Prospect Resources

ANNUAL REPORT 2022

Corporate Directory

DIRECTORS
Mark Wheatley
Harry Greaves (resigned 6 September 2022)
Gerry Fahey
Dev Shetty
Zed Rusike
HeNian Chen
Sam Hosack

SECRETARY
Ian Goldberg and Lee Tamplin

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Shares – PSC

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ACN 124 354 329

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Chairperson's Report

Dear Shareholders,

The 2022 financial year was one of substantial advancement and value realisation for Prospect and its shareholders. It is against this backdrop that I would like to thank all shareholders, long established and new, for their support over this highly significant period.

In the face of volatile market conditions, the business achieved a number of substantive practical milestones. This included several key activities that further reduced the Arcadia Lithium Project's technical and commercial risk profile, including the successful construction and operation of the Arcadia pilot plant, along with the completion of two comprehensive Optimised Feasibility Studies demonstrating multiple robust pathways to development of Arcadia.

These activities, along with the execution of a competitive tendering process for the funding of Arcadia's development, culminated in the sale of our 87% interest in the Arcadia Project to Huayou Cobalt, which was announced in December 2021.

The transaction with Huayou Cobalt, which completed in April 2022, was a landmark moment for the Company. It was also the result of extensive advancement and evaluation efforts across several years at Arcadia, from first discovery through to the completion of the dual Optimised Feasibility Studies.

The transaction realised a significant cash return for shareholders, with Prospect distributing A$0.96 per share (A$444m in total) in early August 2022 as well as retaining approximately A$34 million for future growth activities. As Chairman, I am extremely proud of the substantial value uplift and realisation that has been delivered to all shareholders through the past year.

Leading the way in the battery revolution

The Company's strategy going forward is to be a battery and electrification minerals focused explorer and developer. With the Arcadia transaction now complete, business development and new project generation have been our top priorities. The Board believes that with a healthy balance sheet and continuation of the current management team, that Prospect is appropriately resourced to deliver on this strategy.

The team continue to develop a pipeline of prospective battery and electrification mineral targets. The success and publicity associated with the Arcadia transaction has resulted in an increase in opportunities being presented to Prospect. Project generation activities are advancing well and the Company is well capitalised to identify, assess, invest and advance projects that have the potential to meet scale and grade criteria.

I look ahead with excitement. Prospect is in a strong position to secure, advance and develop battery and electrification minerals projects. It is my objective, along with the entire Prospect Board, to ensure that Prospect continues to protect, grow and realise further value for all shareholders.

The Board would like to thank all shareholders for their support through the year and we look forward to providing updates on the opportunities ahead.

Yours faithfully

Mark Wheatley

Mark Wheatley

Mark Wheatley
Non-Executive Chairperson

23 September 2022

Review of Operations

Highlights

Highlights during and subsequent to the end of the year were as follows:

(a) Successfully constructed and commenced operation of the Arcadia Pilot Plant on budget and within schedule.

(b) Completed the acquisition of shares in Prospect Lithium Zimbabwe and issue of consideration shares to Farvic. This value accretive transaction enabled Prospect's ownership in the Arcadia Project to increase from 70% to 87%.

(c) Delivered bulk technical grade petalite shipment to offtake partner, Sibelco.

(d) Delivered two Optimised Feasibility Studies, presenting two economic development pathways for Arcadia:

- A two-stage development to 2.4Mtpa throughput, via progressive construction of two 1.2Mtpa modules, providing a lower capital pathway to production and allowing execution and market risks to be managed progressively; and
- A single-stage development to 2.4Mtpa throughput, providing greater development efficiency and higher economic returns, with higher upfront capital requirements.

(e) Acquisition of the Step Aside Lithium Project, located 8km north of the Arcadia Project, comprising claims rationalised to approximately 100 hectares within the Harare Greenstone Belt, west of the Mashonganyika Fault.

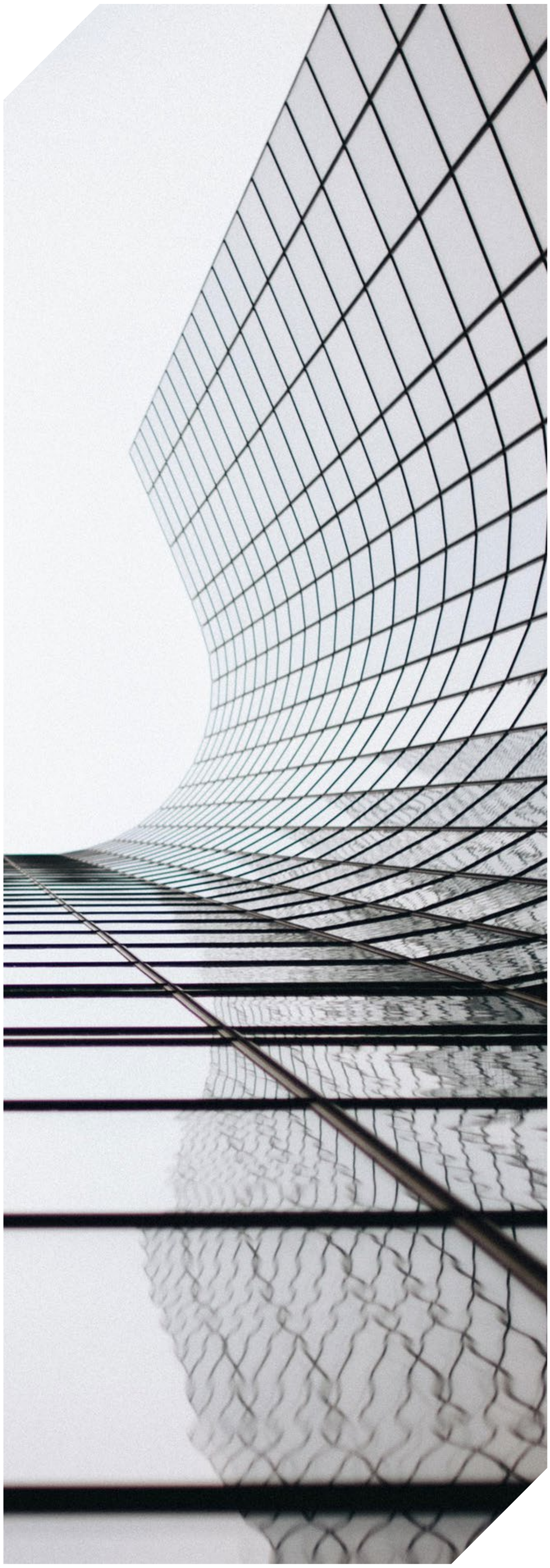
(f) Completed an equity raising of A$18 million gross proceeds in a placement to institutional investors at A$0.40 per share, with funds used to advance development of the Arcadia, advance the strategic partnership process, undertake further regional exploration and working capital.

(g) Commenced a structured partnership process, whereby interested parties had the opportunity to put forward proposals in a competitive environment to fully fund the Arcadia Project.

(h) Signed a binding agreement with leading new energy lithium-ion battery material producer, Huayou Cobalt, for the sale of Prospect's 87% interest in the Arcadia Lithium Project for a cash consideration of approximately US$377.8 million.

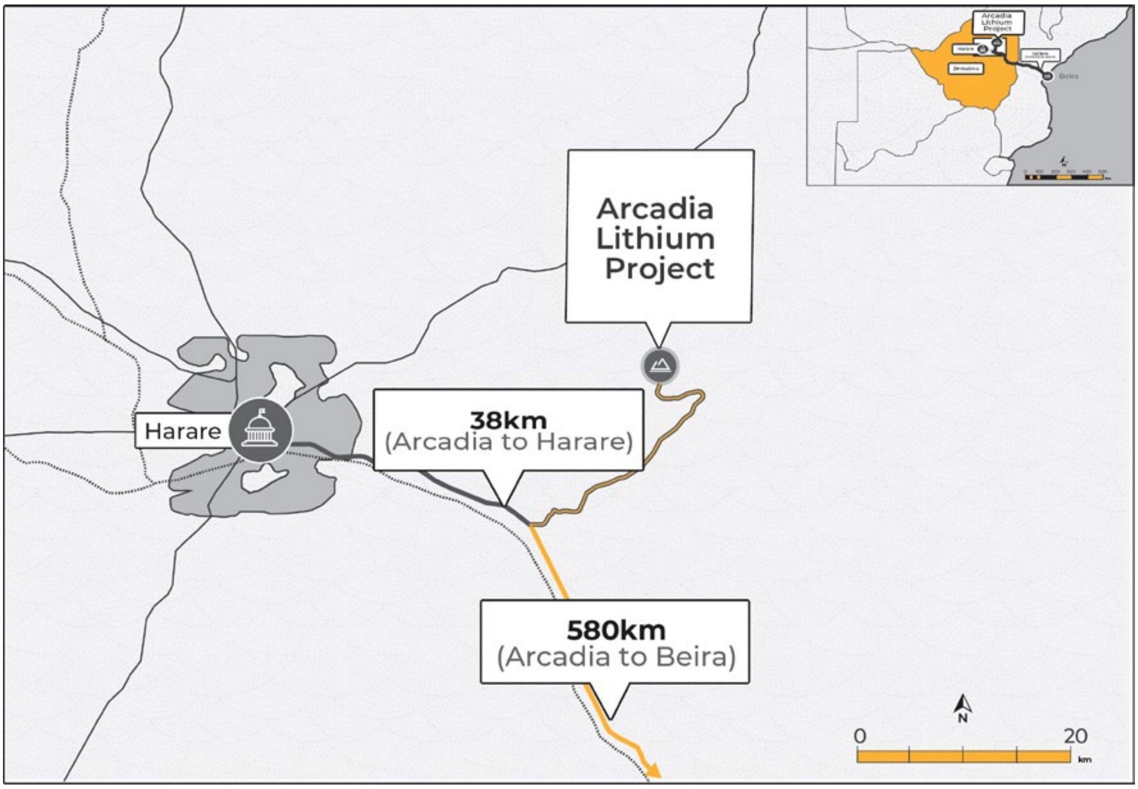
(i) Completed the transaction with Huayou in April 2022, receiving net proceeds of US$342.9 million (A$465.6 million) after payment of US$26.9 million to ZIMRA for capital gains tax and US$8.0 million to Sinomine.

(j) Subsequent to year end, distributed approx. 95% of the net Huayou transaction proceeds to shareholders via a cash distribution of A$0.96 per share (A$444 million), with approximately A$34 million cash retained to advance Prospect's strategy to be a battery and electrification metals explorer and developer focussed on sub-Saharan Africa.



Arcadia Lithium Project

Until completion of the transaction with Huayou Cobalt in April 2022, Prospect was the 87% owner of the Arcadia Lithium Project. The Arcadia Project is located in Zimbabwe, approximately 35 kilometres east of the capital Harare, providing convenient access to skilled and semi-skilled labour. A Mining Lease is granted over an area of more than 10 km^2 and Environmental Approvals are in place. Arcadia 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 kilometres of Arcadia with 20 MVA capacity and with surplus groundwater available.



Pilot Plant

On 25 June 2021, Prospect announced that construction and commissioning of the Pilot Plant was complete and that petalite production of bulk samples for customers had commenced, for an initial period of three months, with the ability to extend this pending additional demand. On 1 July 2021 it was announced that an official opening ceremony had been held at the Arcadia site in Zimbabwe with dignitaries from the Zimbabwean Government in attendance.

