)
Total comprehensive loss for the period		(1,071,337)	(1,511,644)
Loss attributable to:			
Equity holders of the Company		(1,010,253)	(1,511,386)
Non-controlling interests		(20,373)	-
		(1,030,626)	(1,511,386)
Total comprehensive income attributable to:			
Equity holders of the Company		(1,050,964)	(1,511,644)
Non-controlling interests		(20,373)	-
		(1,071,337)	(1,511,644)
Earnings per share (cents per share)			
- Basic loss for the half year	12	(0.15)	(0.38)
- Diluted loss for the half year	12	(0.15)	(0.38)

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	468,841	304,865
Trade and other receivables		6,867	7,191
Other current assets		26,277	19,022
Total Current Assets		<u>501,985</u>	<u>331,078</u>
Non-Current Assets			
Plant and equipment		10,549	6,516
Exploration and evaluation expenditure	5	982,742	937,472
Total Non-Current assets		<u>993,291</u>	<u>943,988</u>
TOTAL ASSETS		<u>1,495,276</u>	<u>1,275,066</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	152,598	96,349
Provision	7	200,000	-
Total Current Liabilities		<u>352,598</u>	<u>96,349</u>
TOTAL LIABILITIES		<u>352,598</u>	<u>96,349</u>
NET ASSETS		<u>1,142,678</u>	<u>1,178,717</u>
EQUITY			
Contributed equity	9	18,066,678	17,031,380
Reserves		1,264,955	1,305,666
Non-controlling interests		(84,610)	(64,237)
Accumulated losses		(18,104,345)	(17,094,092)
TOTAL EQUITY		<u>1,142,678</u>	<u>1,178,717</u>

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Half year ended 31 December 2014 \$	Half year ended 31 December 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(304,984)	(344,822)
Payments for exploration expenditure expenses		(53,473)	-
Net cash flows (used in) operating activities		(358,457)	(344,822)
Cash flows from investing activities			
Interest received		8,005	2,558
Payment for plant and equipment		(3,018)	-
Payments for exploration expenditure		(609,357)	(1,891)
Loans to other entities		-	(56,857)
Net cash flows (used in) investing activities		(604,370)	(56,190)
Cash flows from financing activities			
Proceeds from issue of shares		1,078,748	-
Proceeds from shares to be issued		103,725	600,000
Repayment of share applications		-	(600,000)
Proceeds from related party loan		-	75,000
Capital raising costs		(79,450)	-
Net cash flows from financing activities		1,103,023	75,000
Net increase/(decrease) in cash and cash equivalents		140,196	(326,012)
Cash and cash equivalents at beginning of period		304,865	399,991
Effects of exchange rate changes on the balance of cash held in foreign currencies		23,780	-
Cash and cash equivalents at end of period	4	468,841	73,979

The accompanying notes form part of these financial statements

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PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued shares	Option reserve	Foreign exchange reserve	Accumulated losses	Attributable to owners of the parent	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2013	14,831,130	899,650	-	(14,664,270)	1,066,510	-	1,066,510
Loss for the period	-	-	-	(1,511,386)	(1,511,386)	-	(1,511,386)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	(258)	-	(258)	-	(258)
Total comprehensive income for the period	-	-	(258)	(1,511,386)	(1,511,644)	-	(1,511,644)
Issue of ordinary shares for exclusivity agreement	720,000	-	-	-	720,000	-	720,000
Issue of ordinary shares for consulting fees	24,000	-	-	-	24,000	-	24,000
Options issued	-	401,535	-	-	401,535	-	401,535
At 31 December 2013	15,575,130	1,301,185	(258)	(16,175,656)	700,401	-	700,401
At 1 July 2014	17,031,380	1,301,185	4,481	(17,094,092)	1,242,954	(64,237)	1,178,717
Loss for the period	-	-	-	(1,010,253)	(1,010,253)	(20,373)	(1,030,626)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	(40,711)	-	(40,711)	-	(40,711)
Total comprehensive income for the period	-	-	(40,711)	(1,010,253)	(1,050,964)	(20,373)	(1,071,337)
Issue of ordinary shares for cash	1,078,748	-	-	-	1,078,748	-	1,078,748
Issue of ordinary shares for consulting fees	36,000	-	-	-	36,000	-	36,000
Share issue costs	(79,450)	-	-	-	(79,450)	-	(79,450)
At 31 December 2014	18,066,678	1,301,185	(36,230)	(18,104,345)	1,227,288	(84,610)	1,142,678

