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Prospect Resources

ANNUAL REPORT 2020

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Corporate Directory

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Sam Hosack
Harry Greaves
Gerry Fahey
Zed Rusike
HeNian Chen

SECRETARY
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ASX CODE
Shares – PSC

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Managing Director's Report

Dear Shareholders,

I am pleased to provide this Annual Report of your Company's performance in FY2020. Whilst the Company achieved many corporate and project milestones, we were limited on what we could achieve due to the global turmoil caused by Covid-19.

Even with these challenges that we have all faced this year, nothing has changed the fact that Arcadia is in a unique position, because it is the only lithium deposit that can produce both low iron spodumene for the electric vehicle market and ultra-low iron petalite lithium concentrates for the glass and ceramics markets.

2020, the year of milestones

The year consisted of balancing development of opportunities with risk management (cutting costs) in the face of a global pandemic. Prospect made substantial progress on its strategic objective to become Africa's leading lithium producer by releasing our updated Definitive Feasibility Study ("DFS") and signing the ultra-low iron petalite offtake agreement with Sibelco.

As you will remember from our ASX announcements this year, a lot of 2020 has been focused on the ultra-low iron petalite market. Whilst most Australian spodumene producers have been hamstrung by low spodumene prices in 2020, ultra-low iron petalite prices have remained strong. Assuming tantalum and petalite revenues are credited against the cost of spodumene production, then even at these low prices, our spodumene is expected to make a healthy margin. This is an example of why Arcadia is unique and our products are in demand.

In late December 2019, the Company appointed African Export-Import Bank ("Afreximbank") to arrange and manage the primary syndication of a

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Leading the way in the battery revolution

US$143m project finance debt facility. Given the upheaval in global markets, progress with Afreximbank has been frustratingly slow. That being said, we have not used this as a reason to slow down parallel initiatives:

- **Sibelco offtake.** The Company signed the largest ultra-low iron petalite offtake agreement in the world (up to 700,000 tonnes over 7 years).
- **MOU with Uranium One.** The Company signed a Memorandum of Understanding ("MOU") with Uranium One for the purpose of Uranium One to undertake due diligence on Prospect and Arcadia with the intention to invest in or acquire Prospect or Arcadia and secure more than 50% of the spodumene offtake. These discussions are progressing well.
- **Renaissance Capital.** The Company appointed Renaissance Capital as its exclusive financial advisor in relation to the potential sale, directly or indirectly, of the Company's interest in the Arcadia Lithium Project or of Prospect itself to Uranium One. We are working closely with Renaissance Capital.

Lithium, the strategic mineral

In line with our long-term strategy, we see lithium as a robust and sustainable element to the electrification thematic that has and will continue to fundamentally revolutionise the way we live. Lithium's role in the storage, use and transfer of energy has already touched the globe through our use of smart phones for global communication, laptops, electric grid stability and storage to power our homes, and electric vehicles to drive us. Ultra-low iron petalite is the primary ingredient in the production of induction cooktops that provides heat for us to cook our food, other high temperature glass products, fiberglass and wind turbines.

Prospect well positioned for success

In all industries there are business cycles and the success of the Company is determined by how it performs during the challenging times, not only during cycle peaks. Lithium is no different and Prospect made the most of 2020 to open new markets, conduct expansive technical work to de-risk Arcadia's future operations, extended Arcadia's Life of Mine and substantially improve Arcadia's project economics.

Whilst the events of 2020 have delayed the development of Arcadia, we have still moved closer to the date for first dig and first products. We are well positioned for Prospect to take full advantage of the irrefutable wave of demand and the emerging supply gaps. We have a tier one deposit, an experienced management team and high-quality offtake partners.

On behalf of the Board and Management, I would like to thank you for your valuable contribution and continued support. While we remain vigilant about the short term market outlook, our long term view remains positive and we are well placed to meet demand for the lithium the world needs well into the future.

Thank you for your continued support of Prospect Resources.

Sam Hosack
Managing Director

30 September 2020

Review of Operations

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Below is a summary of key operational announcements made during the financial year. Please use the summary as a memory prompt of how much our team has achieved in the year. Please also refer to the Company's website (www.prospectresources.com.au) as an additional source of information on Prospect.

Key Announcements

September 2019 Quarter

19 July	RBZ approves PSC to increase Arcadia ownership to 87%
31 July	Low iron report confirms premium pricing for Arcadia
23 August	MOU signed for power supply to Arcadia

December 2019 Quarter

20 September	Prospect Resources' listing on the Frankfurt Stock Exchange
4 November	Petalite passes glass & ceramics manufacturers process
20 November	Significant increase in Arcadia's Ore Reserve
6 December	Arcadia receives government incentive
12 December	Updated DFS confirms robust lithium mine
12 December	Prospect signs MOU with Uranium One
16 December	Prospect secures power supply at Arcadia
17 December	Afreximbank mandated to arrange debt facility
30 December	Placement and offtake discussions to advance Arcadia

March 2020 Quarter

6 January	Petalite passes second product qualification stage
14 January	Equity Placement
11 February	Caesium discovered in satellite deposits around Arcadia
13 March	Extension of MOU with Uranium One

June 2020 Quarter

3 April	Share Rights Issue
6 April	Entitlement Issue Prospectus
15 April	Prospect Resources signs MOU with Sibelco
27 April	Prospect extends MOU with Uranium One
13 May	Completion of Entitlement Issue
28 May	Update of Sibelco MOU
30 June	Update to discussions with Sibelco

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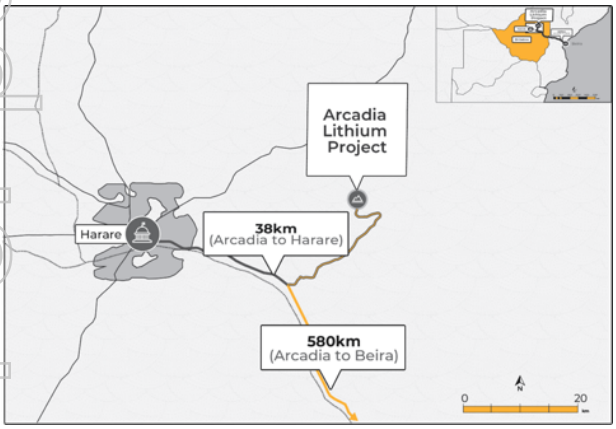
Arcadia Lithium Project

Location

The Arcadia Lithium Project is located approximately 35 km east of Harare, Zimbabwe providing convenient access to skilled and semi-skilled labour. A Mining Lease has been granted over an area of more than 10 km^2 and Environmental Approvals are in place. The Project is located close to major highways and railheads, with the Beira Port being less than 580 km away by rail/road transport. Grid power access via switchyard is within 4 km of the Project with 20 MVA capacity. There is surplus groundwater available.



Location of Arcadia Lithium Project

Geology

The Arcadia Lithium deposit is hosted within a series of 14 stacked, sub parallel petalite-spodumene bearing pegmatites that intrude the local Archaean age Harare Greenstone Belt. Dimensions of the pegmatites defined by drilling to date are 4.5 km along strike (SW-NE), with an average thickness of 15 m and dipping 15 degrees to the NW. The Main Pegmatite is exposed in the historical pit, and the deposit is open along strike to the southwest. The deposit is cut by the NNE-SSW trending Mashonganyika Fault zone, as well as a regional SW-NE trending dolerite dyke that appears to truncate the pegmatite to the NW. A total of 194 RC and 111 diamond drill holes have been drilled on the project (26,682m).

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Arcadia Project Highlights

Benchmark Low Iron Petalite Report

Prospect Resources received an independent market report from leading market analysis firm Benchmark Mineral Intelligence ("Benchmark") on the use of lithium in the glass & ceramics market and the premium pricing of low iron petalite concentrate. The findings in the report were:

- In 2018, the global lithium market size was 276,000 LCE with 17% (46,500 LCE or 470,000t equivalent of 4% low iron petalite concentrate) going into the glass & ceramics market;
- Globally, there were only two producers of low iron lithium concentrates (one being petalite concentrate, now closed, and another being a spodumene concentrate producer) that meets the glass & ceramics market specifications, offering Prospect a unique competitive advantage;
- 18% of the glass & ceramics market (8,500 LCE) is supplied by ultra-low iron petalite concentrate (equivalent to 86,000t of 4% Li_2O petalite concentrate) which the Arcadia mine will produce;
- Growth in market share of ultra-low iron petalite has been restricted due to a lack of product volume and continuity of supply volumes - Arcadia will be able to satisfy this demand.

The battery industry is not the only sector using lithium minerals and chemicals. In 2018, an estimated 17% of lithium production was consumed by the glass and ceramics market. This can be consumed as a mineral (petalite or spodumene) or as a refined chemical product (lithium carbonate). Only ultra-low iron petalite and low iron spodumene can be used efficiently in the glass and ceramics industry.

In recent times, there have only been two major producers of these low iron lithium concentrates. Now that the only ultra-low iron petalite producer has ceased operations, there are question marks over future supply of such product. Clearly, this is an opportunity for Arcadia. There are no listed lithium companies in Australia, Canada or South America that can supply this product.

Increased JORC Reserve Estimates

On 20 November 2019, Prospect Resources announced a significant increase in the Ore Reserve estimate for the Arcadia Lithium Project. The upgraded Ore Reserve of 37.4Mt grading 1.22% Li_2O and 121ppm Ta_2O_5, represents a 39% increase on the Ore Reserve announced in December 2017.

The Ore Reserve hosts ~ 1.2Mt of contained lithium carbonate equivalent (LCE), 10 million pounds of Ta_2O_5 and increased Arcadia's mine life to >15 years.

Arcadia Ore Reserve Statement (20 November 2019)

Category	Tonnes (Mt)	Li_2O %	Ta_2O_5 ppm	Li_2O (kt)	Ta_2O_5 (Mlbs)
Proven	11.3	1.28	114	144	2.8
Probable	26.1	1.20	124	314	7.2
TOTAL	**37.4**	**1.22**	**121**	**457**	**10.0**

The Mineral Resource (capturing material above 0.2% Li_2O) is outlined below:

Arcadia JORC Mineral Resource Statements (24 October 2017)

Global Resource - 0.2% Li_2O Cut-off

Category	Tonnes (Mt)	Li_2O %	Ta_2O_5 ppm	Li_2O (kt)	Ta_2O_5 (Mlbs)
Measured	15.9	1.17%	121	185	4.2
Indicated	45.4	1.10%	121	502	12.1
Inferred	11.4	1.06%	111	121	2.8
TOTAL	**72.7**	**1.11%**	**119**	**808**	**19.1**

Updated Definitive Feasibility Study

Prospect released the outcomes of its Definitive Feasibility Study ("DFS") based on the proposed 2.4 Mtpa mining and processing operation on 12 December 2019. The DFS confirms that Arcadia will be a strong, high-margin project with current forecast Life of Mine (LOM) revenue of US$3.42 billion and average annual EBITDA of US$114 million over an estimated 15.5-year mine life.

The key study outcomes for the 2.4 Mtpa DFS are set out below:

Study Outcome	DFS – 2.4Mtpa Base Case
Average Annual EBITDA First 5 Years (Real)	US$168 million
Estimated Mine Life	15.5 years – Open Pit
LOM Project Revenue (Real & excluding tantalum credits)	US$3.42 billion
LOM Project EBITDA (Real)	US$1.77 billion
Capital Costs (Pre-production)	US$162 million
Sustaining Capital	US$35 million
Pre-Tax NPV10	US$710 million
Internal Rate of Return (IRR, Pre-tax)	71%
LOM Cash Operating Costs (Real, net of tantalum credits)	US$344/t
Project Payback (from first production)	1.5 years

The project economics position Arcadia in the lowest operating cost quartile and as a high margin, tier one lithium project. In line with the Prospect's strategic focus of petalite being sold into the glass & ceramics market, the mine plan has been scheduled to produce 100,000tpa of ultra-low iron petalite production to satisfy customer volumes. This steady state supply will provide the glass & ceramic customers with long term security of supply, something which they have not been able to achieve prior to Arcadia.