Executive Director Harry Greaves briefing Minister Chitando and government officials at the pilot plant

Prospect received a pilot plant purchase order from offtake partner, Sibelco, in May 2021 for up to 2,000 tonnes of technical grade petalite concentrate. The pricing in the purchase order represented an implied premium to the prevailing chemical grade spodumene concentrate (SC6) price of approximately 40%, at the time the order was struck.

On 4 October 2021, Prospect announced that the first 25 tonne container of technical grade petalite concentrate from the Arcadia Pilot Plant has been shipped to offtake partner, Sibelco. The Pilot Plant output was consistent with previous lab scale test work and confirmed the amenability of the Arcadia Ore Reserves to the production of a technical grade petalite concentrate product containing >4.0% Li_2O, <0.06% Fe_2O_3 and <1.0% combined alkali (Na_2O and K_2O). The quality of the petalite concentrate in the shipment exceeded the specifications set out in Prospect's offtake agreement with Sibelco.

The operation of the Pilot Plant was critical in allowing for geo-metallurgical confirmation and optimisation for each ore type, forming a critical part of Prospect's project development and market integration strategies. Subsequent to the period, pilot plant technical grade petalite product passed product qualification with the two largest European glass ceramics customers and is able to be used as a feedstock in their manufacturing processes. This was a major validation of the pilot plant, and successfully opened the European market.

Optimised Feasibility Study

On 30 March 2021, Prospect appointed Lycopodium, a leading independent lithium focussed engineering firm, to deliver the Optimised Feasibility Study (OFS) for the Arcadia Project. This scope of work included Front-End Engineering and Design to improve technical certainty and reduce execution risk in providing greater accuracy on equipment selection, sizing and resulting project economics.

Lycopodium was engaged to complete a dual-track OFS, evaluating:

- Staged OFS - A two-stage development to 2.4 Mtpa throughput, via progressive construction of two 1.2 Mtpa modules. This approach provided a lower upfront capital pathway to production and allowed execution and market risks to be managed progressively.
- Direct OFS - A single-stage development to a 2.4 Mtpa throughput operation. This direct approach provided the greater development efficiencies and higher economic returns, but with higher upfront capital requirements.

The Staged OFS and Direct OFS outcomes were released in October and December 2021, respectively. Both evidenced the potential of Arcadia to become a compelling long life, large scale, hard rock open pit lithium mine in Zimbabwe. Both also confirmed the Arcadia Project to be among the best lithium development projects globally in terms of scale and cost of production.

ARCADIA DIRECT OPTIMISED FEASIBILITY STUDY (DIRECT OFS): KEY OUTCOMES

Key metric (100% project basis)	Unit	Direct OFS			Staged OFS
Price deck utilised		**High prices**	**Base prices**	**Low prices**	
Annual process throughput	Mtpa	2.4	2.4	2.4	2.4
Initial life-of-mine (LOM) (Ore Reserve)	years	18.3	18.3	18.3	20.0
Average head grade (Ore Reserve)	% Li_2O	1.19	1.19	1.19	1.19
Average production –spodumene	ktpa conc.	147	147	147	133
Average production – technical petalite	ktpa conc.	94	94	94	86
Average production – chemical petalite	ktpa conc.	24	24	24	22
Pre-production capital expenditure	US$m	192	192	192	140
Stage 2 capital expenditure	US$m	-	-	-	72
Sustaining capital expenditure	US$m	36	36	36	39
Post tax investment to positive cash	US$m	201	202	204	148
C1 cash operating cost	US$/t conc.	369	357	345	378
All-In-Sustaining-Cost (AISC)	US$/t conc.	376	364	353	386
LOM average SC6 reference price	**US$/t SC6**	**1,019**	**892**	**736**	**736**
IRR (pre-tax, real basis, ungeared)	**%**	**72**	**61**	**48**	**35**
Pre-tax NPV10% (real basis, ungeared)	**US$m**	**1,399**	**1,022**	**646**	**465**
IRR (post-tax, real basis, ungeared)	**%**	**71**	**60**	**47**	**34**
Post-tax NPV10% (real basis, ungeared)	**US$m**	**1,268**	**929**	**590**	**408**
Average annual EBITDA (post-tax)	**US$m**	**232**	**175**	**118**	**97**
Project net cashflow (post-tax)	**US$m**	**3,504**	**2,597**	**1,690**	**1,468**
Payback period (from first production)	**Years**	**3.0**	**3.3**	**3.6**	**5.4**

Partnership Process

On 23 August 2021, Prospect announced that following a review of various funding options, and in response to multiple inbound enquiries received from a range of international parties in relation to funding and development of Arcadia, the Prospect Board had decided to commence a structured process for the submission of competitive partnership proposals to fully fund the Arcadia Project. The Company appointed Azure Capital and Vermilion Partners to run this process.

On 22 November 2021, Prospect provided an update on the process confirming that it had received seven non-binding proposals for the advancement of Arcadia from a range of international parties, encompassing structures including development joint venture, offtake prepayment debt funding and outright acquisition of Prospect's interest in Arcadia.

Huayou Cobalt transaction

On 21 December 2021, Prospect signed a binding agreement with leading new energy lithium-ion battery material producer, Huayou Cobalt, for the sale of its 87% interest in the Arcadia Lithium Project. The transaction comprised cash consideration of approximately US$377.8 million. Upon completion of the transaction in April 2022, and after payment of US$26.9 million in Zimbabwean capital gains tax and US$8 million to Sinomine in relation to the termination of the offtake agreement between Prospect and Sinomine, Prospect received net sale proceeds of US$342.9 million (A$465.6 million).

Distribution

The Prospect Board determined to distribute the vast majority of the Arcadia transaction proceeds to shareholders via a A$0.96 per share distribution. This distribution comprised an unfranked dividend component of A$0.79 per share (Special Dividend) and a capital reduction component of A$0.17 per share (Capital Reduction).

The Company called a General Meeting for 22 July 2022 in order for shareholders to approve the Capital Reduction. At the meeting, Prospect shareholders approved the resolution. Accordingly, all eligible shareholders received the A$0.96 per share cash distribution on 4 August 2022.

Project Generation and Business Development

Post its sale of the Arcadia Project, Prospect's strategy is to be a battery and electrification minerals dedicated explorer and developer, with a focus on the sub-Saharan African region. With the Arcadia transaction now complete, business development and new project generation are the top priorities. The Board believes that, with approximately A$34 million of residual cash post distribution, zero debt and continuity of the current management team, that Prospect is very well placed to deliver on this strategy.

In service of this strategy, the Company has taken the opportunity to strengthen its management team with the appointment of Mr David Broomfield to the role of Business Development Manager.

David holds a Masters in Mineral Economics and an honours Degree in Geology and has previously worked in business development positions in iron ore and manganese with both Sinosteel and Territory Resources and privately in the gold-copper-nickel sectors.

Mr Broomfield also worked extensively with investors and business leaders of small and emerging mid-cap ASX-listed resource companies in multiple commodities, experience that will play a key role in the corporate development of Prospect as it strives to discover its next development opportunity.

Prospect's exploration team is headed by Chief Geologist, Roger Tyler, who has decades of experience working throughout Africa and prior to leading the team that resulted in the discovery and development of the Arcadia Lithium Mine, was Anvil Mining's exploration manager in the DRC and led the programmes resulting in the discovery and development of the Kinsevere Copper-Cobalt Mine.

The exploration team continues to develop a pipeline of prospective battery and electrification mineral asset targets. The success and publicity associated with the Arcadia transaction has resulted in an increase in opportunities being presented to Prospect. Project generation activities are advancing well, and the Company is well capitalised to identify, assess, invest and advance projects that have the potential to meet scale and grade criteria.

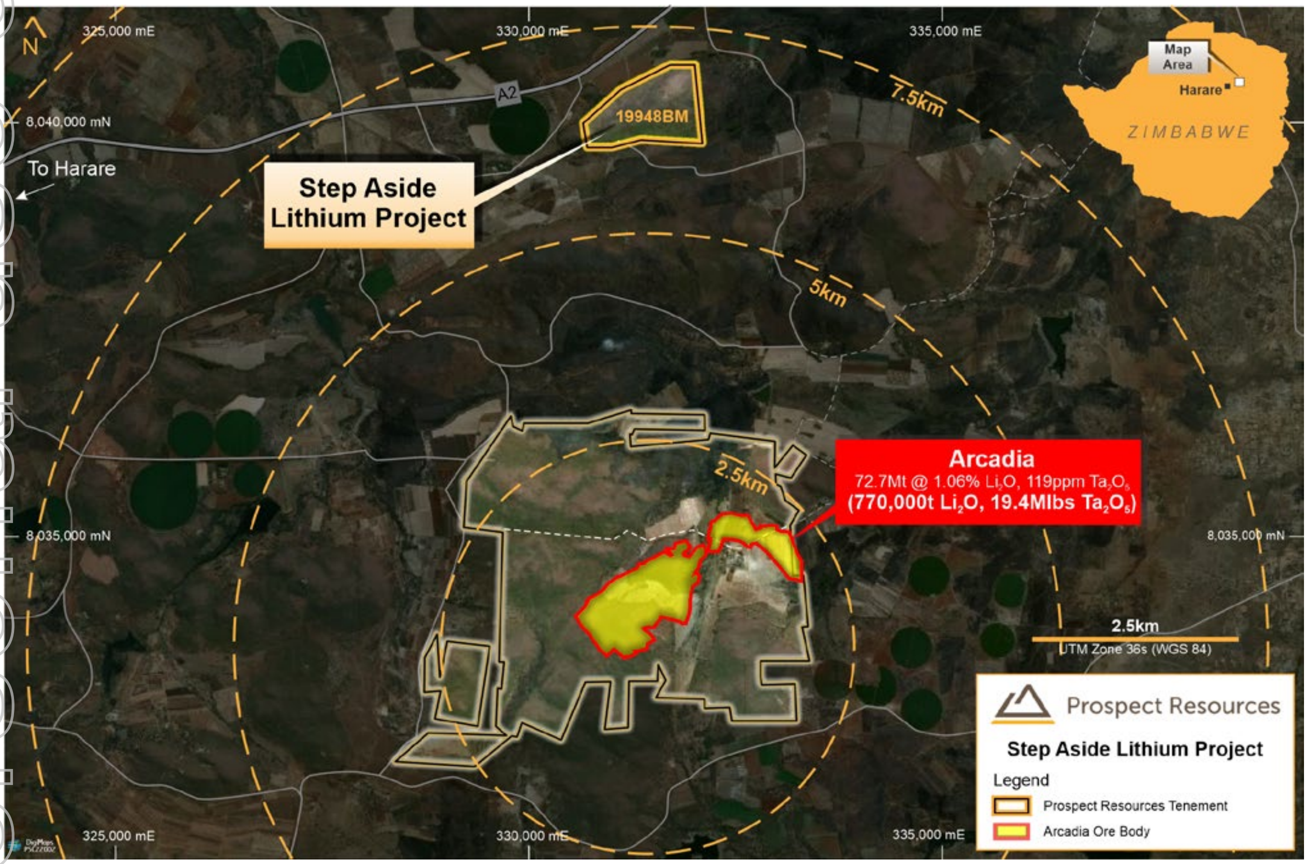
Business development activities have comprised evaluation of a number of projects, spanning various jurisdictions, commodities and stages of development. Although the projects assessed to date presented potential opportunities, they eventually failed to meet Prospect's internal project assessment criteria. Prospect is in ongoing discussions with various parties and is focusing its resources on the highest potential and best value opportunities.