The accompanying notes form part of these financial statements

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2014**

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

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Prospect Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 13 March 2015

(c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

(d) Going concern

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

For the half year ended 31 December 2014, the Consolidated Entity recorded a loss of \$1,071,337 (2013: loss \$1,511,386) and had net cash outflows from operating and investing activities of \$962,827. As at reporting date, the Consolidated Entity had cash and cash equivalents of \$468,841. These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

The directors have prepared a cash flow forecast on a minimum spend basis, excluding the expected cash outflow for potential legal costs as disclosed in Note 7, which indicates the Consolidated Entity's ability to continue as a going concern is principally dependent upon the Consolidated Entity receiving \$206,275 pursuant to a conditional placement, expected to be received in March and April 2015, and the raising of additional working capital funds within the next 6 months.

As disclosed in Note 8, the Consolidated Entity has lodged an appeal over the Court's decision of the legal case. In the event that the Consolidated Entity decides not to appeal, or the appeal is not successful, the Consolidated Entity may incur further costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going concern (continued)

The directors are confident that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. In particular, given the Consolidated Entity's history of raising capital to date, the directors are confident of the Consolidated Entity's ability to raise funds, as they are required. The financial report has therefore been prepared on the going concern basis.

Should the Consolidated Entity be unable to raise the required funds, there is material uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business for a period of at least twelve months from the date of this report.

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

(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 14.

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.

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2014

2. SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and determining the allocation of resources.

In the current year the Company engaged in exploration for minerals in Australia and Zimbabwe. The operations were located in Australia and Zimbabwe with the head office being in Australia.

Geographical segments	Australia		Zimbabwe		Consolidated	
	Half year	Half year	Half year	Half year	Half year	Half year
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Revenue						
Other external revenue	8,005	2,558	-	-	8,005	2,558
Total segment revenue	8,005	2,558	-	-	8,005	2,558
Results						
Segment net profit/(loss) before tax	(956,773)	(1,511,386)	(73,853)	-	(1,030,626)	(1,511,386)
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	\$	\$	\$	\$	\$	\$
Assets						
Segment assets	598,310	1,016,310	896,966	258,756	1,495,276	1,275,066
Liabilities						
Segment liabilities	326,273	71,658	26,325	24,691	352,598	96,349
Depreciation	-	-	-	-	-	-

3. REVENUE

Revenue from Continuing Operations

	Half year ended 31 Dec 2014	Half year ended 31 Dec 2013
	\$	\$
<i>Revenue</i>		
Interest revenue	8,005	2,558

4. CASH AND CASH EQUIVALENTS

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

	31 Dec 2014	30 Jun 2014
	\$	\$
Cash at bank and in hand	468,841	304,865

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5. EXPLORATION EXPENDITURE

	<i>31 Dec 2014</i>	<i>30 Jun 2014</i>
	\$	\$
Exploration at cost at beginning of the period	937,472	745,923
Acquisition of tenements	490,320	-
Expenditure incurred	154,950	191,549
Write down of tenements	(600,000)	-
Closing balance	<u>982,742</u>	<u>937,472</u>
Total expenditure incurred and carried forward in respect of specific projects		
Australia		
- Northampton Project	152,651	748,993
Zimbabwe		
- Bushtick	338,726	188,479
- Prestwood	490,320	-
- Greater Farvic farm-in	1,045	-
Total carried forward exploration expenditure	<u>982,742</u>	<u>937,472</u>

6. TRADE AND OTHER PAYABLES

	<i>31 Dec 2014</i>	<i>30 Jun 2014</i>
	\$	\$
Trade creditors	17,092	50,600
Accruals	10,000	26,275
Shares to be issued	103,725	-
Related party payable	20,696	18,416
Other payables	1,085	1,058
	<u>152,598</u>	<u>96,349</u>

7. PROVISION

	<i>31 Dec 2014</i>	<i>30 Jun 2014</i>
	\$	\$
Provision for legal fees	<u>200,000</u>	-

Refer to note 8 below for description of this provision.

8. CONTINGENT ASSETS AND LIABILITIES

The Company undertook proceedings against a Singapore based consortium in relation to the subscription of \$3.9m of shares. The Court dismissed the Company's application and ordered that it pay the defendants' costs. The Company will have to pay the consortium's costs of the litigation, which may be as high as several hundred thousand dollars. The Company estimates these costs to be \$200,000 and has provided for this amount (refer note 7). The Company has lodged an appeal and until an outcome of the appeal is known, the quantum of costs and the timing of payment will be unknown.

