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Prospect Resources Limited

**Half-Year Financial Report
31 December 2015**

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2015**

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PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2015

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 2015.

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

REVIEW OF OPERATIONS

As recently announced, during the period, we have completed the rehabilitation and construction of the Prestwood Mine and we are now moving into the production phase.

Operations are running at 3 shifts per day sinking the 4 Level sub-vertical shaft to 5 Level and 6 Level and the development drives are being blasted to the NE and SW from the sub-vertical shaft targeting our first mining blocks. Shaft sinking will continue past 6 Level so that we can create new mining blocks ahead of those being extracted.

During the period, we have completed construction of the Mine including:

- Surface headframe including being connected to mains power
- Headframe at 4 Level above the sub-vertical
- Conveyor belts and loading bins at surface
- Haul roads

First production ore is now being stockpiled in preparation for first production.

Development has been slower than anticipated due to the greater than expected amount of waste rock in the historic mine and because of a scarcity of working capital.

We also made the strategic decision during the period to focus on the Company's Gwanda East gold projects because they have the highest likelihood of generating early cashflows. Within the Gwanda East project area, there are a number of historic gold mines including:

- Prestwood Gold Mine
- Bucks Reef Gold Mine
- Numerous parallel reefs between Prestwood and Bucks being exploited by artisanal miners under licence from Prospect;
- Sally Mine

These 4 mines (gold areas) are our priority for production.

We have downgraded our focus on Bushtick which has meant that we have impaired some of our exploration costs over that project. With limited working capital, these decisions need to be made.

Whilst it has been a tough market for junior mining companies, particularly ones operating in Africa, we have made solid progress in bringing our first gold mine into production.

PROSPECT RESOURCES LIMITED
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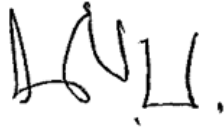
Harry Greaves and I are appreciative of your patience as shareholders. We are also aware that such patience does not last forever. Our whole team is working as diligently as possible to commence mining and generate independent cashflows.

The loss after tax for the half-year ended 31 December 2015 was \$855,964 (2014: Loss \$1,030,626), with \$503,735 relating to impairment of exploration and evaluation expenditure (2014: \$600,000) and \$47,072 relating to share based payments expense (2014: \$36,000).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 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
15 March 2016

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15 March 2016

The Directors
Prospect Resources Limited
Suite 6, 245 Churchill Ave
SUBIACO, WA 6008

Dear Sirs

RE: 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 Audit Director for the review of the financial statements of Prospect Resources Limited for the half year ended 31 December 2015, 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 faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

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PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	Half year ended 31 December 2015 \$	Half year ended 31 December 2014 \$
Revenue from continuing operations	3	52,283	8,005
Depreciation expense		(26,136)	-
Employee benefits expenses		(25,000)	(25,000)
Exploration and evaluation expenditure expensed		-	(53,473)
Impairment of exploration and evaluation expenditure	5	(503,735)	(600,000)
Occupancy expenses		(23,752)	(24,675)
Project generation expense		(99,769)	(12,900)
Share based payments - consultants		(40,000)	(36,000)
Share based payments – options expense		(7,072)	-
Other administration expenses		(182,783)	(286,583)
Loss before income tax		(855,964)	(1,030,626)
Income tax		-	-
Loss after tax		(855,964)	(1,030,626)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(18,751)	(40,711)
Other comprehensive loss for the period net of tax		(18,751)	(40,711)
Total comprehensive loss for the period		(874,715)	(1,071,337)
Loss attributable to:			
Equity holders of the Company		(705,994)	(1,010,253)
Non-controlling interests		(149,970)	(20,373)
		(855,964)	(1,030,626)
Total comprehensive loss attributable to:			
Equity holders of the Company		(724,745)	(1,050,964)
Non-controlling interests		(149,970)	(20,373)
		(874,715)	(1,071,337)
Earnings per share (cents per share)			
- Basic loss for the half year	11	(0.09)	(0.15)
- Diluted loss for the half year	11	(0.09)	(0.15)