Current Projects – Zimbabwe

Step Aside Project – Lithium

The Step Aside Lithium Project is located 8km north of the Arcadia Project, and comprises claims rationalised to approximately 100 hectares within the Harare Greenstone Belt, west of the Mashonganyika Fault (see map below).

The potential of the area has been confirmed by positive historical regional stream and soil sample geochemistry results. Four mineralised pegmatites have been mapped from east to west within a meta-dolerite host rock. These mineralised pegmatites are all roughly parallel to each other, lying in a north-south orientation and have mapped dip angles of 40-45˚ to the west.



Locality Map of Step Aside, 8km north of Arcadia

The next step in the exploration program at Step Aside is an initial Reverse Circulation (RC) drilling program. This approximately 15-hole, 1,100 metres program is targeted to determine the lateral/strike extent of potential mineralisation and identify key targets for planned follow-up diamond drilling (which will enable testing of the down-dip extent of the pegmatites).

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 11 October 2021.

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 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

DIRECTORS AND OFFICERS

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

Name	Particulars
Mark Wheatley	Non-Executive Chairperson
Duncan (Harry) Greaves (resigned 6 September 2022)	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
Dev Shetty	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr H Chen
Sam Hosack	Managing Director
Ian Goldberg	Chief Financial Officer and Joint Company Secretary
Lee Tamplin	Joint Company Secretary

The above named Directors and Officers 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 an overall profit after tax of $397,507,000 (2021: loss $3,745,000). This significant increase in profit was driven by the sale of the Arcadia project which enabled the Group to record a profit on sale of discontinued operations of $415,389,000 for the year (2021: loss $1,236,000).

As at the date of this report there are 462,259,462 shares on issue.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

(1) Successfully constructed and commenced operation of the Arcadia Pilot Plant on budget and within schedule.

(2) Completed the acquisition of shares in Prospect Lithium Zimbabwe and issue of consideration shares to Farvic, increasing the ownership in the Arcadia Project from 70% to 87%.

(3) Delivered bulk technical grade petalite shipment to offtake partner, Sibelco.

(4) Delivered two Optimised Feasibility Studies, presenting two economic development pathways for Arcadia:

- A two-stage development to 2.4Mtpa throughput, via progressive construction of two 1.2Mtpa modules, providing a lower capital pathway to production and allowing execution and market risks to be managed progressively; and
- A single-stage development to 2.4Mtpa throughput, providing greater development efficiency and higher economic returns, with higher upfront capital requirements.

(5) Acquisition of the Step Aside Lithium Project, located 8km north of the Arcadia Project, comprising claims rationalised to approximately 100 hectares within the Harare Greenstone Belt, west of the Mashonganyika Fault.

(6) Completed an equity raising of A$18 million gross proceeds in a placement to institutional investors at A$0.40 per share, with funds used to advance development of the Arcadia, advance the strategic partnership process, undertake further regional exploration and working capital.

(7) Commenced a structured partnership process, whereby interested parties had the opportunity to put forward proposals in a competitive environment to fully fund the Arcadia Project.

(8) Signed a binding agreement with leading new energy lithium-ion battery material producer, Huayou Cobalt, for the sale of Prospect's 87% interest in the Arcadia Lithium Project for a cash consideration of approximately US$377.8 million.

(9) Completed the transaction with Huayou in April 2022, receiving net proceeds of US$342.9 million (A$465.6 million).

Subsequent to year end, the Company made a cash distribution to shareholders totaling A$0.96 per share (A$444 million), with approximately A$34 million cash retained to advance Prospect's strategy to be a battery and electrification metals explorer and developer focussed on sub-Saharan Africa.

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 6 July 2022 the Company issued 13.5 million ordinary shares and received $3.41 million in cash for the exercise of 13.5 million options.
- On 22 July 2022 the Company held a general meeting for shareholders where the return of capital, being $0.17 per share, was approved and Directors resolved to issue an unfranked dividend of $0.79 per share, for a total distribution of $0.96 per share.
- On 4 August 2022 the distribution as noted above was made to shareholders for gross amount of $443.8 million.
- On 26 August 2022 the Group acquired the 30% noncontrolling interest in Hawkmoth Mining & Explorations (Pvt) Limited ("HME") for a purchase price of US$100. On completion of the transaction HME becomes a wholly owned subsidiary of the group.
- On 6th September Harry Greaves resigned as a Director but will continue to provide consulting services to the Company going forward.

DIVIDENDS

An unfranked dividend of $0.79 per share was recommended during the year and paid subsequent to the year end.

LIKELY DEVELOPMENTS / STRATEGIES AND PROSPECTS

The Company's future strategy is to be a battery and electrification minerals focused explorer and developer. With the Arcadia transaction now complete, business development and new project generation are our top priorities. The Board believes that, with approximately A$34 million of available cash and continuation of the current management team, that the Company is extremely well-resourced to deliver on this strategy.

INFORMATION ON DIRECTORS

Mark Wheatley (Non-Executive Chairman) appointed 8 January 2021; Independent

Experience and Expertise

Mr Wheatley is an experienced listed resources company director including roles as CEO, MD, non-executive director and chairman since 2003. He has operated on the ASX, TSX, JSE and NASDAQ across the gold, base and battery metals sectors at all stages of the mining life cycle within companies with markets caps ranging from $5 million to $7 billion. His executive experience began as an undergraduate trainee at a major miner and development across a number of disciplines, then investment banking before moving to a large gold miner and later into the junior mining sector as MD/CEO in uranium and gold.

Mr Wheatley is well known to institutional investors and has served as a nominee director for a leading private equity group across a number of their listed and private portfolio companies. He brings strong corporate experience and in depth understanding of equity markets and has led successful turnaround stories and several highly accretive merger and acquisition transactions.

Mr Wheatley holds a Bachelor of Engineering (Chemical Engineering Hons 1) from the University of New South Wales and a Master of Business Administration from West Virginia University.

Other Current Listed Directorships

Ora Banda Mining Ltd (appointed 2 April 2019)
Peninsula Energy Limited (appointed 26 April 2016)

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Chairman and member of the Remuneration and Nominations Committee

Interests in Shares and Options

2,645,162 ordinary shares and Nil options.

Duncan (Harry) Greaves (Executive Director) appointed 18 July 2013, resigned 6 September 2022

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 Managing Director of Farvic Consolidated Mines (Pvt) Ltd which incorporates Mixnote Investments (Pvt) Ltd operating the Beatrice Mine.

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.

Directors' Report

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

Experience and Expertise

Mr Fahey has over 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 in Zimbabwe 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

Member of the Remuneration and Nominations Committee

Interests in Shares and Options

1,025,000 ordinary shares and Nil options.

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

Experience and Expertise

Mr Rusike has a Bachelor of Accountancy Degree (Birmingham) and is a resident of Zimbabwe. He was previously the 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 to pursue personal interests and currently sits on the boards of ZB Capital Limited, Dulux Paints Limited and Halsted Brothers (Pvt) Limited. Mr Rusike is a former President of the Confederation of Zimbabwe Industries (2000 – 2001).

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Remuneration and Nominations Committee, and Audit and Risk Committee

Interests in Shares and Options

3,040,374 ordinary shares and Nil options.

Dev Shetty (Non-Executive Director) appointed 18 December 2020

Experience and Expertise

Mr Shetty is a highly experienced mining executive and qualified chartered accountant. He is currently President and CEO of Fura Gems Inc. He was previously a director and group Chief Operating Officer of Gemfields plc (LSE: GEM), and also held roles in a private-equity firm.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Audit and Risk committee

Interests in Shares and Options

741,039 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.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

Member of the Remuneration and Nominations Committee, and Audit and Risk Committee

Interests in Shares and Options

6,913,744 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 management of their operations. For the 12 years prior to commencing at Prospect Resources, he was employed by First Quantum Minerals Ltd, primarily in the Project delivery team, where in his final role he project managed the building of a port (coal offloading and copper loading), 120km 230kV transmission line and a 300MW coal fired power station for the Minera Panama Project in Panama. His leadership and mining operations experience in North and Southern Africa, Europe, Australia and Central America will be a critical success factor in building Prospect into a diversified mining developer.

Other Current Listed Directorships

None

Former Listed Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

7,220,854 ordinary shares and Nil options.

Company Secretary

Mr Ian Goldberg and Mr Lee Tamplin were appointed joint company secretaries on 8 March 2021. Mr Goldberg is the Company's Chief Financial Officer and Mr Tamplin is an employee of Automic Group and is currently the company secretary of several other listed companies.

Interests in Shares and Options

Mr Goldberg holds 4,085,153 ordinary shares and Nil options. Mr Tamplin has Nil interest in the Group.

MEETINGS OF DIRECTORS

The number of Board and Committee meetings of the Company's board held during the year ended 30 June 2022 that each Director was eligible to attend, and the number of meetings attended by each Director were:

	Number of Meetings					
	Board		Audit & Risk		Remuneration & Nomination	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mark Wheatley	13	13	-	-	2	2
Harry Greaves	13	12	-	-	-	-
Gerry Fahey	13	13	-	-	2	2
Zed Rusike	13	12	3	3	2	2
Dev Shetty	13	10	3	2	-	-
HeNian Chen	13	4	-	-	-	-
Meng Sun (alternate to Mr Chen)	13	13	3	3	2	2
Sam Hosack	13	13	3	3	2	2

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

Directors' Report

REMUNERATION REPORT (AUDITED) (Continued)

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 regard to the development of the company and benchmarking of fees paid to peer group companies.

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 executive 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) 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 Key Management Personnel.

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 is to issue options to directors and executives to encourage the alignment of personal and shareholder interests while also allowing cash based compensation to be moderated until operating cashflow is achieved. The Group believes this policy will be the most effective in increasing shareholder wealth.

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 2022 and prior.

	30 June 2022 [ii]	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	$'000	$'000	$'000	$'000	$'000
Revenue	5,650	442	369	3,320	3,892
Net (loss) before tax	(17,882)	(2,509)	(4,607)	(5,722)	(5,401)
Gain / (loss) from discontinued operations	415,389	(1,236)	-	-	-
Net profit / (loss) after tax	397,507	(3,745)	(4,607)	(5,753)	(5,640)

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Share price at beginning of year (cents)	21.0	7.2	22.5	35.0 [i]	2.0
Share price at end of year (cents)	97.0	21.0	7.2	22.5	3.5
Dividends	-	-	-	-	-
Basic (loss) per share (cents per share)	(4.29)	(1.06)	(1.79)	(3.52)	(0.32)
Diluted (loss) per share	(4.20)	(1.06)	(1.79)	(3.52)	(0.32)

[i] 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

[ii] Unless otherwise stated, the current year performance information reflects the continuing operations of the group. The prior year data has been restated to reflect the impact of the sale of the Arcadia project.