Afreximbank appointed as Mandated Lead Arranger

Prospect appointed African Export-Import Bank ("Afreximbank") to arrange and manage the primary syndication of a US$143m project finance debt facility. This process has been delayed due to the uncertainty created by the Covid-19.

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Offtake Agreements

Prospect has now entered into offtake agreements with Sinomine Resource (Hong Kong) International Trading Co., Limited ("Sinomine") and with Sibelco N.V. for its lithium concentrates as follows:

(i) Sinomine

The Offtake Agreement has a term of seven years delivering 280,000 tonnes 6% Li_2O (lithia) spodumene concentrate and 784,000 tonnes 4% Li_2O petalite concentrate (Petalite). Prospect is entitled to increase the quantities of Spodumene and decrease the quantities of Petalite, provided the lithia units of the combined Spodumene and Petalite do not change.

Sinomine has agreed to make an advanced payment to Prospect of US$10m following the ball mill being delivered and bolt installed at the Project.

(ii) Sibelco

The Offtake Agreement has a term of seven years delivering up to 100,000 dmt per annum of high quality ultra-low iron petalite concentrate, resulting in a total of up to 700,000 dmt over the lifetime of the contract.

MOU signed with Uranium One and appointment of Renaissance Capital

Prospect has entered into a Memorandum of Understanding ("MOU") with Uranium One Group JSC ("Uranium One"). Uranium One is a global energy company and one of the world's largest uranium producers, with a diverse portfolio of assets worldwide, including in Kazakhstan, the United States and Tanzania. Uranium One is a company of ROSATOM, the Russian State Corporation for Nuclear Energy.

The purpose of the MOU is to complete due diligence on the Company and its Arcadia Lithium Project; and subject to satisfactory due diligence, negotiate:

- equity investment terms in Prospect or its subsidiaries; and
- offtake terms for at least 51% of the Company's future lithium production.

The discussions with Uranium One are progressing well. In light of this, Prospect appointed Renaissance Securities (Cyprus) Limited ("Renaissance Capital") as its exclusive financial advisor in relation to the potential sale, directly or indirectly, of the Company's interest in the Arcadia Lithium Project or of Prospect itself to Uranium One or its affiliates.

Other Projects

Penhalonga – Gold

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

Chishanya – Phosphate

The Chishanya Phosphate Project is one of 5 known phosphate bearing carbonatites in Zimbabwe. The deposit has been explored by a number of companies since the 1950s including Anglo American and Rhodesia Chrome Mines Ltd. The deposit is a series of un-exploited phosphate bearing, apatite-magnetite lenses in carbonatite located near Birchenough Bridge, Manicaland. The potential for Rare Earth Elements (REEs) has also never previously been assessed.

Gwanda East - Gold

The Group terminated the Farvic joint venture farming agreement at Gwanda East by mutual consent and sold its non-core Gwanda East claims and plant and equipment for its written down value of US$105,864.

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Competent Person Statement

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its resource announcement made on 25 October 2017.

The Company confirms it is not aware of any new information or data that materially affects the information included in the Arcadia Ore Reserve Estimate and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed when referring to its reserve announcement made on 20 November 2019.

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Directors' Report

Directors' Report

The Directors of Prospect Resources Limited ("the Company") submit hereby the annual report of the Company and its subsidiaries, (together the "Consolidated Entity" or "Group") for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

OFFICERS AND DIRECTORS

The Directors at any time during or since the end of the year are:

Name	Particulars
Hugh Warner	Executive Chairperson
Sam Hosack	Managing Director
Duncan (Harry) Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr Chen

The above named Directors held office during and since the end of the financial year, except as otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the Group is exploration, evaluation and development of mineral resources.

REVIEW OF OPERATIONS AND RESULTS

The Group has recognised a loss after tax from continuing operations of $4,607,000 (2019: Loss $5,753,000). The loss has reduced from the prior year due to project generation costs reducing to $Nil (2019: $784,000) and share based payments expense reducing to $Nil (2019: $535,000). The Group undertook cost reduction initiatives in the last quarter of the financial year with the impact of these reductions to be realised in financial year 2021.

Additional information on the operations and financial position of the Group is set out in the Review of Operations and Directors' Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

1) The Company issued 9,639,999 new ordinary shares via a placement to raise $1,688,000 before costs;

2) The Company issued 40,344,767 new ordinary shares via rights issue to raise $2,017,000 before costs; and

3) The Group terminated the Farvic joint venture farming agreement at Gwanda East by mutual consent and sold its non-core Gwanda East claims and plant and equipment for its written down value of US$105,864.

ENVIRONMENTAL REGULATIONS

The Group is aware of its environmental obligations with regards to its exploration and development activities and ensures that it complies with all regulations when carrying out exploration and development work.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

- On 17 August 2020, the Group announced it had entered into an offtake agreement with Belgium based Sibelco N.V. to supply up to 700,000 dry metric tonnes of ultra-low iron petalite over seven years.

DIVIDENDS

No dividends were recommended or paid during the current year.

LIKELY DEVELOPMENTS/STRATEGIES AND PROSPECTS

The Group will continue to develop the Arcadia Lithium Project and extract value from its other non-core assets.

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INFORMATION ON DIRECTORS

Hugh Warner (Executive Chairperson) appointed 3 January 2012

Experience and Expertise

Mr Warner holds a Bachelor of Economics from the University of Western Australia. He has broad experience as a public company director, having been a director of a number of publicly listed companies involved in the mining, oil and gas, biotechnology and service industries.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Chairperson

Interests in Shares and Options

20,458,336 ordinary shares and Nil options

Sam Hosack (Managing Director) appointed 14 July 2018

Experience and Expertise

Mr Hosack is a third generation Zimbabwean, residing in Western Australia. He holds a Bachelors Engineering Degree (Hons) from Essex University in UK, MBA from Ashcroft Business School (UK) and respective professional registrations. He has hands on experience in the delivery of large scale mining, power and port projects to market, as well as their operations. For the 12 years prior to commencing at Prospect Resources, he was employed by First Quantum Minerals Ltd, primarily in their Projects team, where most recently he has project managed the building of a port (coal offloading and copper loading), 120km 230kV transmission line and a 300MW coal fired powerstation for the Minera Panama Project in Panama. His mining and operations experience in North and Southern Africa, Europe, Australia and Central America will be central in delivering the Arcadia Project and in building Prospect into a diversified mining business.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

2,000,000 ordinary shares and 4,500,000 options

Duncan (Harry) Greaves (Executive Director) appointed 15 July 2013

Experience and Expertise

Mr Greaves is a fourth generation Zimbabwean. He holds a B.Sc (agriculture) from the University of Natal (in South Africa). He is the founding shareholder of Farvic Consolidated Mines (Pvt) Ltd which operates the Prince Olaf, Farvic and Nicolson gold mines in southern Zimbabwe all of which he brought back into production over the last 10 years including the design and construction of two milling facilities. He is a well respected and well known member of the Zimbabwe mining fraternity.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

5,517,954 ordinary shares and Nil options

Gerry Fahey (Non-Executive Director) appointed 15 July 2013

Experience and Expertise

Mr Fahey has 40 years' experience in both the international and local minerals industry. He is a specialist in mining geology, mine development and training and worked for 10 years as Chief Geologist Mining for Delta Gold where he was actively involved with the development of the Eureka, Chaka, Globe and Phoenix gold mines and the following Australian gold projects: Kanowna Belle, Golden Feather, Sunrise and Wallaby. Gerry is currently a Director of Focus Minerals Ltd and a former Director of CSA Global Pty Ltd, Modun Resources Limited and a former member of the Joint Ore Reserve Committee (JORC).

Other Listed Current Directorships

Focus Minerals Ltd (appointed 20 April 2011)

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

1,025,000 ordinary shares and Nil options

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Zivanayi (Zed) Rusike (Non-Executive Director) appointed 26 September 2013

Experience and Expertise

Mr Rusike graduated in Accountancy in Birmingham, England, before returning to Zimbabwe in 1982. He was Managing Director of United Builders Merchants before being promoted to Group Managing Director for Radar Holdings Limited, then, a large quoted company on the Zimbabwe Stock Exchange. He retired from the Radar Group of companies in 2005 to pursue his personal interests and is currently the Executive Chairman of Dulux Paints Limited. Zed is a former President of The Confederation of Zimbabwe Industries.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

3,040,374 ordinary shares and Nil options

HeNian Chen (Non-Executive Director) appointed 13 November 2017

Experience and Expertise

Mr Chen has served as the Chairman of Changshu Yuhua Property Co. Ltd since 2003, and has served as the Deputy Chairman of Afore New Energy Technology (Shanghai) Co. Ltd since 2007.

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

6,165,796 ordinary shares and Nil options

COMPANY SECRETARY

The company secretary is Andrew Whitten. Andrew was appointed to the position of company secretary on 10 April 2012. Andrew is a Solicitor Director of Automic Legal Pty Ltd, where he specialises in corporate finance and securities law.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board held during the year ended 30 June 2020 that each Director was eligible to attend, and the number of meetings attended by each Director were:

	Number of Meetings	
Director	Eligible to attend	Attended
Hugh Warner	2	2
Sam Hosack	2	2
Harry Greaves	2	2
Gerry Fahey	2	2
Zed Rusike	2	-
HeNian Chen	2	2

The Company's business was conducted via circular resolutions.

REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:

1) Principles used to determine the nature and amount of remuneration;

2) Details of remuneration;

3) Service agreements; and

4) Share-based compensation.

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

This report details the nature and amount of remuneration for each director and executive of Prospect Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by the Corporations Act 2001 and its regulations.

For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' includes those key management personnel who are not directors of the parent company.

(1) Principles used to determine the nature and amount of remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board and executives by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective, the Board links the nature and amount of executive director's emoluments to the Group's financial and operational performance. The intended outcomes of this remuneration structure are:

- Retention and motivation of directors and executives
- Performance rewards to allow directors and executives to share the rewards of the success of the Group.

The remuneration of an executive director will be decided by the Board. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for any options issued.

During the year, external consultants were not used for determining remuneration.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Group's Constitution, and the Corporations Act 2001 as applicable and is set at $500,000. The appointment of non-executive director remuneration within that maximum will be made by the Board having regards to the inputs and value to the Group of the respective contributions by each non-executive director.

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Group. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. All equity based remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The Board may pay bonuses to directors and executives at its discretion.

The issue of options to directors and executives is to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition, all directors and executives are encouraged to hold shares in the Company.

Group Performance, Shareholder Wealth and Key Management Personnel Remuneration

The Group is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

The remuneration policy has been tailored to maximise the commonality of goals between shareholders, directors and executives. The method applied in achieving this aim to date being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be the most effective in increasing shareholder wealth.

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REMUNERATION REPORT (AUDITED) continued

Performance of Prospect Resources Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the financial year ended 30 June 2020 and prior.