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	257,958	100,256
Trade and other receivables		279,396	6,476
Other current assets		36,146	20,705
Total Current Assets		573,500	127,437
Non-Current Assets			
Plant and equipment		216,207	139,488
Exploration and evaluation expenditure	5	677,857	1,001,922
Total Non-Current assets		894,064	1,141,410
TOTAL ASSETS		1,467,564	1,268,847
LIABILITIES			
Current liabilities			
Trade and other payables	6	299,286	127,002
Provision	7	318,471	200,000
Total Current Liabilities		617,757	327,002
TOTAL LIABILITIES		617,757	327,002
NET ASSETS		849,807	941,845
EQUITY			
Contributed equity	8	18,938,626	18,163,021
Reserves		1,234,146	1,245,825
Non-controlling interests		(241,218)	(91,248)
Accumulated losses		(19,081,747)	(18,375,753)
TOTAL EQUITY		849,807	941,845

The accompanying notes form part of these financial statements

PROSPECT RESOURCES LIMITED
HALF YEAR REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	Notes	Half year ended 31 December 2015 \$	Half year ended 31 December 2014 \$
Cash flows from operating activities			
Receipts from customers		29,329	-
Payments to suppliers and employees		(259,705)	(304,984)
Payments for exploration expenditure expenses		-	(53,473)
Net cash flows (used in) operating activities		(230,376)	(358,457)
Cash flows from investing activities			
Interest received		1,112	8,005
Payment for plant and equipment		(95,326)	(3,018)
Payments for exploration expenditure		(61,985)	(609,357)
Advance to related entities		(95,893)	-
Net cash flows (used in) investing activities		(252,092)	(604,370)
Cash flows from financing activities			
Proceeds from issue of shares		608,647	1,078,748
Proceeds from shares to be issued		7,500	103,725
Proceeds from related party loan		46,155	-
Capital raising costs		(16,875)	(79,450)
Net cash flows from financing activities		645,427	1,103,023
Net increase in cash and cash equivalents		162,959	140,196
Cash and cash equivalents at beginning of period		100,256	304,865
Effects of exchange rate changes on the balance of cash held in foreign currencies		(5,257)	23,780
Cash and cash equivalents at end of period	4	257,958	468,841

The accompanying notes form part of these financial statements

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**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Issued shares	Option reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the parent	Non- controlling interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2015	18,163,021	1,301,185	(55,360)	(18,375,753)	1,033,093	(91,248)	941,845
Loss for the period	-	-	-	(705,994)	(705,994)	(149,970)	(855,964)
<i>Other comprehensive income:</i>							
Exchange differences arising on translation of foreign operations	-	-	(18,751)	-	(18,751)	-	(18,751)
Total comprehensive loss for the period	-	-	(18,751)	(705,994)	(724,745)	(149,970)	(874,715)
Issue of ordinary shares for cash	756,480	-	-	-	756,480	-	756,480
Issue of ordinary shares for fees	40,000	-	-	-	40,000	-	40,000
Share issue costs	(20,875)	-	-	-	(20,875)	-	(20,875)
Options issued	-	7,072	-	-	7,072	-	7,072
At 31 December 2015	18,938,626	1,308,257	(74,111)	(19,081,747)	1,091,025	(241,218)	849,807
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 loss 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 2015**

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 2015 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 2015, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 15 March 2016.

(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 period ended 31 December 2015, the Consolidated Entity recorded a loss of \$855,964 (2014: loss \$1,030,626) and had net cash outflows from operating and investing activities of \$482,468. As at reporting date, the Consolidated Entity had cash and cash equivalents of \$257,958. These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's and the Company's ability to continue as going concerns.

The directors have prepared a cash flow forecast which indicates that the consolidated entity will have sufficient cash flows to continue their planned business activities for the 12 month period from the date of signing the financial report including:

- Working capital to commence the proposed production rate at the Prestwood Gold Mine; and
- General working capital requirements.

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
31 DECEMBER 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going Concern (continued)

Under the above scenario, the Consolidated Entity's and the Company's ability to continue as going concerns is dependent upon:

- (a) Completion of a capital raising of at least an additional \$250,000 in April 2016 from the issue of new ordinary shares;
- (b) Group commencing gold production at the Prestwood Gold Mine in March 2016, producing 1,850 oz of gold in its first year of production with an average head grade of 6g/t; and
- (c) Managing and deferring costs where applicable to coincide with the capital raising activity and gold production activity outlined above to ensure all obligations can be met.