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration of Key Management Personnel

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

Directors

Name	Particulars
Mark Wheatley	Non-Executive Chairperson
Duncan (Harry) Greaves (resigned 6 September 2022)	Executive Director
Gerry Fahey	Non-Executive Director
Zivanayi (Zed) Rusike	Non-Executive Director
Dev Shetty	Non-Executive Director
HeNian Chen	Non-Executive Director
Meng Sun	Alternate to Mr H Chen
Sam Hosack	Managing Director

Executives

Name	Particulars
Ian Goldberg	Chief Financial Officer and Joint Company Secretary

2) Details of remuneration

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER [ii]		
2022	Salary & Fees $	Bonus[v] $	Salary Sacrifice[iii] $	Superannuation $	Options $	$	Total $	Performance %
Non-Executive Directors								
M Wheatley	139,636[vi]	-	-	7,964	100,380	-	247,980	40%
G Fahey	32,727	-	-	3,273	50,190	-	86,190	58%
Z Rusike	36,000	100,000	-	-	-	-	136,000	74%
D Shetty	36,000	-	-	-	50,190	-	86,190	58%
H Chen [i]	32,727	-	-	3,273	50,190	-	86,190	58%
M Sun [iv]	32,579	-	-	3,421	-	-	36,000	-
Executive Directors								
H Greaves	250,000	475,000	124,989	-	-	-	849,989	56%
S Hosack	326,432	-	174,999	23,568	275,981	25,324	826,304	33%
Executives								
I Goldberg	276,432	52,000	-	23,568	136,264	8,007	496,271	38%
Total	**1,162,533**	**627,000**	**299,988**	**65,067**	**663,195**	**33,331**	**2,851,114**	**45%**

[i] HeNian Chen fees were paid or are payable to his alternate director, Ms Sun

[ii] Other benefits represents leave accruals

[iii] Salary sacrifice represents the reimbursement of salary forgone up to 30 June 2021 when all salaries were restored to their original levels by the board.

[iv] Alternative director Ms Sun was paid a fee as consideration for consultancy services rendered and special exertions made during the year.

[v] Bonus of Mr Greaves and Mr Rusike represent short term incentives paid for their additional services rendered and special exertions made in contribution to recent corporate transactions. Bonus of Mr Goldberg represents one-off payment agreed on employment.

[vi] Salary and fees of Mr Wheatley includes $60,000 for additional days worked in addition to work performed under his Service Agreement

REMUNERATION REPORT (AUDITED) (Continued)

	SHORT TERM			POST EMPLOYMENT	EQUITY	OTHER (vi)		
2021	Salary & Fees $	Bonus $	Salary Sacrifice $	Superannuation $	Options $	$	Total $	Performance %
Non-Executive Directors								
M Wheatley (i)	38,413	-	-	3,649	1,346	-	43,408	3%
G Fahey	10,959	-	-	1,041	673	-	12,673	5%
Z Rusike	12,000	-	-	-	-	-	12,000	-
D Shetty	6,467	-	-	-	673	-	7,140	9%
H Chen (ii)	10,959	-	-	1,041	673	-	12,673	5%
Executive Directors								
H Greaves	125,000	-	-	-	-	-	125,000	-
S Hosack	158,904	-	-	15,096	3,744	14,338	192,082	2%
H Warner (iii)	48,260	-	93,750	9,200	-	54,642	205,852	-
Executives								
T Barnard	149,322	-	-	-	85,919	39,767	275,008	31%
C Hilbrands (iv)	97,032	-	11,416	11,640	-	36,946	157,034	-
I Goldberg (v)	63,261	-	-	6,010	52,815	3,309	125,395	42%
Total	**720,577**	**-**	**105,166**	**47,677**	**145,843**	**149,002**	**1,168,265**	

(i) Mr Wheatley was appointed as a director on 8 January 2021

(ii) Mr Chen fees were paid or are payable to his alternate director, Meng Sun

(iii) Mr Warner resigned as a director on 22 October 2020

(iv) Mr Hilbrands resigned as CFO on 15 March 2021

(v) Mr Goldberg joined the Company on 6 February 2021

(vi) Except in the case of Mr Barnard Other benefits represents leave accruals. Mr Barnard also received Other benefits of $39,767 being for family school tuition and rental accommodation paid by the Group on his behalf

Salary sacrifice payments

In 2022, amounts forgone by executives up to 31 December 2021 were reimbursed (2021: $Nil). The amount paid to Executive directors was in addition to their salary, paid as a 1 off salary sacrifice payment. The salary sacrifice payments included $52,000 paid to Mr Goldberg as a one-off conditional bonus upon the Company declaring final investment decision on the Arcadia project in accordance with his Executive Services Agreement for reduced salary for services from commencement of his employment to 31 December 2021.

Short term incentives - bonus

In 2022 short term incentives of $575,000 were recognised by the Group (2021: $Nil). Payments were made to Mr Greaves ($475,000) and Mr Rusike ($100,000) for their additional services rendered and special exertions made in contribution to recent corporate transactions.

3) Service agreements

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.

As of 1 July 2021, the non-executive director remuneration was adjusted to a total annual salary of $36,000 per annum inclusive of superannuation (if applicable). During 2022, in addition to his salary, Mr Rusike received a short term incentive of $100,000 for additional services rendered and special exertions made in contribution to recent corporate transactions.

REMUNERATION REPORT (AUDITED) (Continued)

The Chairperson Mr Wheatley has a service agreement with a total annual salary of $87,600 inclusive of super. After the initial role orientation phase, days worked beyond 6 full days per month which when agreed by the Managing Director prior, are billable at A$1,000 per day. A total of $60,000 was accrued at 30 June 2022.

Executive Directors

Mr 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, Mr Hosack's remuneration was reduced by 50.3% to $174,000 per annum.

As of 1 July 2021, Mr Hosack's remuneration was adjusted to a total annual salary of $350,000 per annum inclusive of superannuation. During 2022, in addition to his salary, Mr Hosack received a 1 off salary sacrifice payment of $174,999.

Mr 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, Mr Greaves' remuneration was reduced by 50% to $125,000 per annum.

As of 1 July 2021, Mr Greaves' remuneration was adjusted to a total annual salary of $250,000 per annum inclusive of superannuation. During 2022, in addition to his salary, Mr Greaves received a 1 off salary sacrifice payment of $124,989 and a short term incentive of $475,000 for additional services rendered and special exertions made in contribution to recent corporate transactions.

Other Executives

Mr Barnard signed a consulting agreement with a subsidiary of the Company commencing 1 August 2018, which remained in force until the SSA was executed at which point Mr Barnard ceased to be an Executive of the Group.

Effective 1 April 2020, Mr Barnard's contract was converted into a US$ based value and reduced by approximately 40% to US$112,260 (approx. AU$160,000) per annum.

As of 1 July 2021, Mr Barnard's remuneration was adjusted to a total annual salary of US$187,104 (approximately $250,000) per annum inclusive of superannuation (if applicable). During 2021, Mr Barnard also received other benefits of $39,767 being for family school tuition and rental accommodation paid by the Group on his behalf.

Mr Goldberg entered into an Executive Services Agreement commencing 6 February 2021 with a total salary of $300,000 per annum inclusive of superannuation. Effective 6 February 2021, Mr Goldberg's remuneration was reduced to $175,000 per annum. As of 1 July 2021, Mr Goldberg's remuneration was adjusted to a total salary of $300,000 per annum inclusive of superannuation. During the year, Mr Goldberg received a one-off payment of $52,000 for salary forgone during the period.

Termination

For all Directors and Officers other than Mr Wheatley, Mr Shetty and Mr Hosack, 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 may be entitled to up 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 Wheatley, Mr Shetty and Mr Hosack's terms of employment require that the Company or Executive provide the other with three months' notice.

REMUNERATION REPORT (AUDITED) (Continued)

4) Share-based compensation

The Company issued Nil options to directors or key management personnel during the financial year (2021: 17,500,000). 20,000,000 options were exercised (2021: Nil) and Nil options (2021: Nil) expired during the year.

During the financial year, all share based payment arrangements with key management personnel completed as all options vested and were exercised. The following share based payment arrangements to directors and key management personnel were in existence during the year:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
Issued 13/05/18	13/05/18	$0.1740	$0.60	12/05/22	14/10/18
Issued 06/02/21	06/02/21	$0.0420	$0.26	03/02/25	23/12/21 [i]
Issued 25/06/21	25/06/21	$0.0509	$0.24	07/01/25	23/12/21
Issued 25/06/21	25/06/21	$0.0466	$0.26	03/02/25	23/12/21
Issued 17/11/20	17/11/20	$0.0487	$0.24	05/11/23	23/12/21

[i] The terms of the options provided for their vesting on a Change in Control Event, covering a change of control at both a corporate and project level. The signing of the SSA triggered a change in control event as the Group has agreed to sell all or a substantial part of the assets or business of the Group (the Arcadia Project) to a third party, which was not the result of an internal restructure. The terms and vesting conditions on the date of grant of 17,500,000 options in the prior year are detailed below.

During the financial year ended 30 June 2021, the Company issued 17,500,000 options to directors or key management personnel and Nil options were exercised or expired during the year. During that year, the following share based payment arrangements to directors and key management personnel were in existence:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
Issued 13/05/18	13/05/18	$0.1740	$0.60	12/05/22	14/10/18
Issued 06/02/21	06/02/21	$0.0420	$0.26	03/02/25	(i)
Issued 25/06/21	25/06/21	$0.0509	$0.24	07/01/25	(ii)
Issued 25/06/21	25/06/21	$0.0466	$0.26	03/02/25	(iii)
Issued 17/11/20	17/11/20	$0.0487	$0.24	05/11/23	(iv)

[i] Mr Goldberg option vesting conditions

(a) 1,500,000 options vest in 12 months from date of issue;
(b) 1,500,000 options vest at Final investment Decision (FID) before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project;
(c) 1,500,000 options vest with first on-spec product shipped within 18 months of FID; and
(d) All options will vest immediately upon a change of control event.
(e) The options are non-transferable.

[ii] Options granted to Mr Wheatley, Mr Fahey, Mr Shetty and Mr Shen vesting conditions

(a) 1,00,000 of options vesting at FID before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project; and
(b) 1,000,000 of the options vest with first on-spec product shipped within 18 months of FID.
(c) The options are non-transferable.

[iii] Mr Hosack option vesting conditions

(a) 2,000,000 options vest in 12 months from date of issue;
(b) 2,000,000 options vest at FID before 31 December 2021 for stage 1 of the Arcadia development, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project;
(c) 2,000,000 options vest with first on-spec product shipped within 18 months of FID; and
(d) All options will vest immediately upon a change of control event.
(e) The options are non-transferable.

[iv] Mr Barnard options vesting conditions

(a) 500,000 vest in 6 months;
(b) 500,000 vest in 12 months;
(c) 500,000 vest at first shipment of on-spec product from the pilot plant before 30 June 2021; and
(d) 500,000 vest at FID, FID occurs after all elements of the project are procured and sufficient capital is secured to fully fund the stage 1 project before 31 December 2021.
(e) The options are non-transferable.

REMUNERATION REPORT (AUDITED) (Continued)

The value of options granted during the financial year is calculated at the grant date using Black-Scholes. The Company recognised $663,193 share based payment compensation to key management personnel for options granted in prior periods. In 2021: $145,843 was recognised as share based payment compensation for options granted during that year. 20,000,000 options were exercised during the year (2021: Nil). Nil options expired in 2022 (2021: Nil).