	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000
Revenue	369	3,320	3,892	110	71
Net loss before tax	(4,607)	(5,722)	(5,401)	(12,794)	(1,727)
Net loss after tax	(4,607)	(5,753)	(5,640)	(12,794)	(1,727)

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Share price at beginning of year (cents)	22.5	35.0*	2.0	2.2	0.3
Share price at end of year (cents)	7.2	22.5	3.5	2.0	2.2
Dividends	-	-	-	-	-
Basic and diluted earnings per share (cents per share)	(1.79)	(3.52)	(0.32)	(0.76)	(0.18)

* The Company underwent a 10 for 1 share consolidation in 2019. The 2019 opening share price has been restated, however the data from years prior to 2019 have not been restated.

Remuneration of Key Management Personnel

The following persons were identified as Key Management Personnel of Prospect Resources Limited during the financial year:

Directors

Hugh Warner	Executive Chairperson
Sam Hosack	Managing Director
Harry Greaves	Executive Director
Gerry Fahey	Non-Executive Director
Zed Rusike	Non-Executive Director
HeNian Chen	Non-Executive Director

Executives

Trevor Barnard	General Manager
Roger Tyler	Chief Geologist
Chris Hilbrands	Chief Financial Officer

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REMUNERATION REPORT (AUDITED) continued

(2) Details of remuneration

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER		
2020	Salary & Fees $	Bonus $	Other $	Superannuation $	Options $	Leave Accruals $	Total $	Performance %
Non-Executive Directors								
Z Rusike	21,000	-	-	-	-	-	21,000	-
G Fahey	19,178	-	-	1,822	-	-	21,000	-
H Chen [i]	19,178	-	-	1,822	-	-	21,000	-
Executive Directors								
H Warner	214,306	-	-	20,070	-	41,299	275,675	-
S Hosack	286,828	-	-	19,172	-	2,630	308,630	-
H Greaves	218,751	-	-	-	-	-	218,751	-
Executives								
T Barnard	221,814	-	-	-	-	-	221,814	-
R Tyler	118,714	-	-	-	-	-	118,714	-
C Hilbrands	171,233	-	-	16,267	-	31,359	218,859	-
Total	**1,291,002**	**-**	**-**	**59,153**	**-**	**75,288**	**1,425,443**	**-**

Notes

(i) HeNian Chen fees were paid or are payable to his alternate director, Meng Sun.

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER		
2019	Salary & Fees $	Bonus $	Other $	Superannuation $	Options $	Leave Accruals $	Total $	Performance %
Non-Executive Directors								
Z Rusike	24,000	-	-	-	-	-	24,000	-
G Fahey	21,918	-	-	2,082	-	-	24,000	-
H Chen [i]	21,918	-	-	2,082	-	-	24,000	-
Executive Directors								
H Warner	228,311	-	-	21,689	-	7,318	257,318	-
S Hosack [ii]	309,582	100,000	-	29,304	534,985	16,351	990,222	54%
H Greaves	250,000	-	-	-	-	-	250,000	-
Executives								
T Barnard [iii]	244,486	-	-	-	-	-	244,486	-
R Tyler	227,928	-	-	-	-	-	227,928	-
C Hilbrands	182,648	-	-	17,352	-	2,342	202,342	-
L John [iv]	20,833	-	-	-	-	-	20,833	-
Total	**1,531,624**	**100,000**	**-**	**72,509**	**534,985**	**26,011**	**2,265,129**	**24%**

Notes

(i) HeNian Chen fees were paid or are payable to his alternate director, Meng Sun.

(ii) Sam Hosack was employed as a part time executive on 13 May 2018 and became Managing Director on 14 July 2018.

(iii) Trevor Barnard was appointed General Manager on 1 August 2018.

(iv) Lee John ceased being a KMP on 31 July 2018, upon the appointment of Trevor Barnard. Biomet Engineering, an entity associated with Lee John, was paid or is payable $20,833 to 31 July 2018.

Short term incentives

In 2020, no bonuses were recognised. In 2019, Sam Hosack was entitled to a first year anniversary bonus of $100,000 on 14 July 2019. This was recognised in the year ended 30 June 2019.

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REMUNERATION REPORT (AUDITED) continued

(3) Service agreements

Executive Directors

Sam Hosack entered into an Executive Services Agreement commencing 13 May 2018 with a total annual salary of $35,000 per annum inclusive of superannuation. The total annual salary increased to $350,000 per annum inclusive of superannuation upon his appointment to Managing Director which occurred on 14 July 2018. Effective 1 April 2020, Sam Hosack's remuneration was reduced by 50.3% to $174,000 per annum.

Hugh Warner entered into an Executive Services Agreement commencing 1 June 2016 with a total annual salary of $250,000 per annum inclusive of superannuation (if applicable) from 1 August 2016. Effective 1 April 2020, Hugh Warner's remuneration was reduced by 25% to $187,500 per annum.

Harry Greaves entered into an Executive Services Agreement commencing 1 June 2016 with a total annual salary of $250,000 per annum inclusive of superannuation (if applicable) from 1 August 2016. Effective 1 April 2020, Harry Greaves remuneration was reduced by 50% to $125,000 per annum.

Non-Executive Directors

Non-executive directors entered into either a Non-Executive Services Agreement or Consultancy Agreement commencing 1 June 2016, or if later on commencement of appointment, with a total annual salary of $24,000 per annum inclusive of superannuation (if applicable). Effective 1 April 2020, non-executive director remuneration was reduced by 50% to $12,000 per annum.

Other Executives

Trevor Barnard signed a consulting agreement with a subsidiary of the Company commencing 1 August 2018, for ZAR2,640,000 per annum. Effective 1 April 2020, Trevor Barnard's contract was converted into a USD based value and reduced by approximately 40% to US$112,260 (approx. AUD 160,000) per annum.

Roger Tyler signed a twelve month fixed term contract with a subsidiary of the Company commencing 15 March 2017, renewed on 15 March 2018 and 15 March 2019, for US$72,000 per annum. In addition, Roger Tyler entered into a consultancy agreement with Prospect Resources Limited commencing 1 July 2016 with a total annual remuneration of US$60,000 increasing to US$90,000 from 1 September 2016. Effective 1 October 2019, Roger Tyler's contract with the subsidiary was cancelled and his consultancy agreement with Prospect Resources Limited was reduced to US$72,000 per annum. Effective 1 April 2020, Roger Tyler's contract was reduced by 75% to US$18,000 per annum.

Chris Hilbrands entered into an Executive Services Agreement commencing 1 June 2016 with a total annual remuneration of $100,000 inclusive of superannuation. The total annual salary increased to $200,000 per annum inclusive of superannuation effective from 1 July 2018. Effective 1 April 2020, Chris Hilbrands remuneration was reduced by 25% to $150,000 per annum.

Termination

For all Directors and Executives other than Mr Hosack, Mr Tyler and Mr Barnard, terms of employment require that the Company provide the Executive with six months' written notice. The Directors or Executive may terminate their employment at any time and will be entitled to six months' salary. The Company can terminate an Executive's employment by giving one months notice if the Executive commits or becomes guilty of gross misconduct and summarily without notice if convicted of any major criminal offence. Mr Hosack and Mr Tyler terms of employment require that the Company or Executive provide the other with three months' notice, while Mr Barnard's requires that the Company or Executive provide the other with 30 days notice.

(4) Share-based compensation

The Company issued Nil options to directors or key management personnel during the financial year (2019: Nil). Nil options were exercised (2019: 9,375,000 post consolidation) and Nil options (2019: 7,160,000 post consolidation) expired during the year.

During the financial year, the following share based payment arrangements to directors and key management personnel were in existence:

Options	Grant date	Grant date fair value (i)	Exercise price (i)	Expiry date	Vesting date
Issued 13/05/18	13/05/18	$0.1740	$0.60	12/05/22	14/10/18

(i) The Company undertook a 1:10 share consolidation during the prior year. The above disclosures have been restated where appropriate to reflect the post consolidation values.

The Company did not recognise any share based payment compensation to key management personnel during the current financial year. No options were granted, expired or exercised during the year.

REMUNERATION REPORT (AUDITED) continued

Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2020	Opening balance	Granted as compensation	On exercise of options	Net other change (i)	Closing balance
Z Rusike	1,740,374	-	-	1,300,000	3,040,374
G Fahey	500,000	-	-	525,000	1,025,000
H Chen	4,932,637	-	-	1,233,159	6,165,796
H Warner	16,366,668	-	-	4,091,668	20,458,336
S Hosack	1,000,000	-	-	1,000,000	2,000,000
H Greaves	3,595,794	-	-	1,922,160	5,517,954
T Barnard	1,375,000	-	-	400,270	1,775,270
R Tyler	500,000	-	-	124,560	624,560
C Hilbrands	1,115,000	-	-	278,750	1,393,750
	31,125,473	**-**	**-**	**10,875,567**	**42,001,040**

(i) Shares acquired via rights issue.

Options Held at 30 June 2020	Opening balance	Granted as compensation	Exercised	Expired	Closing balance	Vested during the year	Vested and exercisable
Z Rusike	-	-	-	-	-	-	-
G Fahey	-	-	-	-	-	-	-
H Chen	-	-	-	-	-	-	-
H Warner	-	-	-	-	-	-	-
S Hosack	4,500,000	-	-	-	4,500,000	-	4,500,000
H Greaves	-	-	-	-	-	-	-
T Barnard	-	-	-	-	-	-	-
R Tyler	-	-	-	-	-	-	-
C Hilbrands	-	-	-	-	-	-	-
	4,500,000	**-**	**-**	**-**	**4,500,000**	**-**	**4,500,000**

(End of Remuneration Report)

Additional Information

(a) Shares under option

At the date of signing this report, the Company has 4,500,000 unlisted options over ordinary shares under issue (30 June 2019: 4,500,000). These options are exercisable as follows:

Details	No of options (i)	Grant Date	Expiry Date	Conversion Price $
Management incentive options	4,500,000	13/05/2018	12/05/2022	0.60
	4,500,000			

Share options carry no rights to dividends and no voting rights.

(i) The Company undertook a 1:10 share consolidation during the prior period. The number of options and exercise price are post this share consolidation.

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(b) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, and any executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(c) Agreement to indemnify officers

The Company has entered into agreements with the directors to provide access to Company records and to indemnify them. The indemnity relates to any liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(d) Proceedings on Behalf of the Company

To the best of the directors' knowledge, no person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened on behalf of the Company with leave of the court under Section 237.

(e) Auditor

Stantons International is the appointed auditor.

(f) Indemnity of Auditor

The auditor (Stantons International) has not been indemnified under any circumstance.

(g) Audit Services

During the financial year $74,000 (excluding GST) was paid or payable for audit services provided by Stantons International (2019: $55,000). Non related audit firms have been paid or are payable $54,000 for audit services of subsidiaries (2019: $25,000).

(h) Non-audit Services

Non-audit services totaling $3,500 (2019: $30,000) were provided by the auditor or any entity associated with the auditor. The fees paid related to the preparation of an Independent Experts Report. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

(i) Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 59 of the Annual Report.

(j) Corporate Governance Statement

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 30 September 2020 released to ASX and posted on the Company's website www.prospectresources.com.au/company/corporate-governance.

Signed in accordance with a resolution of the directors.