The directors are pursuing a number of capital raising and/or financing facility initiatives in order to have sufficient funds to allow for the production at Prestwood, and fund additional expenditure in the Gwanda East project area. The Directors have reviewed the consolidated entity's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that the operational and financial plans in place are achievable.

In the event that the Consolidated Entity is unable to achieve the matters set out above, the Board of Directors are aware of the Consolidated Entity's need to access additional working capital funds as and when they are required to enable the Consolidated Entity and the Company to meet minimum operating overheads and committed expenditure requirements.

The directors are confident that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis.

Should the Consolidated Entity and the Company not be successful in achieving the matters set out above, there is material uncertainty whether the Consolidated Entity and the Company will be able to continue as going concerns and therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

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 and the Company not continue as going concerns.

(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 13.

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.

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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
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Revenue						
Other external revenue	1,112	8,005	51,171	-	52,283	8,005
Total segment revenue	1,112	8,005	51,171	-	52,283	8,005
Results						
Segment net profit/(loss) before tax	(410,145)	(956,773)	(445,819)	(73,853)	(855,964)	(1,030,626)
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	\$	\$	\$	\$	\$	\$
Assets						
Segment assets	416,601	108,183	1,050,963	1,160,664	1,467,564	1,268,847
Liabilities						
Segment liabilities	425,834	261,868	191,923	65,134	617,757	327,002
Depreciation	-	-	26,136	14,720	26,136	14,720

3. REVENUE

Revenue from Continuing Operations

	<i>Half year ended 31 Dec 2015</i>	<i>Half year ended 31 Dec 2014</i>
	\$	\$
<i>Revenue</i>		
Tribute income	51,171	-
Interest revenue	1,112	8,005
	<u>52,283</u>	<u>8,005</u>

4. CASH AND CASH EQUIVALENTS

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

	<i>31 Dec 2015</i>	<i>30 Jun 2015</i>
	\$	\$
Cash at bank and in hand	<u>257,958</u>	<u>100,256</u>

PROSPECT RESOURCES LIMITED
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5. EXPLORATION EXPENDITURE

	31 Dec 2015	12 Months 30 Jun 2015
	\$	\$
Exploration at cost at beginning of the period	1,001,922	937,472
Acquisition of tenements	-	522,360
Expenditure incurred	130,567	252,499
Write down of tenements	(503,735)	(754,001)
Effect of foreign currency exchange differences	49,103	43,592
Closing balance	<u>677,857</u>	<u>1,001,922</u>
Total expenditure incurred and carried forward in respect of specific projects		
Zimbabwe		
- Bushtick	-	409,251
- Prestwood	676,316	591,225
- Greater Farvic farm-in	1,541	1,446
Total carried forward exploration expenditure	<u>677,857</u>	<u>1,001,922</u>

6. TRADE AND OTHER PAYABLES

	31 Dec 2015	30 Jun 2015
	\$	\$
Trade creditors	124,753	54,534
Accruals	78,495	32,014
Shares to be issued	7,500	-
Related party payable	87,454	39,370
Other payables	1,084	1,084
	<u>299,286</u>	<u>127,002</u>

7. PROVISION

	31 Dec 2015	30 Jun 2015
	\$	\$
Provision for legal fees	<u>318,471</u>	<u>200,000</u>

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.

**PROSPECT RESOURCES LIMITED
HALF YEAR REPORT
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8. CONTRIBUTED EQUITY

(a) Issued share capital	31 Dec 2015	30 Jun 2015
	Shares	Shares
Ordinary shares fully paid	886,544,882	687,424,820
(b) Movement in ordinary share capital		
	Number of shares	\$
Balance at 1 July 2014	604,593,287	17,031,380
Issue of shares for consulting fees	4,000,000	36,000
Issue of shares via placement	78,831,533	1,182,473
Cost of capital raising	-	(86,832)
Balance at 30 June 2015	687,424,820	18,163,021
Issue of shares via rights issue	163,365,062	653,460
Issue of shares via rights issue shortfall	35,755,000	143,020
Cost of capital raising	-	(20,875)
Balance at 31 December 2015	886,544,882	18,938,626