During the year, the following options of directors and key management personnel were exercised (2021: Nil). The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trade on the date the options were exercised after deducting the price paid to exercise the option. Some option holders utilised a cashless exercise facility offered allowing the conversion of options for a reduced cash payment in forfeiture of shares.

2022	Options Exercised during the year	Value of Option Exercised during the year $
M Wheatley	2,000,000	1,460,000
H Greaves	-	-
G Fahey	1,000,000	700,000
Z Rusike	-	-
D Shetty	1,000,000	720,000
H Chen	1,000,000	700,000
S Hosack	10,500,000	5,655,000
I Goldberg	4,500,000	3,060,000
T Barnard	2,000,000	1,200,000
	22,000,000	**13,495,000**

Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2022	Opening balance	Granted as compensation	On exercise of options	Disposed	Net change other	Closing balance
M Wheatley	645,162	-	2,000,000	-	-	2,645,162
H Greaves	5,517,954	-	-	-	-	5,517,954
G Fahey	1,025,000	-	747,948	(747,948)	-	1,025,000
Z Rusike	3,040,374	-	-	-	-	3,040,374
D Shetty	-	-	741,039	-	-	741,039
H Chen	6,165,796	-	747,948	-	-	6,913,744
S Hosack	2,000,000	-	7,220,854	(2,000,000)	-	7,220,854
I Goldberg	258,064	-	4,085,153	(258,064)	-	4,085,153
T Barnard	1,775,270	-	-	-	(1,775,270)	-
	20,427,620	**-**	**15,542,942**	**(3,006,012)**	**(1,775,270)**	**31,189,280**

Options Held at 30 June 2022	Opening balance	Granted as compensation	Exercised	Expired	Closing balance	Vested during the year	Vested and exercisable
M Wheatley	2,000,000	-	(2,000,000)	-	-	2,000,000	-
H Greaves	-	-	-	-	-	-	-
G Fahey	1,000,000	-	(1,000,000)	-	-	1,000,000	-
Z Rusike	-	-	-	-	-	-	-
D Shetty	1,000,000	-	(1,000,000)	-	-	1,000,000	-
H Chen	1,000,000	-	(1,000,000)	-	-	1,000,000	-
S Hosack	10,500,000	-	(10,500,000)	-	-	6,000,000	-
I Goldberg	4,500,000	-	(4,500,000)	-	-	4,500,000	-
T Barnard	2,000,000	-	(2,000,000)	-	-	1,500,000	-
	22,000,000	**-**	**(22,000,000)**	**-**	**-**	**17,000,000**	**-**

(End of Remuneration Report)

Directors' Report

ADDITIONAL INFORMATION

(a) Shares under option

At 30 June 2022 the Company had 13,500,000 unlisted options over ordinary shares under issue (30 June 2021: 39,750,000). These options have since been exercised such that at the date of signing this report, the Company has Nil unlisted options over ordinary shares under issue.

(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 is the appointed auditor.

(f) Indemnity of Auditor

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

(g) Audit Services

During the financial year $99,356 (excluding GST) was paid or payable for audit services provided by Stantons (2021: $80,186). Non related audit firms have been paid or are payable $50,000 for audit services of subsidiaries (2021: $43,000).

(h) Non-audit Services

Non-audit services totaling Nil (2021: $25,000) were provided by the auditor or any entity associated with the auditor. The fees during the prior year 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 70 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 23 September 2022

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 2022 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 22 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 2022.

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

Sam Hosack
Managing Director

Perth, Western Australia
Dated 23 September 2022

Financial Report

Consolidated Statement of Profit or Loss

For the Year Ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 Restated [i] $'000
Continuing operations			
Revenue	5	**5,650**	417
Depreciation expense	13	**(56)**	(32)
Development costs expensed		**(349)**	(248)
Employee benefits expenses		**(2,833)**	(904)
Foreign currency loss - unrealised		**(17,556)**	-
Interest expense		**(7)**	(2)
Impairment of exploration expenditure	14	**(198)**	-
Impairment of assets	10	**-**	(141)
Occupancy expenses		**(15)**	(38)
Share based payment – options expense	21(a)	**(699)**	(328)
Other administrative expenses		**(1,819)**	(1,233)
(Loss) before income tax		**(17,882)**	(2,509)
Income tax expense	6	**-**	-
(Loss) from continuing operations		**(17,882)**	(2,509)
Profit / (loss) from discontinued operations (attributable to equity holders of the Company)	22(c)	**415,389**	(1,236)
Profit / (loss) for the year		**397,507**	(3,745)
Profit / (loss) attributable to:			
Equity holders of the Company		**397,573**	(3,458)
Non-controlling interests	22(a)	**(66)**	(287)
		397,507	(3,745)
(Loss) per share from continuing operations			
Basic (loss) per share (cents)	31	**(4.29)**	(0.80)
Diluted (loss) per share (cents)	31	**(4.20)**	(0.80)
Profit / (loss) per share from discontinuing operations			
Basic profit / (loss) per share (cents)	31	**100.06**	(0.26)
Diluted profit / (loss) per share (cents)	31	**97.91**	(0.26)

[i] See Note 22(c) for details regarding the restatement of the prior period as a result of the discontinued operations reported during the current period

The accompanying notes form part of these financial statements

Consolidated Statement of Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	Consolidated	
		2022 $'000	**2021 Restated [i] $'000**
Profit / (loss) for the period		**397,507**	(3,745)
Other comprehensive gain / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**19,246**	(189)
Exchange differences on translation of discontinued operation		**-**	(2,010)
Other comprehensive gain / (loss) for the year net of tax		**19,246**	(2,199)
Total comprehensive gain / (loss) for the year		**416,753**	(5,944)
Total comprehensive gain / (loss) attributable to:			
Equity holders of the Company		**416,271**	(5,784)
Non-controlling interests	22(b)	**482**	(160)
		416,753	(5,944)
Total comprehensive income / (loss) for the year attributable to Equity holders of the Company arising from			
Continuing operations		882	(2,883)
Discontinuing operations		415,389	(2,901)
		416,271	(5,784)

[i] See Note 22(c) for details regarding the restatement of the prior period as a result of the discontinued operations reported during the current period

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	**474,288**	7,877
Trade and other receivables	9	**473**	553
Assets held for sale	10	**-**	-
Other current assets	11	**47**	282
Total Current Assets		**474,808**	8,712
Non-Current Assets			
Investment in listed securities	12	**12**	18
Property, plant and equipment	13	**282**	526
Exploration and evaluation expenditure	14	**486**	91
Mine properties	15	**-**	25,605
Intangible assets	16	**-**	308
Total Non-Current Assets		**780**	26,548
Total Assets		**475,588**	35,260
LIABILITIES			
Current Liabilities			
Trade and other payables	17	**1,131**	930
Lease liability	18	**36**	43
Provisions	19	**125**	94
Tax liabilities	6	**-**	-
Total Current Liabilities		**1,292**	1,067
Non-Current Liabilities			
Lease liability	18	**-**	33
Provisions	19	**37**	204
Total Non-Current Liabilities		**37**	237
Total Liabilities		**1,329**	1,304
Net Assets		**474,259**	33,956
EQUITY			
Contributed equity	20(b)	**101,344**	76,647
Reserves	21(a), 21(c)	**28,790**	11,239
Accumulated profits / (losses)	21(d)	**345,025**	(52,548)
Total Equity Attributable to Shareholders of Parent Company		**475,159**	35,338
Non-controlling interests	22(a)	**(900)**	(1,382)
Total Equity		**474,259**	33,956

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from other income		-	13
Government tax credits and rebates		-	55
Payments to suppliers and employees		(5,189)	(2,384)
Payment for development costs expensed		(363)	(201)
Payments for exploration expenditure expensed			-
Income tax paid		-	-
Net cash (outflow) from operating activities	8(a)	**(5,552)**	(2,517)
Cash flows from investing activities			
Interest received		315	4
Net proceeds from assets held for sale		126	266
Proceeds from sale of Penhalonga Gold Project		964	335
Payments for development costs		(3,984)	(3,449)
Loan from minority interest		-	27
Payment for property, plant and equipment		(242)	(88)
Proceeds from sale of property, plant and equipment		16	15
Payments for exploration expenditure and acquisition of tenements		(592)	(91)
Payment for additional interest in subsidiary		(1,187)	-
Proceeds from sale of subsidiaries		508,692	-
Payments for costs associated with sale of subsidiaries [i]		(51,883)	-
Net cash inflow / (outflow) from investing activities		**452,225**	(2,981)
Cash flows from financing activities			
Payment for lease		(34)	(13)
Interest paid		(6)	(2)
Proceeds from issue of shares		18,000	12,500
Proceeds from exercise of options		2,557	-
Capital raising costs		(793)	(801)
Net cash inflows from financing activities		**19,724**	11,684
Net increase in cash and cash equivalents		**466,397**	6,186
Cash and cash equivalents at beginning of year		7,877	1,698
Effects of exchange rate changes on the balance of cash held in foreign currencies		14	(7)
Cash and cash equivalents at end of year	8	**474,288**	7,877

[i] Included within payments for costs associated with sale of subsidiaries is US$26.9 million paid to ZIMRA for capital gains tax and US$8 million to Sinomine.

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

	Note	Issued Capital $'000	Option Reserves $'000	Foreign Currency Translation Reserve $'000	Other Reserves $'000	Accumulated Losses $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 30 June 2020		**65,429**	**10,847**	**1,909**	**-**	**(49,090)**	**29,095**	**(1,222)**	**27,873**
(Loss) for the year		-	-	-	-	(3,458)	(3,458)	(287)	(3,745)
Other comprehensive income		-	-	(2,326)	-	-	(2,326)	127	(2,199)
Total comprehensive (loss) for the year		**-**	**-**	**(2,326)**	**-**	**(3,458)**	**(5,784)**	**(160)**	**(5,944)**
Issue of ordinary shares for cash	20(b)	12,500	-	-	-	-	12,500	-	12,500
Options issued	21(a)	-	809	-	-	-	809	-	809
Share capital raising costs	20(b)	(1,282)	-	-	-	-	(1,282)	-	(1,282)
Balance at 30 June 2021		**76,647**	**11,656**	**(417)**	**-**	**(52,548)**	**35,338**	**(1,382)**	**33,956**
(Loss) for the year from continuing operations		-	-	-	-	(17,816)	(17,816)	(66)	(17,882)
Gain for the year from discontinuing operations		-	-	-	-	415,389	415,389	-	415,389
Other comprehensive income		-	-	18,698	-	-	18,698	548	19,246
Total comprehensive gain / (loss) for the year		**-**	**-**	**18,698**	**-**	**397,573**	**416,271**	**482**	**416,753**
Issue of ordinary shares for cash	20(b)	18,000	-	-	-	-	18,000	-	18,000
Issue of ordinary shares for additional interest in subsidiary	22(b)	3,087	-	-	-	-	3,087	-	3,087
Non-controlling interests benefit from debt-to-equity swap	22(b)	-	-	-	(1,941)	-	(1,941)	1,941	-
Increase in ownership in subsidiary	22(b)	-	-	-	(4,484)	-	(4,484)	208	(4,276)
Sale of subsidiaries	22(c)	-	-	-	6,425		6,425	(2,149)	4,276
Issue of shares on exercise of options	20(b)	4,403	(1,846)	-	-	-	2,557	-	2,557
Share based payments expense on options issued in prior years	24(a)	-	699	-	-	-	699	-	699
Share capital raising costs	20(b)	(793)	-	-	-	-	(793)	-	(793)
Balance at 30 June 2022		**101,344**	**10,509**	**18,281**	**-**	**345,025**	**475,159**	**(900)**	**474,259**

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 1. CORPORATE INFORMATION

The financial report of Prospect Resources Limited ("the Company") for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 23 September 2022.