Sam Hosack
Managing Director

Perth, Western Australia
Dated 30 September 2020

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Directors' Declaration

(1) In the opinion of the directors of Prospect Resources Limited ("the Company"):

(a) the accompanying financial statements, notes thereto are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) as set out in Note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2(a) to the financial statements; and

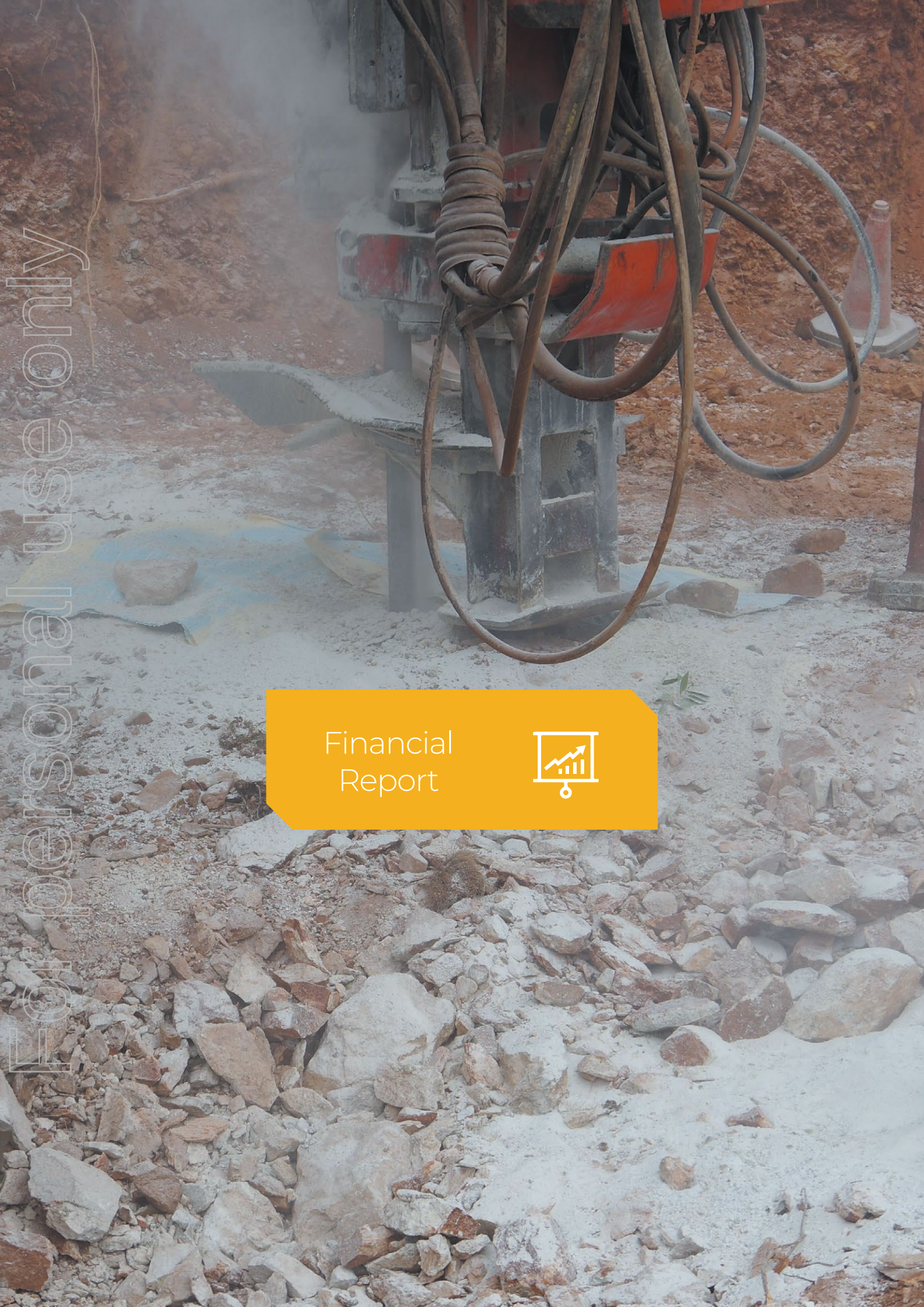
(d) the audited remuneration disclosures set out on pages 16 to 20 of the Directors' Report comply with accounting standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

This declaration is signed in accordance with a resolution of the Board of directors.

Sam Hosack
Managing Director

Perth, Western Australia
Dated 30 September 2020



Financial Report

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue from continuing operations	5(a)	314	3,320
Other income	5(b)	55	-
Cost of sales	5(c)	(260)	(2,614)
Depreciation expense	11	(88)	(92)
Development costs expensed		(973)	(905)
Employee benefits expenses		(1,316)	(1,619)
Exploration and evaluation expenditure expensed		-	(118)
Reversal of impairment of exploration and evaluation expenditure/(impairment)	12(a)	21	(132)
Impairment of assets held for sale	9	(268)	-
Occupancy expenses		(56)	(59)
Project generation expense		-	(784)
Share based payment – options expense	18(a)	-	(535)
Other administrative expenses		(2,036)	(2,184)
Loss before tax		**(4,607)**	**(5,722)**
Income tax	6	-	(31)
Loss after tax from continuing operations		**(4,607)**	**(5,753)**
Discontinued operations			
Loss for the year from discontinued operations	28	-	(1,216)
Loss for the year		**(4,607)**	**(6,969)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		637	843
Other comprehensive income for the year, net of tax		637	843
Total comprehensive loss for the year		**(3,970)**	**(6,126)**
Loss attributable to:			
Equity holders of the Company		(4,389)	(7,152)
Non-controlling interests	26(a)	(218)	183
		(4,607)	**(6,969)**
Total comprehensive loss attributable to:			
Equity holders of the Company		(3,776)	(6,050)
Non-controlling interests	26(a)	(194)	(76)
		(3,970)	**(6,126)**
Loss per share			
Basic loss per share (cents)	25	(1.79)	(3.52)
Diluted loss per share (cents)	25	(1.79)	(3.52)
Loss per share - continuing operations			
Basic loss per share (cents)	25	(1.79)	(2.92)
Diluted loss per share (cents)	25	(1.79)	(2.92)

The accompanying notes form part of these financial statements

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Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Current Assets			
Cash and cash equivalents	7	1,698	5,474
Trade and other receivables	8	458	328
Assets held for sale	9	298	-
Other current assets	10	711	644
Total Current Assets		**3,165**	**6,446**
Non-Current Assets			
Property, plant and equipment	11	550	1,411
Exploration and evaluation expenditure	12(a)	-	-
Mine properties	12(b)	24,257	21,084
Intangible assets	13	581	499
Total Non-Current Assets		**25,388**	**22,994**
Total Assets		**28,553**	**29,440**
Current Liabilities			
Trade and other payables	14	509	982
Provisions	15	171	131
Tax liabilities	6(c)	-	-
Total Current Liabilities		**680**	**1,113**
Non-Current Liabilities			
Provisions	15	-	43
Total Non-Current Liabilities		**-**	**43**
Total Liabilities		**680**	**1,156**
Net Assets		**27,873**	**28,284**
Equity			
Contributed equity	16(b)	65,429	61,870
Reserves	17(a)	12,756	12,143
Accumulated losses	17(e)	(49,090)	(44,701)
Total Equity Attributable to Shareholders of Parent Company		**29,095**	**29,312**
Non-controlling interests		(1,222)	(1,028)
Total Equity		**27,873**	**28,284**

The accompanying notes form part of these financial statements

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Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers		11	2,970
Government tax credits and rebates		200	454
Payments to suppliers and employees		(3,753)	(9,591)
Payment for development costs expensed		(699)	(1,250)
Payments for exploration expenditure expensed (net of gold sold)		21	(118)
Income tax paid		-	(282)
Net cash flows used in operating activities	7(a)	**(4,220)**	**(7,817)**
Cash flows from investing activities			
Interest received		15	98
Payments for development costs		(3,047)	(9,346)
Payment for property, plant and equipment		(60)	(577)
Proceeds from sale of property, plant and equipment		49	93
Payments for exploration expenditure and acquisition of tenements (net of gold sold)		-	(132)
Payment for intangible assets		(81)	(348)
Net cash flows used in investing activities		**(3,124)**	**(10,212)**
Cash flows from financing activities			
Proceeds from issue of shares		3,705	3,995
Proceeds from exercise of options		-	1,501
Capital raising costs		(146)	(362)
Net cash flows from financing activities		**3,559**	**5,134**
Net (decrease) in cash and cash equivalents		(3,785)	(12,895)
Cash and cash equivalents at beginning of year		5,474	16,393
Effects of exchange rate changes on the balance of cash held in foreign currencies		9	1,976
Cash and cash equivalents at end of year	7	**1,698**	**5,474**

The accompanying notes form part of these financial statements

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Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Issued Capital $'000	Option Reserves $'000	Foreign currency Translation reserve $'000	Accumulated Losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 30 June 2018	**56,736**	**10,312**	**171**	**(37,526)**	**29,693**	**(952)**	**28,741**
Loss for the year	-	-	-	(7,152)	(7,152)	183	(6,969)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	1,102	-	1,102	(259)	843
Total comprehensive loss for the year	-	-	1,102	(7,152)	(6,050)	(76)	(6,126)
Issue of ordinary shares for cash	3,995	-	-	-	3,995	-	3,995
Issue of ordinary shares upon exercise of options	1,501	-	-	-	1,501	-	1,501
Share capital raising costs	(362)	-	-	-	(362)	-	(362)
Options issued	-	535	-	-	535	-	535
Disposal of Prospect Cobalt Pte Ltd	-	-	23	(23)	-	-	-
Balance at 30 June 2019	**61,870**	**10,847**	**1,296**	**(44,701)**	**29,312**	**(1,028)**	**28,284**
Loss for the year	-	-	-	(4,389)	(4,389)	(218)	(4,607)
Other comprehensive income:							
Exchange differences arising on translation of foreign operations	-	-	613	-	613	24	637
Total comprehensive loss for the year	-	-	613	(4,389)	(3,776)	(194)	(3,970)
Issue of ordinary shares for cash	3,705	-	-	-	3,705	-	3,705
Share capital raising costs	(146)	-	-	-	(146)	-	(146)
Balance at 30 June 2020	**65,429**	**10,847**	**1,909**	**(49,090)**	**29,095**	**(1,222)**	**27,873**

The accompanying notes form part of these financial statements

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NOTE 1. CORPORATE INFORMATION

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 30 September 2020.

Prospect Resources Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements comprise the consolidated financial statements of the Company and its subsidiaries (together the "Consolidated Entity" or "Group"). For the purposes of preparing the consolidated financial statements the Company is a for-profit entity.

The principal activity of the Group is exploration, evaluation and development of mineral resources.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of law, unless stated otherwise.

Accounting Standards include Australian Standards, compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and Group comply with International Financial Reporting Standards ('IFRS').

It is recommended that this financial report be read in conjunction with the public announcements made by Prospect Resources Limited during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

Historical cost convention

These financial statements have been prepared under the historical cost convention modified, where applicable, for financial assets and financial liabilities carried at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2: Share Based Payments, leasing transactions that are within the scope of AASB 16: Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102: Inventories or value in use in AASB 136: Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Where these are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 2(bb).

Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(b) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

(c) Going Concern

For the year ended 30 June 2020, the Group recorded a loss of $4,607,000 (2019: loss $6,969,000) and had net cash outflows from operating and investing activities of $7,344,000 (2019: $18,029,000). As at reporting date, the Group had cash and cash equivalents of $1,698,000. These conditions indicate a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

The Group's principal objective is to develop the Arcadia Project and as such, it does not presently have a source of operating income sufficient to fund its operations, rather it is reliant on equity raisings or funds from other external sources to fund its activities.

To support the activities outlined in the Directors' Report, the Group will be required to raise additional funds. The Group has previously been successful in raising cash through equity raisings, as and when required.