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
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9. CONTRIBUTED EQUITY

	31 Dec 2014		30 Jun 2014	
	Shares		Shares	
(a) Issued share capital	680,509,820		604,593,287	
Ordinary shares fully paid				
(b) Movement in ordinary share capital	Number of shares		\$	
Balance at 1 July 2013	372,593,287		14,831,130	
Issue of shares for exclusivity agreement	60,000,000		720,000	
Issue of shares under exclusivity agreement	60,000,000		420,000	
Issue of shares for consulting fees	2,000,000		24,000	
Issue of shares via placement	110,000,000		1,100,000	
Cost of capital raising	-		(63,750)	
Balance at 30 June 2014	604,593,287		17,031,380	
Issue of shares for consulting fees	4,000,000		36,000	
Issue of shares via placement	71,916,533		1,078,748	
Shares issued	-		(79,450)	
Balance at 31 December 2014	680,509,820		18,066,678	

10. OPTION RESERVES

	31 Dec 2014		30 Jun 2014	
	Options	\$	Options	\$
(a) Options at the end of the year	134,500,000	1,301,185	134,500,000	1,301,185
(b) Movement in options	Number of option	Fair value issue price	\$	
Date	Details			
01/07/2013	Opening balance	60,857,500		899,650
25/09/2013	Options issued	74,500,000	\$0.00539	401,535
05/11/2013	Options expired	(857,500)		-
	Balance at 30 June 2014	134,500,000		1,301,185
	Balance at 31 December 2014	134,500,000		1,301,185

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2014**

11. SHARE BASED PAYMENTS

(a) Options

The share based payments expense was \$Nil (2013: \$401,535). The following table lists the inputs to the model used:

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

(b) Shares

The share based payments expense was \$36,000 (2013: \$744,000). The following table lists the inputs used:

	Consultant fees	Introduction fee	Exclusivity Agreement
<i>Number of shares issued</i>	4,000,000	2,000,000	60,000,000
<i>Valuation date</i>	24/07/14	23/09/13	23/09/13
<i>Grant date</i>	24/07/14	24/09/13	14/10/13
<i>Share price</i>	\$0.009	\$0.012	\$0.012
<i>Share based payment expense</i>	\$36,000	\$24,000	\$720,000

12. EARNINGS PER SHARE

	<i>Half year ended 31 Dec 2014</i>	<i>Half year ended 31 Dec 2013</i>
Basic and diluted loss per share (cents per share)	(0.15)	(0.38)
Amount used in the calculation of basic EPS		
Loss after income tax	(1,010,253)	(1,511,386)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	662,399,798	399,093,287

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.

13. EVENTS AFTER BALANCE DATE

Subsequent to balance date, the Company issued 6,915,000 shares at \$0.015 to raise \$103,725 before costs.

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

PROSPECT RESOURCES LIMITED
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14. INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2014. 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.

		Country incorporation	Ownership and voting interest	
	Principal activity		Dec 2014	Jun 2014
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Hawkmoth Mining & Exploration (Pvt) Ltd	Exploration & evaluation	Zimbabwe	70%	70%
Coldawn Investments (Private) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Prospect Resources (UK) Limited	Holding company (dormant)	United Kingdom	100%	100%

15. 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 1978, 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):

	<i>31 Dec 2014</i>	<i>30 Jun 2014</i>
	\$	\$
Not longer than 1 year	213,870	179,090
Longer than 1 year and not longer than 5 years	1,654,830	1,431,810
Longer than 5 years	-	-
	<u>1,868,700</u>	<u>1,610,900</u>

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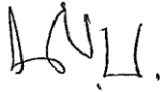
DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, as set out in Note 1(d), 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, 13 March 2015

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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 consolidated condensed statement of financial position as at 31 December 2014, and the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of cash flows and the consolidated condensed 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 5 to 16.

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 2014 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.

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 2014 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(d) in the half-year financial report which indicates that the Consolidated Entity incurred a loss of \$1,071,337 and had net cash outflows from operating and investing activities totalling \$962,827 during the period ended 31 December 2014. These conditions, along with other matters as set forth in Note 1(d), 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



Neil Smith
Partner
Chartered Accountants
Perth, 13 March 2015