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.

(i) 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.

(ii) 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(z).

(iii) 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. The comparative results in the statement of profit and loss and other comprehensive income have been restated to show the effect of discontinued operations.

(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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of Consolidation (Continued)

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.

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

These accounts have been prepared on the going concern basis, as the directors believe the Group's cash balances of $474.3 million at 30 June 2022 is sufficient to fund its business for the foreseeable future.

Subsequent to year end (in August 2022), the directors declared and paid a dividend and capital distribution of $443.8 million. The directors believe cash holdings of the Group post distribution of approximately $33 million are sufficient to fund future planned operations of the Group.

(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.

(i) AASB 2021-3: Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021

The Group has applied AASB 2021-3: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021 this reporting period.

The amendment amends AASB 16 to extend by one year, the application of the practical expedient added to AASB 16 by AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and instead, to account for those rent concessions as if they were not lease modifications. The amendment has not had a material impact on the Group's financial statements.

(ii) AASB 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

The Group has applied AASB 2020-8 which amends various standards to help listed entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements. As a result of these amendments, an entity:

- will not have to derecognise or adjust the carrying amount of financial statements for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The amendment has not had a material impact on the Group's financials.

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

New and revised accounting standards not yet adopted by the Group include the following:

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current. The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

(ii) AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments is an omnibus standard that amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141. The Group plans on adopting the amendment for the reporting period ending 30 June 2023. The impact of the initial application is not yet known.

(iii) AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

(iv) AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment amends the initial recognition exemption in AASB 112: Income Taxes such that it is not applicable to leases and decommissioning obligations – transactions for which companies recognise both an asset and liability and that give rise to equal taxable and deductible temporary differences. The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

The directors believe that there are no new Standards and Interpretations that will impact 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.

(i) 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.

(ii) 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.

(iii) Interest Income

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

(iv) Gain on Sale of Penhalonga Gold Project and Disposal of Mine Properties

A gain or loss is recognised on the disposal of the Penhalonga Gold Project and Mine Properties at the time of sale. The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(v) Gain on Assets Held for Sale

A gain or loss is recognised on the disposal of assets held for sale. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income Tax (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

(i) 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(y).

(ii) Other Receivables

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

(j) 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.

(k) 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
- Leasehold improvements - 2 years
- Right to use assets - 2 years
- Plant and equipment - 5 to 15 years
- Office equipment and furniture and fittings - 3 to 5 years
- Vehicles - 5 years

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Mine Properties

(i) 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'.

(ii) Mine Properties and Property, Plant and Equipment

- *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.

- *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 Li2O. 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

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:

- Future economic benefits (being improved access to the ore body) are probable
- The component of the ore body for which access will be improved can be accurately identified
- 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 17 years

(n) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(o) 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.

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.

(p) Provisions

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.

(i) 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.

(ii) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) Financial Instruments

(i) 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.

(ii) 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.

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

- *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.

(s) Foreign Currency Transactions and Balances

(i) 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 Farming Enterprises (Pvt) Limited (Thornvlei) is US dollars. Thornvlei's functional currency is Zimbabwe Dollars. Prospect Lithium Zimbabwe (Pvt) Limited and Thornvlei were disposed during the year ended 30 June 2022.

(ii) 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.

(iii) 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;
- Income and expenses are translated at average exchange rates for the period and/or at the exchange rate prevailing on the date of the actual transaction; 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.

(t) 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.

(u) 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.

(v) 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 inclusive 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

(x) 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.

(y) 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.

(z) Critical Accounting Judgement and Key Sources of Uncertainty

In the application of the Group's accounting policies which are described above in Note 2, 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

(i) 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.

(ii) 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) 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.

(iv) 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.

(v) 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 24(a).

(vi) 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.

(vii) 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.

(aa) 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.

NOTE 3. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period including:

- the acquisition of an additional 17% in Prospect Lithium Zimbabwe (Pvt) Limited (refer Note 22(b)(i)) and Thornvlei Farming Enterprises (Pvt) Limited (refer Note 22(b)(iii));
- the completion of an equity raise, generating $18 million in a placement to institutional investors (refer Note 20);
- the sale of Prospect Lithium Zimbabwe (Pvt) Limited and Thornvlei Farming Enterprises (Pvt) Limited in April 2022 (refer Note 22(c)) for cash consideration of US$377,800,000. In addition to the sale of sales in the subsidiaries the Group also sold its loans receivable from these entities generating a further US$12,000,000 cash; and
- the vesting and exercise of all internal (key management personal and staff) options during the year as detailed in Note 24.

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 within Australian operations.

Segment revenue, results and depreciation exclude discontinued operations.

	Australia		Zimbabwe		Consolidated	
Geographical segments	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Revenue						
Other external revenue	**4,686**	77	**964**	340[i]	**5,650**	417
Total segment revenue	**4,686**	77	**964**	340	**5,650**	417
Results						
Segment (net loss) before tax	**(18,284)**	(2,788)	**402**	279[i]	**(17,882)**	(2,509)
Assets						
Segment assets	**474,803**	7,804	**785**	27,456	**475,588**	35,260
Liabilities						
Segment liabilities	**1,281**	678	**48**	626	**1,329**	1,304
Depreciation	**36**	24	**20**	8	**56**	32

The amount of non-current assets added during the year in Australia $8,000 and in Zimbabwe, prior to the disposal of the Zimbabwe subsidiaries $4,787,000 (2021: Australia $117,000 and Zimbabwe $4,397,000).

[i] The results for Zimbabwe have been restated to account for the disposal of subsidiaries and discontinued operations.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 5. REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2022 $'000	2021 Restated $'000
Government tax credits and rebates	**-**	55
Interest revenue	**315**	4
Unrealised gain on revaluation of investment	**(6)**	18
Gain on derecognition of provision of rehabilitation	**-**	5
Gain on foreign currency	**4,251**	-
Gain on sale of assets held for sale	**126**	-
Sale of Penhalonga Gold Project	**964**	335
Total revenue from continuing operations	**5,650**	417

NOTE 6. INCOME TAX

	Consolidated	
	2022 $'000	2021 $'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Gain / (loss) before income tax expense	397,507	(3,745)
Tax at the Australian tax rate of 25% (2021: 26.0%)	99,377	(974)
Tax effect of differential corporate tax rates	(112)	(52)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Profit on sale of Prospect Lithium Zimbabwe Limited [i]	(104,083)	-
Unrealised foreign exchange loss	4,389	-
Other	627	596
Over / under recognition of prior year tax expense	6	(183)
Foreign exchange adjustment on tax losses brought forward [ii]	1	24
Tax losses not recognised / (recognised)	(205)	589
Income tax expense	-	-
Income tax expense is attributable to:		
Profit from continuing operations	-	-
Profit from discontinuing operations	-	-

[i] The sale of Prospect Lithium Zimbabwe Limited was subject to capital gains tax (CGT) in Zimbabwe. Total CGT of US$26,793,883 has been paid to the Government of Zimbabwe on settlement of the transaction. The sale of shares in Prospect Lithium Zimbabwe Limited is also prima facie subject to Australian CGT. An estimated capital gain of $474.4m was calculated in relation to this CGT event. The capital gain was reduced to nil on the basis that the Active Foreign Business Percentage calculation in respect to the entity disposed was above 90%.

[ii] 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 2022 was $252.32 (2021: $64.22). This has resulted in carried forward losses being devalued

NOTE 6. INCOME TAX (Continued)

(b) Tax losses

	Consolidated	
	2022 $'000	2021 $'000
Unused tax losses for which no deferred tax asset has been recognised	**11,367**	13,671
Potential tax benefit: Australia 25%, Zimbabwe 0% - 24.75% (2021: Australia 26%, Zimbabwe 0% - 25.75%)	**2,846**	3,643

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 reduction in unused tax losses in the current year is primarily the result of the sale of Prospect Lithium Zimbabwe Limited.

The deferred tax liabilities of the Group relate to capitalised exploration costs. The deferred tax liabilities of the Group are estimated as $Nil (2021: $Nil). Whilst it was still part of the Group, the Arcadia Project had Special Economic Zone status which result in a 0% tax rate.

(c) Current tax liability

	Consolidated	
	2022 $'000	2021 $'000
Income tax payable	**-**	-

NOTE 7. FINANCIAL RISK MANAGEMENT SEGMENT INFORMATION

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:

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 7. FINANCIAL RISK MANAGEMENT SEGMENT INFORMATION (Continued)

	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 2022						
Financial Assets						
Cash and deposits	2,665	465,292	-	-	6,331	474,288
Trade and other receivables	-	-	-	-	473	473
Investment in listed securities	-	-	-	-	12	12
Other	-	-	-	-	23	23
	2,665	465,292	-	-	6,839	474,796
Weighted average interest rate	0.30%	0.10%	-	-	-	0.10%
Financial Liabilities						
Trade and other payables	-	-	-	-	97	97
Lease liability	-	36	-	-	-	36
	-	36	-	-	97	133
Weighted average interest rate	-	1.04%	-	-	-	0.28%

	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 2021						
Financial Assets						
Cash and deposits	7,300	-	-	-	577	7,877
Trade and other receivables	-	-	-	-	553	553
Other	-	-	-	-	31	31
	7,300	-	-	-	1,161	8,461
Weighted average interest rate	0.30%	-	-	-	-	0.26%
Financial Liabilities						
Trade and other payables	-	-	-	-	412	412
Lease liability	-	43	33	-	-	76
	-	43	33	-	412	488
Weighted average interest rate	-	1.04%	1.04%	-	-	0.07%

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. Following the cash dividend distribution on 4 August 2022, 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 +/- $340,000 (2021: $73,000) 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 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 7. FINANCIAL RISK MANAGEMENT SEGMENT INFORMATION (Continued)

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at fair value through profit or loss (FVPL) (refer Note 12). Post-tax loss for the year would increase/decrease as a result of gains/losses on equity securities classified as at FVPL. The Group's exposure to price risk is $12,000 at year end. The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in Note 5.

(b) 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). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	Consolidated	
	2022 $'000	2021 $'000
Cash and cash equivalents – USD	**6,159**	301
Cash and cash equivalents – ZWL	**-**	63
Trade and other payables – USD	**(51)**	(430)
Trade and other payables – ZAR	**-**	(234)
Total Exposure	**6,108**	(300)

Assuming all other variables remain constant, a 10% increase or decrease of the Australian dollar at 30 June 2022 against the USD would have resulted in an increase or decreased loss of $611,000 (2021: increase or decrease loss of $13,000).

(c) 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.

(d) 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.