9. OPTION RESERVE

(a) Options at the end of the year	31 Dec 2015	31 Dec 2015	30 Jun 2015	30 Jun 2015
	Options	\$	Options	\$
	65,000,000	1,308,257	-	1,301,185
(b) Movement in options				
Date	Details	Number of option	Fair value issue price	\$
01/07/2014	Opening balance	134,500,000		1,301,185
30/06/2015	Options expired	(134,500,000)		-
	Balance at 30 June 2015	-		1,301,185
20/11/2015	Options issued	65,000,000	\$0.00194	7,072
	Balance at 31 December 2015	65,000,000		1,308,257

**PROSPECT RESOURCES LIMITED
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10. SHARE BASED PAYMENTS

(a) Options

The share based payments expense was \$7,072 (2014: \$Nil). The following table lists the inputs to the model used:

No. of options	65,000,000
<i>Grant date</i>	20/11/2015
<i>Share price</i>	\$0.007
<i>Exercise price</i>	\$0.005
<i>Interest rate</i>	3.055%
<i>Expiry date</i>	14/12/2018
<i>Volatility</i>	100%
<i>Fair value at grant date before discount</i>	\$0.00485
<i>Discount for 20 day VWAP condition</i>	50%
<i>Discount for being unlisted</i>	20%
<i>Fair value after discount</i>	\$0.00194

The options are being expensed over the deemed vesting period, being two years.

(b) Shares

The share based payments expense was \$40,000 (2014: \$36,000). The following table lists the inputs used:

	Consulting fees
<i>Number of shares issued</i>	10,000,000
<i>Grant date</i>	14/12/2015
<i>Share price</i>	\$0.004
<i>Share based payment expense</i>	\$40,000

11. EARNINGS PER SHARE

	<i>Half year ended 31 Dec 2015</i>	<i>Half year ended 31 Dec 2014</i>
Basic and diluted loss per share (cents per share)	(0.09)	(0.15)
Amount used in the calculation of basic EPS		
Loss after income tax	(705,994)	(1,010,253)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	780,401,484	662,399,798

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.

12. EVENTS AFTER BALANCE DATE

Subsequent to balance date, the Company issued 1,875,000 shares at \$0.004 to raise \$7,500 before costs.

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

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13. INTEREST IN SUBSIDIARIES

Information about principal subsidiaries

Set out below are the Group's subsidiaries at 31 December 2015. 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.

	Principal activity	Country incorporation	Ownership and voting interest	
			Dec 2015	Jun 2015
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%

14. 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. Outstanding exploration commitments are as follows:

	31 Dec 2015	30 Jun 2015
	\$	\$
Not longer than 1 year	34,250	225,885
Longer than 1 year and not longer than 5 years	34,250	1,567,080
Longer than 5 years	-	-
	68,500	1,792,965

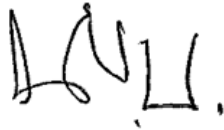
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DIRECTORS' DECLARATION

In the opinion of the Directors of Prospect Resources Limited ("the Company")

- (a) the financial statements and notes set out on pages 6 to 16 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) 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.

On behalf of the Directors



Hugh Warner
Director

Perth, 15 March 2016

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PROSPECT RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prospect Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Prospect Resources Limited (the consolidated entity). The consolidated entity comprises both Prospect Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Prospect Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 our review. We conducted 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 the consolidated entity's financial position as at 31 December 2015 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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Independence

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*, has been provided to the directors of Prospect Resources Limited on 15 March 2016.

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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Significant Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As referred to in Note 1(d) to the financial statements, the financial statements have been prepared on a going concern basis. The consolidated entity comprising the Company and its subsidiaries has incurred a loss of \$855,964 for the half year ended 31 December 2015 and had net operating cash outflows \$230,376. The consolidated entity's cash and cash equivalents at the reporting date amounted to \$257,958. The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the consolidated entity raising further working capital and/or successfully exploiting its mineral assets.

In the event that the consolidated entity is not successful in raising further equity or successfully exploiting its mineral assets, the consolidated entity may not be able to meet its liabilities as and when they fall due and the realisable value of the consolidated entity's current and non-current assets may be significantly less than book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
15 March 2016

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