The consolidated financial statements for the year ended 30 June 2020 have been prepared on a going concern basis, as in the opinion of Directors, the Group will be in a position to meet its operating costs and pay its debts as and when they fall due for at least twelve months from the date of this report.

However, the Directors acknowledge that material uncertainty remains over the Group's ability to meet its funding requirements, as future funding is uncertain until secured. If for any reason the Group is unable to continue as a going concern, then this could impact the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

(d) Application of new and revised Accounting Standards

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies as a result of adopting the following Standard:

- AASB 16: Leases

The Group has 1 lease which could be cancelled on 3 months notice with the total obligation being $12,000. As a result, this has been treated as a short term lease and therefore, all lease payments expensed directly to profit or loss. The adoption of AASB 16 does not have a significant impact on the financial report.

Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- fixed lease payments less any lease incentives;
- variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The right-of-use asses comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The following practical expedients have been used by the Group in applying AASB 16 Leases for the first time:

- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.

(e) New and Revised Accounting Standards for Application in Future Periods

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 Insurance Contracts	1 January 2021	30 June 2022
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021

The directors believe that these new Standards and Interpretations will not have a material impact on the Group

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods

Revenue from sale of goods in the course of ordinary activities is brought to account when delivered to the customer and selling prices are known or can be reasonably estimated. For spodumene and petalite concentrate sales, the above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when the concentrate is delivered to the vessel. For gold, this is generally when the gold is credited to the metal account of the customer.

Government Tax Credits and Rebates

Government tax credits and rebates, inclusive of research and development tax credit, are recognised as income at their fair value where there is a reasonable assurance that the government tax credit or rebate will be received and the Group will comply with all attached conditions.

Farming Income

Revenue from the sale of farming goods is brought to account when delivered to the customer and selling prices are known or can be reasonably estimated.

Interest Income

Interest revenue is recognised on a time proportionate basis using the effective interest method.

(g) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Income Tax

The income tax expense or revenue for the period is the tax payable on a current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

(i) Trade and other receivables

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2(t).

Other receivables

Other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

(j) Inventories

Product inventories comprise ore in stockpiles, work-in-progress and finished goods and are physically measured or estimated and valued at the lower of average cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each mineral are specifically allocated.

Materials and supplies are measured at the lower of cost or net realisable value. The cost is determined using the first-in, first-out principle and includes expenditure incurred in acquiring the inventories. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

(k) Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current asset to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current asset, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. During the current year, the directors determined that the useful lives of each class of asset are:

· Buildings	20 to 40 years
· Plant and equipment	5 to 15 years
· Office equipment and furniture and fittings	3 to 5 years
· Vehicles	5 years

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(m) Exploration expenditure

Exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(n) Mine properties

Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a subcategory of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation, or completion of infrastructure facilities recognised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

Mine properties and property, plant and equipment

(i) Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, mine development or mineable reserve development.

(ii) Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a Unit Of Production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs are recoverable tonnes of Li_2O. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves. The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

Other plant and equipment, such as mobile mine equipment, is generally depreciated on a straight-line basis over their estimated useful lives, as follows:

· Buildings	20 to 40 years
· Plant and equipment	5 to 15 years
· Office equipment and furniture and fittings	3 to 5 years
· Vehicles	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

(a) Future economic benefits (being improved access to the ore body) are probable

(b) The component of the ore body for which access will be improved can be accurately identified

(c) The costs associated with the improved access can be reliably measured

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(o) Intangible Assets

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. The cost of purchasing software, and development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- IT development and software 12 years

(p) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 2(p) for a description of the equity method of accounting.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interest in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(r) Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for site restoration and rehabilitation

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration and rehabilitation in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration and rehabilitation obligation at the reporting date, based on current legal requirements and technology. Future restoration and rehabilitation costs are reviewed annually, and any changes are reflected in the present value of the restoration and rehabilitation provision at the end of the reporting period. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Provision for employee entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave. Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the period in which the employees render the related services recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to the employees using the projected unit credit method. Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(t) Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expired.

Classification and measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

(u) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency. The functional currency of all subsidiaries other than Thornvlei is US dollars. Thornvlei's functional currency is Zimbabwe Dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non- monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity when the exchange difference arises on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation).

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than the Australian dollar are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(w) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the year. Diluted EPS adjusts the figures used in the calculation of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown exclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at balance date.

(z) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss.

Impairment testing is performed annually for intangible assets with indefinite lives.

(aa) Share based payment transactions

Equity settled transactions

The Company provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The charge to the statement of profit or loss and other comprehensive income is taken when the options are granted. There is a corresponding entry to equity.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(bb) Critical Accounting Judgement and Key Sources of Uncertainty

In the application of the Group's accounting policies which are described above in Note 2(a), the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affect only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

Key Estimates

Ore reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, productions techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration an evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's Exploration & Evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Mine Properties

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the Unit of Production ("UOP") rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

Rehabilitation Provision

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, and regulatory changes. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Share based payments

The fair value of employee share options and share appreciation rights is measured using Black Scholes. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, the risk-free interest rate (based on government bonds) and probability applied to the non-vesting conditions (based on management's judgement formed in consideration of all the available facts and circumstances).

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve. The fair value calculation and inputs to the Black Scholes model are shown at Note 18(a).

Impairment

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related permit itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Deferred tax assets

Management have made a judgement for the non recognition of deferred tax asset as the recovery of tax losses and other deferred tax assets is not considered probable at this stage.

(bb) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts in the financial statements and directors' report have been rounded to the nearest $1,000.

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NOTE 3. FINANCIAL RISK MANAGEMENT

Risk management is the role and responsibility of the Board. The Group's current activities expose it to minimal risk. However, as activities increase there may be exposure to interest rate, market, credit, and liquidity risks.

(a) Market Risk

(i) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating interest rate $'000	1 year or less $'000	Over 1 year to 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
30 June 2020						
Financial Assets						
Cash and deposits	1,364	-	-	-	334	1,698
Trade and other receivables	-	-	-	-	458	458
Other	-	-	-	-	9	9
	1,364	**-**	**-**	**-**	**801**	**2,165**
Weighted average interest rate	0.25%	-	-	-	-	0.16%
Financial Liabilities						
Trade and other payables	-	-	-	-	150	150
	-	**-**	**-**	**-**	**150**	**150**
Weighted average interest rate	-	-	-	-	-	-
30 June 2019						
Financial Assets						
Cash and deposits	4,707	-	-	-	767	5,474
Trade and other receivables	-	-	-	-	328	328
	4,707	**-**	**-**	**-**	**1,095**	**5,802**
Weighted average interest rate	1.32%	-	-	-	-	1.13%
Financial Liabilities						
Trade and other payables	-	-	-	-	518	518
	-	**-**	**-**	**-**	**518**	**518**
Weighted average interest rate	-	-	-	-	-	-

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Group. A movement in interest rates of +/- 100 basis points will result in less than a +/- $14,000 (2019: $47,000) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

(ii) Price Risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet as either fair value through profit or loss or at fair value through other comprehensive income.

The Group is not currently exposed to significant commodity price risk as it still operates in the exploration & development phase. However, future operational cash flows will be affected by fluctuations in the lithium price and other commodity prices. The Group will develop strategies to mitigate this risk when it moves from the exploration & development phase into the production phase.

NOTE 3. FINANCIAL RISK MANAGEMENT (continued)

(iii) Currency risk

Currency risk arises from investments and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group is exposed to foreign currency risk in the form of financial instruments held in US Dollars (USD) and Zimbabwe Dollars (ZWL). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2020 $'000	2019 $'000
Cash and cash equivalents - USD	253	662
Cash and cash equivalents - ZWL	13	50
Trade and other payables - USD	(374)	(462)
Trade and other payables - ZWL	(20)	(22)
Total Exposure	**(128)**	**228**

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2020 against the USD and ZWL would have resulted in a decreased loss of $12,000 (2019: increased loss $20,000) and $1,000 (2019: $3,000) respectively. A 10% weakening of the AUD would have resulted in an increased loss of $12,000 (2019 decreased loss: $20,000) against the USD and $1,000 (2019: $3,000) against the ZWL, assuming all other variables remain constant. The Group does not currently hedge against currency risk.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents.

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit rating

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Group does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which is available as required.

The material liquidity risk for the Group is the ability to raise equity in the future.

(d) Effective interest rate and repricing analysis

Cash and cash equivalents are the only interest bearing financial instruments of the Group.

(e) Fair value of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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NOTE 4. SEGMENT INFORMATION

Identification of reportable segments

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

In the current year the Group engaged in exploration for minerals and project development activities in Zimbabwe. The operations were located in Australia, Singapore and Zimbabwe with the head office being in Australia and Singapore balances included with Zimbabwe.

	Australia		Zimbabwe		Consolidated	
Geographical segments	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Revenue						
Other external revenue	215	431	154	2,889	369	3,320
Total segment revenue	**215**	**431**	**154**	**2,889**	**369**	**3,320**
Results						
Segment net profit/(loss) before tax	(3,874)	(6,348)	(733)	626	(4,607)	(5,722)
Assets						
Segment assets	1,901	5,381	26,652	24,059	28,553	29,440
Liabilities						
Segment liabilities	520	538	160	618	680	1,156
Depreciation	8	6	80	86	88	92

The amount of non-current assets added during the year in Australia $Nil and Zimbabwe $2,928,000 (2019: Australia $35,000 and Zimbabwe $10,125,000)

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 2.

NOTE 5(a). REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2020 $'000	**2019 $'000**
Farm income	11	169
Government tax credits and rebates	200	333
Interest revenue	15	98
Sale of merchandise	88	2,677
Other revenue	-	43
	314	**3,320**

NOTE 5(b). OTHER INCOME

Gain on derecognition of provision for rehabilitation	45	-
Gain on sale of property, plant and equipment	10	-
	55	**-**

NOTE 5(c). COST OF SALES

Cost of sales from farming	19	174
Cost of sales from merchandise	241	2,440
	260	**2,614**

NOTE 6. INCOME TAX

	Consolidated	
	2020 $'000	2019 $'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(4,607)	(5,722)
	(4,607)	**(5,722)**
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(1,267)	(1,574)
Tax effect of differential corporate tax rates	479	14
Tax effect of amounts which are not deductible (taxable) income	937	1,572
Under-recognition of prior year tax expense	(361)	(403)
Foreign exchange adjustment on tax losses brought forward [1]	716	3,974
Tax losses not (used)/recognised	(504)	(3,552)
Income tax expense	**-**	**31**

	Consolidated	
	2020 $'000	2019 $'000
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	11,620	11,697
Potential tax benefit (Australia 26%, Zimbabwe 0% - 25.75%)	**2,955**	**2,715**

(1) During the prior year, the Zimbabwe Government introduced a domestic currency called the Zimbabwe Dollar (ZWL). The Group is required to lodge its tax returns in Zimbabwe in local ZWL. The closing exchange rate between the AUD/ZWL at 30 June 2020 was $43.74 (2019: $4.74). This has resulted in carried forward losses being devalued.

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. The deferred tax liabilities of the Group relate to capitalised exploration costs. The Group's Arcadia Project has obtained Special Economic Zone status which results in a 0% tax rate for the first 5 years, then 15% thereafter. The deferred tax liabilities of the Group are estimated as $Nil (2019: $Nil).