(e) Effective Interest Rate and Repricing Risk

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

(f) Fair Value of Financial Instruments

During the prior year, the Group received shares in listed securities, which are not held for trading. These securities are measured at fair value based on the share price of the underlying security. Changes to the share price in these securities are recognised as gains or losses through the profit or loss. During the current year, the Group recorded a $6,000 unrealised loss on revaluation of this investment (Note 5) (2021: unrealised gain $18,000). These securities are reported within non-current assets (refer Note 12) as the Group considers this classification to be most relevant.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 $'000	2021 $'000
Total cash and cash equivalents	**474,288**	7,877

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

	2022 $'000	2021 $'000
Operating gain / (loss) after tax	**397,507**	(3,745)
Non-cash items		
Depreciation (as per Note 13)	**56**	32
Share based payments – options	**699**	328
Impairment of assets held for sale	**-**	141
Impairment of exploration and evaluation and mine properties	**137**	823
(Gain) on revaluation of rehabilitation provision	**(2)**	(5)
(Gain) on sale of Penhalonga Gold Project	**(964)**	(335)
(Gain) on sale of property, plant and equipment	**16**	(12)
(Gain) on sale of subsidiaries	**(415,389)**	-
Loss / (gain) on revaluation of investment	**6**	(18)
Foreign exchange difference	**12,423**	74
Interest received	**(315)**	(4)
Changes in operating assets and liabilities		
(Increase) / decrease in operating trade and other receivables	**(269)**	72
(Increase) in other assets	**(19)**	-
Increase in operating trade and other payables	**531**	196
Increase / (decrease) in provisions	**31**	(64)
Net cash (outflows) from operating activities	**(5,552)**	**(2,517)**

(b) Non-cash transactions

The Group did not entered into any non-cash transactions during the year. During the prior year, the Company entered into an agreement with a Lead Broker for the Group's 6 April 2021 share offer. The fee payable to the Lead Broker included a non-cash component in the form of the issue of 13,500,000 options on 23 April 2021. The terms of the options issued are detailed in Note 24(a).

For the Year Ended 30 June 2022

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2022 $'000	2021 $'000
GST / VAT receivable	473	250
Related party receivable (refer Note 29(c))	-	280
Other receivables	-	23
Total trade and other receivables	**473**	553

NOTE 10. ASSETS HELD FOR SALE

	Consolidated	
	2022 $'000	2021 $'000
Equipment	**16**	141
Provision for impairment	**(16)**	(141)
Total assets held for sale	**-**	-

The Group holds equipment that is currently being marketed for sale to recoup the cost of the assets. In the prior year, a provision for impairment was recognised reducing the carrying value of the equipment to $Nil. During the current period the Group sold some equipment for $126,000. The gain on sale is recognised as Revenue (Note 5).

NOTE 11. OTHER CURRENT ASSETS

	Consolidated	
	2022 $'000	2021 $'000
Deposits	23	13
Prepayments	24	269
Total other current assets	47	282

NOTE 12. INVESTMENTS IN LISTED SECURITIES

	Consolidated	
	2022 $'000	2021 $'000
Nickelx Ltd	**12**	18

The fair value of the Investment in listed securities is determined by reference to quoted market prices (Note 7(f)). Changes to the resulting fair value estimates are recognised as gains or losses through the profit or loss and included in Note 5. At year end the Group held 100,000 shares in Nickelx Ltd at a share price of $0.125/share 2021: $0.175/share).

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 $'000	2021 $'000
Buildings	-	39
Right to use asset	52	74
Leasehold improvements	3	6
Plant and machinery	-	241
Vehicles	195	62
Office equipment	32	104
Total property, plant and equipment	282	526

Reconciliation of Property, plant and equipment – 2022	Buildings $'000	Right to use asset [i] $'000	Leasehold improvements $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	41	89	7	396	87	353	973
Additions	-	-	-	4	207	31	242
Disposals	-	-	-	(2)	-	(12)	(14)
Subsidiary assets disposed (see Note 22(c))	(41)	-	-	(364)	(88)	(284)	(777)
Effect of foreign currency exchange differences	-	-	-	8	1	8	17
Closing balance at cost	-	89	7	42	207	96	441
Opening accumulated depreciation	(2)	(15)	(1)	(155)	(25)	(249)	(447)
Depreciation	(1)	(22)	(3)	(31)	(26)	(66)	(149)
Disposals	-	-	-	-	-	8	8
Subsidiary assets disposed (see Note 22(c))	2	-	-	150	39	245	436
Effect of foreign currency exchange differences	1	-	-	(6)	-	(2)	(7)
Closing accumulated depreciation	-	(37)	(4)	(42)	(12)	(64)	(159)
Net written down value	-	52	3	-	195	32	282

[i] Included in the Right to use asset is the lease for the Company's head office in Australia.

For the Year Ended 30 June 2022

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Reconciliation of Property, plant and equipment – 2021	Buildings $'000	Right to use asset (i) $'000	Leasehold improvements $'000	Plant and machinery $'000	Vehicles $'000	Office equipment $'000	Total $'000
Opening balance at cost	12	-	-	434	62	387	895
Additions	30	89	7	-	46	5	177
Disposals	-	-	-	-	(16)	(9)	(25)
Effect of foreign currency exchange differences	(1)	-	-	(38)	(5)	(30)	(74)
Closing balance at cost	41	89	7	396	87	353	973
Opening accumulated depreciation	(1)	-	-	(130)	(32)	(182)	(345)
Depreciation	(1)	(15)	(1)	(37)	(12)	(86)	(152)
Disposals	-	-	-	-	16	6	22
Assets classified as held for sale and other disposals	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	12	3	13	28
Closing accumulated depreciation	(2)	(15)	(1)	(155)	(25)	(249)	(447)
Net written down value	39	74	6	241	62	104	526

(i) Included in the Right to use asset is the lease for the Company's head office in Australia

	Consolidated	
	2022 $'000	2021 $'000
Depreciation	**149**	152
Depreciation transferred to capitalised mine properties	**(93)**	(120)
Depreciation recognised in statement of profit or loss and other comprehensive income	**56**	32

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 14. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2022 $'000	2021 $'000
Exploration and evaluation expenditure comprises:		
Shawa – Carbonatite – Rare Earth Elements	**185**	-
Step Aside – Lithium	**301**	-
Chishanya – Carbonatite – Rare Earth Elements	**-**	91
Total exploration and evaluation	**486**	91
Opening balance	**91**	-
Expenditure incurred	**592**	91
Impairment of exploration and evaluation expenditure	**(198)**	-
Effect of foreign currency exchange differences	**1**	-
Total exploration and evaluation expenditure	**486**	91

NOTE 15. MINE PROPERTIES

	Consolidated	
	2022 $'000	2021 $'000
Mine properties – mines under construction	**-**	25,605
Arcadia – Lithium		
Opening balance	**25,605**	24,257
Expenditure incurred	**4,067**	4,036
Impairment of exploration and evaluation expenditure	**61**	(823)
Proceeds of sale of lithium carbonate produced through the pilot plant	**(674)**	-
Rehabilitation asset	**195**	193
Effect of foreign currency exchange differences	**310**	(2,058)
	29,564	25,605
Mine properties disposed of on sale of subsidiary (see Note 22(c))	**(29,564)**	-
Total mine properties – mines under construction	**-**	25,605

During the prior year, the Board of Directors undertook an impairment review of the Group's exploration, evaluation & mine properties resulting in an impairment of the Mines under Construction asset of $823,000. This impairment followed a detailed assessment of the revised process flows following the commissioning of the pilot plant which identified items no longer considered integral to the asset. The provision for impairment was determined considering the resale value of the items and associated selling costs.

During the current year, the Group sold part of this equipment at fair market value to Farvic Consolidated Mines (Private) Limited for USD$47,000 ($64,000). (Note 29(c). As the equipment sold had been fully provided for in the prior year, the sale generated profit of $64,000 for the Group, included within the profit and loss of discontinued operations.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 16. INTANGIBLE ASSETS

	Consolidated	
	2022 **$'000**	2021 $'000
Capitalised ERP costs	**-**	308
Opening balance	**308**	581
Transfer to mines under construction	**-**	(204)
Effect of foreign currency exchange differences	**4**	(50)
Amortisation expense	**(19)**	(19)
	293	308
Intangible assets disposed of on sale of subsidiary (see Note 22(c))	**(293)**	-
Total intangible assets	**-**	308
Amortisation	**19**	19
Amortisation transferred to capitalised mine properties	**(19)**	(19)
Amortisation recognised in statement of profit or loss from discontinued operations	**-**	-

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated	
	2022 **$'000**	2021 $'000
Related party payables	**1**	6
Trade payables[i]	**96**	385
Accruals	**1,034**	518
Other payables	**-**	21
Total trade and other payables	**1,131**	930

[i] The group does not have any trade payables more than 31 days past the respective date of the original invoice.

NOTE 18. LEASE LIABILITY

	Consolidated	
	2022 **$'000**	2021 $'000
The balance sheet shows the following amounts relating to **Right-of-use asset** – office space lease		
Lease liabilities		
Current	**36**	43
Non current	**-**	33
Total lease liabilities	**36**	76

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 18. LEASE LIABILITY (Continued)

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

During the prior year the Group entered into a 2 year lease for the head office in Australia. The lease imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. The Group must keep the properties in a good state of repair and return the properties in its original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Extension and termination are included in the office lease to maximise operational flexibility in terms of managing this asset.

NOTE 19. PROVISIONS

	Consolidated	
	2022 $'000	2021 $'000
Current		
Employee entitlements	**125**	94
Total current provisions	**125**	94
Non current		
Employee entitlements	**37**	11
Provision for rehabilitation	**-**	193
Total non current provisions	**37**	204

NOTE 20. CONTRIBUTED EQUITY

	2022 No. of Shares	2021 No. of Shares
(a) Issued share capital		
Ordinary shares fully paid	448,759,462	374,025,855

NOTE 20. CONTRIBUTED EQUITY (Continued)

(b) Movement in ordinary share capital

Date	Details	No. of Shares	$'000
Balance at 30 June 2020		**285,936,524**	**65,429**
2 October 2020	Issue of shares via placement and rights issue	46,153,847	6,000
23 April 2021	Issue of shares	41,935,484	6,500
	Cost of capital raising – cash	-	(801)
	Cost of capital raising – options	-	(481)
Balance at 30 June 2021		**374,025,855**	**76,647**
22 July 2021	Issue of shares to acquire additional ownership in subsidiary	9,497,680	3,087
5 November 2021	Issue of shares via placement	45,000,000	18,000
	Cost of capital raising – cash	-	(793)
	Issue of shares upon exercise of options (Note 24)	20,235,927[i]	4,403
Balance at 30 June 2022		**448,759,462**	**101,344**

[i] Some option holders utilised a cashless exercise facility offered allowing the conversion of options for a reduced cash payment in forfeiture of shares. This resulted in the issue of only 20,235,927 shares on exercise of the 26,500,000 options (refer Note 24) during the year.