	Consolidated	
	2020 $'000	2019 $'000
(c) Current tax liability		
Income tax payable	-	-

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NOTE 7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2020 $'000	2019 $'000
Cash at bank	1,698	5,474

Included in the Group's cash and cash equivalents are Zimbabwe Dollars. Zimbabwe Dollars have been disclosed under cash and cash equivalents as it meets the definition of cash and cash equivalents. The Zimbabwe to Australian Dollar exchange rate at 30 June 2020 was 43.74 (2019: 4.74) and the Zimbabwe Dollar is considered legal tender in Zimbabwe. The Group holds AUD$13,000 in Zimbabwe Dollars (2019: AUD$50,000) which is included in the cash at bank balance. These funds are freely available for use in Zimbabwe.

(a) Reconciliation of operating loss after income tax to net cash flows used in operating activities

	Consolidated	
	2020 $'000	2019 $'000
Operating loss after tax	(4,607)	(6,969)
Non-cash items		
Depreciation	88	117
Share based payments - options	-	535
Impairment of assets held for sale	268	-
Impairment of capitalised exploration and evaluation expenditure	-	132
Loss on disposal of subsidiary	-	133
(Gain)/loss on sale of property, plant and equipment	(10)	69
Foreign exchange difference	166	(1,719)
Interest received	(15)	(98)
Changes in operating assets and liabilities		
Decrease/(increase) in operating trade and other receivables	24	(3)
Decrease in inventories	-	228
Decrease/(increase) in other assets	229	(279)
(Decrease)/increase in operating trade and other payables	(360)	157
(Decrease)/increase in provisions	(3)	131
(Decrease) in tax liabilities	-	(251)
Net cash flows used in operating activities	**(4,220)**	**(7,817)**

(b) Non-cash transactions

During the current year, the Company did not enter into any non-cash financing or investing activities (2019: $Nil).

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NOTE 8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020 $'000	2019 $'000
GST/VAT receivable	168	172
Related party receivable (refer note 23(b))	167	27
Other receivables	123	129
	458	**328**

These amounts generally arise from transactions during usual operating activities of the consolidated entity and are non-interest bearing. These amounts do not contain any impaired receivables and are not considered overdue.

NOTE 9. ASSETS HELD FOR SALE

	Consolidated	
	2020 $'000	2019 $'000
Property – 169 Arcturus Road, Harare	298	-

During the year, the directors resolved to sell the company's property asset and have accepted an offer. As at 30 June 2020, the sale was highly probable, and as such has been classified as assets held for sale. The property has been reclassified from property, plant and equipment to assets held for sale and valued at its expected net realisable value, after taking into consideration market prices and selling costs.

	Consolidated	
	2020 $'000	2019 $'000
The amount is derived as follows:		
Expected proceeds from the sale of assets held for sale	331	-
Less: selling costs	(33)	-
Expected net proceeds	298	-
Transferred carrying value of assets held for sale (Note 11)	(559)	-
Foreign exchange	(7)	-
Impairment recognised	**(268)**	**-**

NOTE 10. OTHER CURRENT ASSETS

	Consolidated	
	2020 $'000	2019 $'000
Deposits	9	9
Prepayments	702	626
Other	-	9
	711	**644**

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2020 $'000	2019 $'000
Buildings	11	569
Plant and machinery	304	509
Vehicles	30	64
Office equipment	205	269
	550	**1,411**

Reconciliation of Property, plant and equipment – 2020	Buildings $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	586	710	142	357	1,795
Additions	4	63	33	21	121
Disposals	-	(301)[i]	(118)[i]	-	(419)
Reclassification to assets held for sale	(590)	-	-	-	(590)
Effect of foreign currency exchange differences	12	(38)	5	9	(12)
Closing balance at cost	**12**	**434**	**62**	**387**	**895**
Opening accumulated depreciation	(17)	(201)	(78)	(88)	(384)
Depreciation	(15)	(95)	(26)	(92)	(228)
Disposals	-	150[i]	76[i]	-	226
Reclassification to assets held for sale	31	-	-	-	31
Effect of foreign currency exchange differences	-	16	(4)	(2)	10
Closing accumulated depreciation	**(1)**	**(130)**	**(32)**	**(182)**	**(345)**
Net written down value	**11**	**304**	**30**	**205**	**550**

(i) During the year, the Group sold property, plant and equipment at fair market value to Farvic for USD$105,864 (AUD$157,688), and to Mixnote for USD$26,750 (AUD$39,845). Refer to Note 23(b)

Reconciliation of Property, plant and equipment – 2019	Buildings $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	556	819	171	74	1,620
Additions	-	102	169	306	577
Disposals	-	(52)	(206)	(26)	(284)
Effect of foreign currency exchange differences	30	(159)	8	3	(118)
Closing balance at cost	**586**	**710**	**142**	**357**	**1,795**
Opening accumulated depreciation	(2)	(164)	(75)	(21)	(262)
Depreciation	(15)	(84)	(60)	(74)	(233)
Disposals	-	10	61	8	79
Effect of foreign currency exchange differences	-	37	(4)	(1)	32
Closing accumulated depreciation	**(17)**	**(201)**	**(78)**	**(88)**	**(384)**
Net written down value	**569**	**509**	**64**	**269**	**1,411**

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated	
	2020 $'000	2019 $'000
Depreciation	228	233
Depreciation transferred to capitalised mine properties	(140)	(116)
Depreciation per Note 7(a)	88	117
Depreciation from discontinued operations	-	(25)
Depreciation recognised in statement of profit or loss and other comprehensive income	**88**	**92**

NOTE 12. EXPLORATION, EVALUATION & MINE PROPERTIES

	Consolidated	
	2020 $'000	2019 $'000
Total expenditure incurred and carried forward in respect of specific projects:		
Exploration & Evaluation Expenditure		
Gwanda East – Gold	-	-
Good Days – Lithium	-	-
Verdale – Lithium	-	-
Mine Properties		
Arcadia – Lithium	24,257	21,084
	24,257	**21,084**
(a) Exploration & Evaluation Expenditure		
Opening balance	-	11,430
Expenditure incurred	-	424
Impairment of exploration and evaluation expenditure	21	(132)
Transfer to mines under construction	-	(11,348)
Proceeds from gold sales from exploration and evaluation ore	(21)	(374)
Effect of foreign currency exchange differences	-	-
Closing balance	**-**	**-**
(b) Mine Properties		
Mines Under Construction		
Opening balance	21,084	-
Expenditure incurred	2,726	9,156
Transfer from exploration and evaluation expenditure	-	11,348
Effect of foreign currency exchange differences	447	580
Closing balance	**24,257**	**21,084**

The Board of Directors undertook an impairment review of the Group's exploration, evaluation & mine properties as at 30 June 2020 resulting in an impairment reversal for the current year of $21,000 (2019: expense $132,000). The current year impairment reversal relates to the Group's claims at Gwanda East due to the recognition of gold proceeds (2019: claims at Good Days and Verdale).

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NOTE 13. INTANGIBLE ASSETS

	Consolidated	
	2020 $'000	2019 $'000
Capitalised ERP costs (under construction)	581	499
Opening balance	499	151
Additions	81	339
Effect of foreign currency exchange differences	11	9
Amortisation expense	(10)	-
Closing balance	**581**	**499**

	Consolidated	
	2020 $'000	2019 $'000
Amortisation	10	-
Amortisation transferred to capitalised mine properties	(10)	-
Amortisation recognised in statement of profit or loss and other comprehensive income	-	-

NOTE 14. TRADE AND OTHER PAYABLES

	Consolidated	
	2020 $'000	2019 $'000
Trade payables	143	508
Accruals	341	254
Unearned trading income	18	210
Other payables	7	10
	509	982

Trade payables are normally settled on 30 – 60 day terms. Trade payables are not past due and are non-interest bearing.

NOTE 15. PROVISIONS

	Consolidated	
	2020 $'000	2019 $'000
Current		
Employee entitlements	171	131
Non-current		
Provision for rehabilitation	-	43

During the year, the Company disposed of its gold mining claims at Gwanda East. The rehabilitation provision related to those claims has been de-recognised and credited to other operating income.

NOTE 16. CONTRIBUTED EQUITY

(a) Issued share capital

	2020	2019
	Shares	Shares
Ordinary shares fully paid	285,936,524	235,951,758

(b) Movement in ordinary share capital

Details	Number of shares	$'000
Balance at 30 June 2018	1,981,114,971	56,736
Issue of shares via exercise of options	65,000,000	325
Share consolidation (1 for 10)	(1,841,503,213)	-
Issue of shares via placements	23,500,000	3,995
Issue of shares upon exercise of options	7,840,000	1,176
Cost of capital raising	-	(362)
Balance at 30 June 2019	**235,951,758**	**61,870**
Issue of shares via placement and rights issue	49,984,766	3,705
Cost of capital raising	-	(146)
Balance at 30 June 2020	**285,936,524**	**65,429**

On 11 June 2019, shareholders approved a 1 for 10 share consolidation.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands or on a poll every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote.

NOTE 17. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated	
	2020 $'000	2019 $'000
Share based payments reserves (refer to Note 17(c))	10,847	10,847
Foreign currency translation reserve (refer to Note 17(d))	1,909	1,296
Total reserves	**12,756**	**12,143**

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NOTE 17. RESERVES AND ACCUMULATED LOSSES (continued)

(b) Movement in options

Date	Details	Number of options	$'000
Balance at 30 June 2018		310,000,000	10,312
11/10/2018	Options exercised	(5,000,000)	-
19/11/2018	Options exercised	(60,000,000)	-
31/12/2018	Options expired	(65,000,000)	-
06/02/2019	Options expired	(20,000,000)	-
11/06/2019	Consolidation (1 for 10)	(144,000,000)	-
15/06/2019	Options exercised	(7,840,000)	-
15/06/2019	Options expired	(3,660,000)	-
	Share based payment expense	-	535
Balance at 30 June 2019		**4,500,000**	**10,847**
Balance at 30 June 2020		**4,500,000**	**10,847**

(c) Share Based Payments Reserve

Movement in reserve	2020 Number of Options	2020 $'000	2019 Number of Options	2019 $'000
Balance at the beginning of the year	4,500,000	10,847	31,000,000*	10,312
Options issued	-	-	-	535
Options exercised	-	-	(14,340,000)	-
Options expired	-	-	(12,160,000)	-
Balance at the end of the year	**4,500,000**	**10,847**	**4,500,000**	**10,847**

* restated opening balance to be post 1 for 10 share consolidation

(d) Foreign Currency Translation Reserve

	Consolidated	
Movement in reserve	2020 $'000	2019 $'000
Opening balance	1,296	171
Currency translation differences	613	1,102
Disposal of DRC subsidiaries	-	23
Closing balance	**1,909**	**1,296**

Nature and Purpose of Reserves

The share based payments reserve arises pursuant to an issue of shares or options as consideration for a service or an acquisition transaction.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and translation differences on intercompany loans.

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NOTE 17. RESERVES AND ACCUMULATED LOSSES (continued)

(e) Accumulated Losses

	Consolidated	
	2020 $'000	2019 $'000
Accumulated losses at beginning of year	(44,701)	(37,526)
Net loss attributable to equity holders of the Company	(4,389)	(7,152)
Disposal of DRC subsidiaries	-	(23)
Accumulated losses at end of year	**(49,090)**	**(44,701)**

NOTE 18. SHARE-BASED PAYMENTS

(a) Recognised Share-Based Payment Expense

Options

The share based payments expense was $Nil (2019: $535,000), with $Nil recognised in the statement of financial performance (2019: $535,000). The following table lists the inputs to the model used:

No. of options	**45,000,000**
Grant date	13/05/2018
Share price	$0.038
Exercise price	$0.06
Interest rate	2.015%
Expiry date	12/05/2022
Volatility	91.83%
Fair value at grant date before discount	$0.0217
Discount for being unlisted	20%
Fair value after discount	$0.0174

The above disclosure relates to the previous financial year and are pre 1 for 10 consolidation.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value per Option at Grant Date
Issued 13 May 2018 (i)	45,000,000	13/05/2018	12/05/2022	$0.06	$0.0174
Issued 06 Feb 2018	20,000,000	06/02/2018	06/02/2019	$0.10	$0.0075
Issued 21 Jul 2017	65,000,000	21/07/2017	31/12/2018	$0.05	$0.0046
Issued 22 Jul 2016 (ii)	115,000,000	22/07/2016	15/06/2019	$0.015	$0.0576
Issued 22 Jul 2016	27,000,000	22/07/2016	21/07/2019	$0.015	$0.0577
Issued 20 Nov 2015 (iii)	65,000,000	20/11/2015	19/11/2018	$0.005	$0.0019

(i) Options vested upon completion of probationary period, being 14 October 2018.

(ii) Options vest upon 20 day VWAP being $0.03 or above. These options have vested.

(iii) Options vest upon 20 day VWAP being $0.01 or above. These options have vested.

The above disclosures relate to the previously financial year and are pre 1 for 10 consolidation.

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NOTE 18. SHARE-BASED PAYMENTS (continued)

(b) Summary of options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	2020	2020	2019	2019
	No	WAEP	No	WAEP
Outstanding at the beginning of the year	4,500,000	0.600	31,000,000*	$0.323
Granted during the year	-	-	-	-
Exercised during the year	-	-	(14,340,000)	(0.105)
Expired during the year	-	-	(12,160,000)	(0.477)
Outstanding at the end of the year	**4,500,000**	**0.600**	**4,500,000**	**0.600**

* restated opening balance to be post 1 for 10 share consolidation

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 is 1.87 years (2019: 2.87 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.60 (2019: $0.60).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was N/a (2019: $N/a).

(f) Share options exercised during the year

Nil options were exercised in 2020 (2019: 14,340,000 post consolidation).

NOTE 19. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture and/or acquisition agreements. Outstanding exploration commitments are as follows:

	Consolidated	
	2020 $'000	2019 $'000
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	**-**

There are no minimum expenditure commitments on the Group's Zimbabwe tenements.

NOTE 19. COMMITMENTS FOR EXPENDITURE (continued)

(b) Operating Lease Commitments

The Group has one operating lease commitment for office rental and can cancel these with 3 months' notice totaling $12,000.

(c) Other Commitments

The Group has a commitment for ongoing annual licensing and permit fees related to the Arcadia mining lease and its Special Economic Zone status totaling $18,000.

The Group has entered into contracts with its directors and certain executives and consultants whereby minimum notice periods (usually six months) have been provided by the Group. This totals $420,000 as at 30 June 2020 (2019: $1,000,000).

The Group has entered into an offtake agreement to deliver 280,000 tonnes of 6% Li_2O spodumene concentrate and 784,000 tonnes of 4% Li_2O petalite concentrate over a 7 year term. The Group will receive a US$10,000,000 offtake prepayment upon the ball mill being delivered and bolt installed at the Project.

The Group has entered into an offtake agreement to deliver up to 100,000 tonnes per annum of high quality, ultra-low iron 4.1% petalite concentrate for 7 years, totaling up to 700,000 tonnes.

The Group entered into a conditional agreement to acquire a further 17% in the Arcadia Lithium Project, increasing its ownership from 70% to 87%. At completion, the Group is required to issue 9,497,680 new ordinary shares and pay cash of $1,187,210.

NOTE 20. CONTINGENT LIABILITIES

The Group has no contingent liabilities.

NOTE 21. AUDITOR'S REMUNERATION

	Consolidated	
	2020 $'000	2019 $'000
Auditor of the parent entity		
Audit and audit review of the financial reports	74	55
Other services	4	30
	78	**85**
Network firm of the parent auditor		
Audit services	-	-
	-	-
Auditor of Subsidiaries		
Audit services	54	25
	54	**25**

The auditor of Prospect Resources Limited is Stantons International. The auditor of the Zimbabwe subsidiaries is Deloitte.

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NOTE 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to Key Management Personnel of the Group is set out below:

	Consolidated	
	2020 $'000	2019 $'000
Short-term employee benefits	1,366	1,657
Post employment benefits	59	73
Share based payments	-	535
	1,425	**2,265**

NOTE 23. RELATED PARTY TRANSACTIONS

(a) Anglo Pacific Ventures Pty Ltd

The Company paid $56,304 (2019: $46,505) to Anglo Pacific Ventures Pty Ltd for rent. Mr Warner is a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

(b) Farvic Consolidated Mines (Private) Limited

The Group is owed $163,025 by Farvic (2019: $Nil). This amount receivable is interest free and payable on demand, refer Note 8. Harry Greaves and Zed Rusike are directors and shareholders of Farvic.

During the year, the Group sold property, plant and equipment and gold claims at fair market value to Farvic for USD105,864 (AUD$157,688) (2019: Nil).

Farvic toll treated the Group's development gold ore under a tribute agreement and invoiced its expected cost of processing, amounting to US$66,126 (A$98,497) (2019: US$296,092 (A$413,788)).

The Group is owed $4,061 by Mixnote Investments (Pvt) Limited (Mixnote), a subsidiary of Farvic (2019: $27,000). The amount is recognised as a trade receivable and is interest free, refer Note 8. During the year, the Company sold assets at fair market value to Mixnote for USD 26,750 (A$39,845) (2019 – Nil).

The Group entered into a conditional agreement to acquire a further 17% in the Arcadia Lithium Project, increasing its ownership from 70% to 87%. At completion, the Group is required to issue 9,497,680 new ordinary shares and pay cash of $1,187,210.

(c) CSA Global Pty Ltd

The Company paid $110,503 (2019: $1,430) to CSA Global Pty Ltd for mining study services. Mr Fahey is a Principal Consultant, Mine Geology with CSA Global Pty Ltd (a member of ERM Group of Companies).

(d) Loans to Subsidiaries

At 30 June 2020, the Company has loaned US$3,419,000 (AUD$4,808,000) (2019: US$14,119,000 / AUD$19,962,000) to its 70% owned subsidiary Hawkmoth Mining and Exploration (Private) Limited ('HME'). The Company has a recoverable book value of this loan of AUD$859,000 (2019: AUD$16,268,000). During the year, HME transferred US$10,700,000 of this loan to PLZ. The loan facility is interest free and there are no fixed repayment terms.

At 30 June 2020, the Company has loaned US$17,041,000 (AUD$24,830,000) (2019: US$4,208,000 / AUD$6,000,000) to its 70% owned subsidiary Prospect Lithium Zimbabwe (Private) Limited ('PLZ'). The Company has a recoverable book value of this loan of AUD$24,830,000 (2019: AUD$6,000,000). During the year, HME transferred US$10,700,000 of debt from the Company to PLZ. The loan facility is interest free and there are no fixed repayment terms.

At 30 June 2020, the Company has loaned US$70,000 (AUD$102,000) (2019: US$70,000 / AUD$100,000) to its 70% owned subsidiary Thornvlei Farming Enterprises (Private) Limited ('TFE'). The Company has a recoverable book value of this loan of AUD$Nil (2019: AUD$100,000). The loan facility is interest free and there are no fixed repayment terms.

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NOTE 24. SUBSEQUENT EVENTS

Other than the following, the directors are not aware of any significant events since the end of the reporting period:

- On 17 August 2020, the Group announced it had entered into an offtake agreement with Belgium based Sibelco N.V. to supply up to 700,000 dry metric tonnes of ultra-low iron petalite over seven years.

NOTE 25. LOSS PER SHARE

	Consolidated	
	2020	2019
Basic loss per share (cents per share)	(1.79)	(3.52)
Basic loss per share from continuing operations (cents per share)	(1.79)	(2.92)
Basic loss per share from discontinuing operations (cents per share)	-	(0.60)
Amount used in the calculation of basic EPS		
	$'000	$'000
• From continuing operations	(4,389)	(5,936)
• From discontinued operations	-	(1,216)
Loss after income tax attributable to members of Prospect Resources Limited	(4,389)	(7,152)
• Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings/(loss) per share	245,286,908	203,252,374

The options of the Company are not considered dilutive for the purpose of the calculation of diluted loss 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 loss per share is the same as basic loss per share.

The Company undertook a 1:10 share consolidation during the prior year. The numbers disclosed above for the prior year are post this share consolidation.

NOTE 26. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

	Principal activity	Country incorporation	Ownership and voting interest	
			2020	2019
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Prospect Lithium Zimbabwe (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Thornvlei Farming Enterprises (Private) Limited	Farming	Zimbabwe	70%	70%
Hawkmoth Mining & Exploration (Pvt) Ltd	Exploration & evaluation	Zimbabwe	70%	70%
Coldawn Investments (Private) Limited	Exploration & evaluation	Zimbabwe	70%	70%

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NOTE 26A. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020 %	2019 %	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Prospect Lithium Zimbabwe	Zimbabwe	30%	30%	(60)	68	(20)	37
Thornvlei	Zimbabwe	30%	30%	(68)	(54)	(71)	(45)
Hawkmoth	Zimbabwe	30%	30%	(90)	169	(1,131)	(1,020)
Coldawn	Zimbabwe	30%	30%	-	-	-	-
				(218)	**183**	**(1,222)**	**(1,028)**

Summarised financial information in respect of the Group's Zimbabwe subsidiaries that have non-controlling interests have been aggregated together and is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Zimbabwe Subsidiaries

	2020 $'000	2019 $'000
Current assets	1,275	1,086
Non-current assets	24,726	22,338
Current liabilities	(158)	(576)
Non-current liabilities	(29,914)	(26,275)
Net liabilities	**(4,071)**	**(3,427)**
Equity attributable to owners of the Company	(2,849)	(2,399)
Non-controlling interest	(1,222)	(1,028)
Total (deficit)	**(4,071)**	**(3,427)**

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NOTE 26A. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (continued)

	Year ended 2020 $'000	Year ended 2019 $'000
Revenue	154	2,889
Expenses	(878)	(2,256)
(Loss)/profit for the year	**(724)**	**633**
(Loss)/profit attributable to owners of the Company	(506)	450
(Loss)/profit attributable to the non-controlling interests	(218)	183
(Loss)/profit for the year	**(724)**	**633**
Other comprehensive income/(loss) attributable to owners of the Company	56	(292)
Other comprehensive income/(loss) attributable to the non-controlling interests	24	(259)
Other comprehensive income/(loss) for the year	**80**	**(551)**
Total comprehensive (loss)/income attributable to owners of the Company	(450)	158
Total comprehensive (loss) attributable to the non-controlling interests	(194)	(76)
Total comprehensive (loss)/income for the year	**(644)**	**82**
Dividends paid to non-controlling interests	-	-
Net cash (outflow)/inflow from operating activities	(94)	510
Net cash (outflow) from investing activities	(1,498)	(9,890)
Net cash inflow from financing activities	1,464	9,390
Net cash (outflow)/inflow	(128)	10

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NOTE 27. PROSPECT RESOURCES LIMITED PARENT COMPANY INFORMATION

	2020 $'000	2019 $'000
ASSETS		
Current Assets	1,880	5,351
Non-current Assets	26,539	23,104
TOTAL ASSETS	**28,419**	**28,455**
LIABILITIES		
Current Liabilities	520	538
TOTAL LIABILITIES	520	538
EQUITY		
Contributed equity	65,429	61,870
Reserve	10,847	10,847
Accumulated losses	(48,377)	(44,800)
	27,899	**27,917**
FINANCIAL PERFORMANCE		
(Loss) for the year	(3,577)	(6,428)
Other comprehensive income	-	-
Total comprehensive (loss)	**(3,577)**	**(6,428)**

Parent Entity Contingencies and Guarantees

The parent entity has not guaranteed any loans for any entities during the year.

Parent Entity Commitments

The parent entity has entered into contracts with its directors and certain executives whereby minimum notice periods (usually six months) have been provided by the parent entity. This totals $325,000 (2019: $500,000).

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NOTE 28. DISCONTINUED OPERATIONS

(a) Disposal of Prospect Cobalt Pte Ltd and its subsidiaries

On 28 June 2019, the Company completed the sale of its 100% investment in Prospect Cobalt Pte Ltd ('Prospect Cobalt') to New Energy Metals Limited ("NRG"). Prospect Cobalt owned a 100% interest in an exploration business in Democratic Republic of Congo ("DRC"). The consideration for the disposal was:

At completion

- A$1,000 and costs of transferring ownership

Additional contingent consideration

- A$50,000 of new shares in NRG's proposed seed capital placing
- A$100,000 of new shares in NRG's proposed IPO placing
- A$1,000,000 on delineation of a JORC Inferred Mineral Resource Estimate of greater the 5Mt at an average grade of greater than 2% copper and greater then 0.5% cobalt on existing or future projects generated by NRG and its subsidiaries in the DRC; and
- A net smelter royalty (NSR) of 1% on any copper and cobalt products produced from existing or future projects generated by NRG and its subsidiaries in the DRC.

During the year, NRG advised that they would not pursue exploration activities in DRC and would be winding up Prospect Cobalt. The Company agreed to waive its rights to the contingent consideration.

(b) Analysis of loss for the year from discontinued operations

The results of the discontinued operations (ie exploration in DRC business) included in the loss for the year are set out below.

	2020 $'000	2019 $'000
Loss for the year from discontinued operations		
Loss on disposal	-	(133)
Expenses	-	(1,082)
Loss before tax	-	(1,215)
Attributable income tax expense	-	(1)
Loss for the year from discontinued operations (attributable to owners of the Company)	**-**	**(1,216)**

(c) Loss on deconsolidation of subsidiary

	2020 $'000	2019 $'000
Net disposal consideration	-	1
Net assets disposed of	-	(134)
Loss on deconsolidation before income tax	**-**	**(133)**

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Auditors' Independence Declaration

Stantons International Audit and Consulting Pty Ltd
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30 September 2020

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 audit of the financial statements of Prospect Resources Limited for the year ended 30 June 2020, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED

Martin Michalik
Director

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under Professional Standards Legislation

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prospect Resources Limited (the Company) and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(c) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2020, the Group had cash and cash equivalents of $1,698,000, incurred net cash outflows from operating activities totalling $4,220,000 and incurred a loss after income tax of $4,607,000.

The ability of the Group to continue as a going concern and meet its planned mine development, administration and other commitments is dependent upon the Group raising further working capital and/or successfully exploiting its mineral assets. In the event that the Group is not successful in recapitalising the Group and/or raising further equity or successfully exploiting its mineral assets, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

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In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Mine Properties As at 30 June 2020, the capitalised value of Mine Properties totalled $24,257,000 (refer to Note 12 of the financial report). The carrying value of capitalised Mine Properties is a key audit matter due to: ▪ The significance of the total balance (approximately 85% of total assets); ▪ The Board has determined that the exploration stage at the Arcadia Lithium Project has been completed and therefore the capitalised exploration and evaluation expenditure has been transferred to Mine Properties; ▪ The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in relation to capitalised exploration and evaluation costs which were transferred to Mine Properties and the application of the requirements of the accounting standard AASB 116, *Property, Plant and Equipment* ("AASB 116") and AASB 136 *Impairment of Assets* ("AASB 136") in light of any indicators of impairment that may be present; and ▪ The assessment of significant judgements made by management in relation to the carrying value of capitalised Mine Properties.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over mining tenements by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation; ii. Reviewed ASX Announcements, Minutes and held discussions with the Board and Management to confirm the plans for the development of the Arcadia Lithium Project; . iii. Reviewing the directors' assessment and classification of the carrying value of the Mine Properties, ensuring the veracity of the data presented and that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects taking into account the requirements of AASB 116 and AASB 136; iv. Assessed the credentials of the experts appointed to review the NPV Model relating to the Arcadia Lithium Project. Also evaluated the NPV Model relating to the Arcadia Lithium Project by checking, on a sample basis, the accuracy and relevance of the input data used in the model, as well as challenging the reasonableness of key assumptions based on our knowledge of the business and ASX Announcements made by the Company and published market and industry data; v. Performed a sensitivity analysis of the inputs in the NPV Model relating to the Arcadia Lithium Project; vi. Evaluation of Group documents for consistency with the intentions for the development of the Arcadia Lithium Project and corroborated with discussions with management. The documents we evaluated included: ▪ Minutes and Circular Resolutions of the board and management; ▪ Announcements made by the Group to the Australian Securities Exchange; ▪ Cash flow forecasts; and ▪ The Net Present Value Model of Arcadia Lithium Mine Properties. vii. Reviewed the financial statements to ensure appropriate disclosures are made.

Stantons International

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent Auditor's Report

Stantons International

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

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
30 September 2020

ASX Additional Information

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ASX Additional Information

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 23 September 2020.

(a) Substantial Shareholders

The substantial shareholders are:

Name	Number Held	Percentage of Issued Shares
LORD OF SEVEN HILLS HOLDINGS FZE	32,375,000	11.32
CITICORP NOMINEES PTY LIMITED	30,551,438	10.68
SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	20,833,334	7.29
ELLIOT HOLDINGS PTY LTD – HD & DM WARNER	20,458,336	7.15

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	166,512	0.06%
1,001 – 5,000	1,788,812	0.63%
5,001 – 10,000	2,079,284	0.73%
10,001 – 100,000	18,102,382	6.33%
100,001 and over	263,799,534	92,26%
Total	**285,936,524**	**100.00%**

There were 764 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information

(d) Equity Security Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name		Number Held	Percentage of Issued Shares
1	LORD OF SEVEN HILLS HOLDINGS FZE	32,375,000	11.32%
2	CITICORP NOMINEES PTY LIMITED	30,551,438	10.68%
3	SINOMINE INTERNATIONAL EXPLORATION (HONG KONG) CO LTD	20,833,334	7.29%
4	MBM CAPITAL PARTNERS LLP	14,125,000	4.94%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	10,372,652	3.63%
6	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	9,895,834	3.46%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,396,700	3.29%
8	ARMOURED FOX CAPITAL PROPRIETARY LIMITED	9,271,089	3.24%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,583,512	3.00%
10	MR HUGH WARNER & MS DIANNE WARNER <CBM SUPERFUND A/C>	8,479,168	2.97%
11	MR RUSSELL PHILLIP QUINN <RPQ A/C>	4,850,000	1.70%
12	CONTINENTAL MINERALS LIMITED	3,791,150	1.33%
13	MR JIUMIN YAN	3,725,052	1.30%
14	MR ZIVANAYI RUSIKE	3,040,374	1.06%
15	SOIRHU PTY LTD <THE BRAGG MCDONALD A/C>	3,025,001	1.06%
16	WILLEC HOLDINGS PTY LTD <THE LECHNER FAMILY A/C>	3,000,000	1.05%
17	WINGFIELD INVESTMENTS LIMITED	2,799,449	0.98%
18	MRS BIN ZHOU	2,582,093	0.90%
19	MYLES DEVELOPMENT PTY LTD <THE ZHOU FAMILY A/C>	2,244,000	0.78%
20	MR ZIZHAO SHANG	2,220,211	0.78%
	TOTAL	**185,161,057**	**64.76%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 60 cents before 12 May 2022	4,500,000	1

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ASX Additional Information

Exploration and mining licenses granted:

Prospect Resources Limited has interests in tenements via the following companies:

(1) Coldawn Investment (Private) Limited ("Coldawn")

(2) Hawkmoth Mining and Exploration (Private) Limited ("Hawkmoth")

(3) Prospect Lithium Zimbabwe (Pvt) Limited ("PLZ")

Tenement Type & Number	Country	Project	Registered Company Name	% Held at 30 June 2020
ML 38	Zimbabwe	Arcadia	PLZ	70%
37680	Zimbabwe	Arcadia	PLZ	70%
ME284G	Zimbabwe	Arcadia	PLZ	70%
23189	Zimbabwe	Arcadia	PLZ	70%
23190	Zimbabwe	Arcadia	PLZ	70%
23233	Zimbabwe	Arcadia	PLZ	70%
32132	Zimbabwe	Arcadia	PLZ	70%
32133	Zimbabwe	Arcadia	PLZ	70%
32126	Zimbabwe	Arcadia	PLZ	70%
32733	Zimbabwe	Arcadia	PLZ	70%
23277	Zimbabwe	Arcadia	PLZ	70%
23278	Zimbabwe	Arcadia	PLZ	70%
23279	Zimbabwe	Arcadia	PLZ	70%
23276	Zimbabwe	Arcadia	PLZ	70%
23281	Zimbabwe	Arcadia	PLZ	70%
23474	Zimbabwe	Arcadia	PLZ	70%
23630	Zimbabwe	Arcadia	PLZ	70%
23201	Zimbabwe	Arcadia	PLZ	70%
23217	Zimbabwe	Arcadia	PLZ	70%
23468	Zimbabwe	Arcadia	PLZ	70%
23469	Zimbabwe	Arcadia	PLZ	70%
23470	Zimbabwe	Arcadia	PLZ	70%
23471	Zimbabwe	Arcadia	PLZ	70%
23472	Zimbabwe	Arcadia	PLZ	70%
23473	Zimbabwe	Arcadia	PLZ	70%
SG6853	Zimbabwe	Mistress	PLZ	70%
37856	Zimbabwe	Moonstone	PLZ	70%
37857	Zimbabwe	Moonstone	PLZ	70%
12227	Zimbabwe	Penhalonga	Coldawn	70%
20560 BM	Zimbabwe	Penhalonga	Coldawn	70%
10675	Zimbabwe	Penhalonga	Coldawn	70%
21795 BM	Zimbabwe	Penhalonga	Coldawn	70%

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ASX Additional Information

Tenement Type & Number	Country	Project	Registered Company Name	% Held at 30 June 2020
13166 BM	Zimbabwe	Penhalonga	Coldawn	70%
18879	Zimbabwe	Penhalonga	Coldawn	70%
18880	Zimbabwe	Penhalonga	Coldawn	70%
18881	Zimbabwe	Penhalonga	Coldawn	70%
21748 BM	Zimbabwe	Penhalonga	Coldawn	70%
18666 BM	Zimbabwe	Penhalonga	Coldawn	70%
12212	Zimbabwe	Penhalonga	Coldawn	70%
12213	Zimbabwe	Penhalonga	Coldawn	70%
19474 BM	Zimbabwe	Penhalonga	Coldawn	70%
14135 BM	Zimbabwe	Penhalonga	Coldawn	70%
10338	Zimbabwe	Penhalonga	Coldawn	70%
G3425	Zimbabwe	Penhalonga	Coldawn	70%
18582 BM	Zimbabwe	Penhalonga	Coldawn	70%
G2335	Zimbabwe	Penhalonga	Coldawn	70%
M2873 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2874 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2875 BM	Zimbabwe	Chishanya	Hawkmoth	70%
M2876 BM	Zimbabwe	Chishanya	Hawkmoth	70%

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