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 21. RESERVES AND ACCUMULATED PROFIT / (LOSSES)

	Consolidated	
	2022 $'000	2021 $'000
Share based payments reserves (refer to Note 21(a)(ii))	10,509	11,656
Other reserves (refer to Note 21(b))	-	-
Foreign currency translation reserve (refer to Note 21(c))	18,281	(417)
Total reserves	28,790	11,239

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 21. RESERVES AND ACCUMULATED PROFIT/(LOSSES) (Continued)

(a) Share Based Payments Reserve

(i) Movement in options

Date	Details	No. of Options	$'000
Balance at 30 June 2020		**4,500,000**	10,847
17 November 2020	Issue of options	6,250,000	268
6 February 2021	Issue of options	4,500,000	53
23 April 2021	Issue of options	13,500,000	481
25 June 2021	Issue of options	11,000,000	7
Balance at 30 June 2021		39,750,000	11,656
November and December 2021	Share based payment expense on options granted in prior periods	-	**699**
February to June 2022	Options exercised	**(26,250,000)**	**(1,846)**
Balance at 30 June 2022		**13,500,000**	**10,509**

(ii) Movement in Share Based Payments Reserve

Movement in reserve	2022 No. Options	2022 $'000	2021 No. Options	2021 $'000
Balance at the beginning of the year	**39,750,000**	**11,656**	4,500,000	10,847
Options issued	-	-	35,250,000	809
Share based payments expense on options granted in prior periods	-	**699**	-	-
Options exercised	**(26,250,000)**	**(1,846)**	-	-
Options expired	-	-	-	-
Balance at the end of the year	**13,500,000**	**10,509**	39,750,000	11,656

	Consolidated	
	2022 $'000	2021 $'000
(b) Other Reserves		
Movement in Other Reserve		
Opening balance	-	-
Other reserve - increase in ownership of Prospect Lithium Zimbabwe (Pvt) Ltd (Note 22(b))	**4,484**	-
Other reserve - impact of debt to equity swap (Note 22(b))	**1,941**	-
On sale of subsidiary	**(6,425)**	-
Closing balance	-	-

For the Year Ended 30 June 2022

NOTE 21. RESERVES AND ACCUMULATED PROFIT / (LOSSES) (Continued)

	Consolidated	
	2022 $'000	2021 $'000
(c) Foreign Currency Translation Reserve		
Movement in reserve		
Opening balance	**(417)**	1,909
Currency translation differences	18,698	(2,326)
Closing balance	**18,281**	(417)

	Consolidated	
	2022 $'000	2021 $'000
(d) Accumulated profits / (losses)		
Accumulated (losses) at beginning of year	**(52,548)**	(49,090)
Net profit / (loss) attributable to equity holders of the Company	**397,573**	(3,458)
Accumulated profits / (losses) at end of year	**345,025**	(52,548)

NOTE 22. SUBSIDIARIES

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

	Principal activity	Country of incorporation	Ownership and voting interest 2022	2021
Prospect Minerals Pte Ltd	Holding company	Singapore	100%	100%
Promin Resource Holdings Pte Ltd	Holding company	Singapore	100%	-
Prospect Lithium Resources (Pvt) Limited	Exploration & evaluation	Zimbabwe	- [i]	70%
Thornvlei Farming Enterprises (Pvt) Limited	Exploration & evaluation	Zimbabwe	- [ii]	70%
Hawkmoth Mining & Explorations (Pvt) Limited	Exploration & evaluation	Zimbabwe	70%	70%
Tegridy (Private) Limited	Exploration & evaluation	Zimbabwe	100%	-
Breattaking Investments Private Limited	Exploration & evaluation	Zimbabwe	100%	-
Market Street (Private) Limited	Exploration & evaluation	Zimbabwe	100%	-
Coldawn Investments (Pvt) Limited	Exploration & evaluation	Zimbabwe	- [iii]	70%

[i] The ownership and voting interest increased to 87% on 22 July 2021 as detailed in Note 22(b). The entity was sold on 20 April 2022 as detailed in Note 22(c).

[ii] The ownership and voting interest increased to 100% on 9 February 2022 as detailed in Note 22(b). The entity was sold on 20 April 2022 as detailed in Note 22(c).

[iii] The Group entered into an option agreement to sell Coldawn Investments (Private) Limited, which holds the Penhalonga Gold Project, for US$1m during the prior year. The Group received a non-refundable deposit of US$250,000 during 2021, and the option agreement was executed during the current year generating revenue of $964,000 (Note 5).

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 22. SUBSIDIARIES (Continued)

(a) Details of Non-Wholly Owned Subsidiaries that have Material Non-Controlled Interest

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	
		2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Prospect Lithium Zimbabwe (Pvt) Limited	Zimbabwe	- [i]	30%	(63)	(349)	-	(365)
Thornvlei Farming Enterprises (Pvt) Limited	Zimbabwe	- [i]	30%	-	(21)	-	(68)
Hawkmoth Mining & Explorations (Pvt) Limited	Zimbabwe	30%	30%	129	83	(900)	(949)
Coldawn Investments (Pvt) Limited[ii]	Zimbabwe	-	30%	-	-	-	-
				66	(287)	(900)	(1,382)

[i] During the year the ownership in Prospect Lithium Zimbabwe (Pvt) Limited and Thornvlei Farming Enterprises (Pvt) Limited increased to 87% (Note 22(b)). The Group acquired the remaining 13% of Thornvlei Farming Enterprises (Pvt) Limited. These subsidiaries were then sold by the Group on as detailed in Note 22(c). The loss reported for the current year relates to the period before the subsidiary was sold.

[ii] During the prior year the Group entered into an option agreement to sell Coldawn Investments (Private) Limited, which holds the Penhalonga Gold Project, for US$1 million. The Group received a non-refundable deposit of US$250,000 during the prior year. The option agreement was executed during the current period and the balance of US$750,000 (AU$1,041,000) was received completing the sale.

(b) Transactions with Non-controlling Interests

(i) Increase in ownership of Prospect Lithium Zimbabwe (Pvt) Limited

On 22 July 2021, Prospect Minerals Pte Ltd acquired an additional 17% of the issued shares of Prospect Lithium Zimbabwe (Pvt) Limited for cash consideration of $1,187,000 and the issue of 9,497,680 shares in Prospect Resources Limited valued at $3,087,000. Immediately prior to the purchase, the carrying amount of the existing 30% non-controlling interest in Prospect Lithium Zimbabwe (Pvt) Limited were net liabilities of $208,000. The group recognised a decrease in non-controlling interests of $4,276,000 and a decrease in equity attributable to owners of the parent of $4,484,000. The effect on the equity attributable to the owners of Prospect Resources Limited during the period is summarised as follows:

	2022 $'000	2021 $'000
Carrying amount of non-controlling interests acquired	**(208)**	-
Reattribution of owners controlling interest – foreign currency translation reserve	**(3)**	
(Consideration) paid to non-controlling interests	**(4,273)**	-
(Excess) of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(4,484)**	-

NOTE 22. SUBSIDIARIES (Continued)

(ii) Debt to equity swap

On 17 December 2021 Prospect Lithium Zimbabwe (Pvt) Limited issued shares as part of a debt-to-equity swap transaction whereby US$10,700,000 owed by Prospect Lithium Zimbabwe (Pvt) Limited to Prospect Minerals Pte Ltd was converted into equity in Prospect Lithium Zimbabwe (Pvt) Limited. This resulted in the recognition of a share premium of $14,930,000 by the group.

Shares in Prospect Lithium Zimbabwe (Pvt) Limited were issued to the extent necessary to maintain the existing ownership profile of Prospect Lithium Zimbabwe (Pvt) Limited. The shares issued to the non-controlling interest to maintain their 13% ownership was completed for nil consideration resulting in a decrease in equity attributable to owners of the parent of $1,941,000 recognised in the transactions with non-controlling interests reserve within equity.

(iii) Increase in ownership of Thornvlei Farming Enterprises (Pvt) Limited

On 9 February 2022, Prospect Lithium Zimbabwe (Pvt) Limited acquired the remaining 30% of Thornvlei Farming Enterprises (Pvt) Limited for cash consideration of $0.30.

(c) Discontinued Operations

(i) Description

On 23 August 2021 the Group announced it had decided to commence a structured process giving interested parties the opportunity to put forward proposals to fully fund the Arcadia project. Following this process, on 23 December 2021, the Group announced it had executed a binding agreement for the sale of its 87% interest in the Arcadia project subject to the completion of certain conditions.

In accordance with the binding agreement and following the satisfaction of the conditions precedent, the sale of the Arcadia project was completed on 20 April 2022 via the sale of the Group's ownership in Prospect Lithium Zimbabwe (Pvt) Limited and Thornvlei Farming Enterprises (Pvt) Limited for US$365,755,000. In addition to the sale of it's ownership interest in its subsidiaries, the Group sold to the buyer it's interest in intercompany loans at completion for US$12,000,000 in cash. The sale transaction is detailed in Note 22(c)(iii).

The amounts presented in the Consolidated Statement of Profit and Loss and Comprehensive Income under discontinuing operations represents the profit / (loss) on the Group's share in the subsidiaries sold.

Financial information relating to the discontinued operations for the period to date of disposal are listed below. The subsidiaries were not previously classified as held-for-sale or as discontinued operation. The comparative consolidated statement of profit and loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

(ii) Financial performance and cashflow information

The financial performance and cashflow information presented are the 9.66 months ended 20 April 2022 (2022 column) and for the year ended 30 June 2021, disclosed within profit / (loss) from discontinued operations.

	2022 $'000	2021 $'000
Revenue	**98**	25
Expenses	**(611)**	(1,261)
(Loss) before income tax	**(513)**	(1,236)
Income tax expense	**-**	-
(Loss) after income tax of discontinued operations	**(513)**	(1,236)

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 22. SUBSIDIARIES (Continued)

	2022 $'000	2021 $'000
Net cash outflow from operating activities	**(293)**	(5)
Net cash (outflow) from investing activities	**(4,861)**	(3,809)
Net cash inflow from financing activities	**5,099**	3,962
Net (decrease) / increase in cash generated by the discontinued operations	**(55)**	148

(iii) Details of the sale of subsidiaries

	2022 $'000	2021 $'000
Disposal consideration – cash received for sale of interest in subsidiaries	**493,336**	-
Costs incurred on completion of transaction and operating loss for the period	**(46,957)**	(1,236)
Cost of external consultants for transaction support	**(8,991)**	-
Loss on sale of intercompany loans	**(606)**	
Write back of investment in subsidiary	**(19,705)**	-
Gain / (loss) on sale before income tax and reclassification of foreign operations	**417,077**	(1,236)
Reclassification of foreign operations	**(1,688)**	-
Income tax on gain	**-**	-
Profit / (loss) from discontinued operations	**415,389**	(1,236)

The carrying amounts of assets and liabilities as at the date of sale (20 April 2022) were:

	20 April 2022 $'000
Cash	**150**
Property, plant and equipment	**341**
Trade and other receivables	**501**
Intangible assets	**293**
Mine properties	**29,564**
Total assets	**30,849**
Trade and other payables	**23**
Loans	**18,077**
Provisions	**261**
Total liabilities	**18,361**
Net assets	**12,488**

For the Year Ended 30 June 2022

NOTE 22. SUBSIDIARIES (Continued)

(d) Financial Information of Non-Wholly Owned Subsidiaries that have Material Non-Controlled Interest

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. The current year results and cashflows exclude discontinued operations.

Zimbabwe Subsidiaries	2022 $'000	2021 $'000
Current assets	**85**	1,022
Non-current assets	**699**	25,848
Current liabilities	**(48)**	(433)
Non-current liabilities	**(3,765)**	(31,050)
Net liabilities	**(3,029)**	(4,613)
Equity attributable to owners of the Company	**(2,120)**	(3,231)
Non-controlling interest	**(909)**	(1,382)
Total (deficit)	**(3,029)**	(4,613)
Revenue	**964**	365
Expenses	**(562)**	(1,322)
Gain / (loss) for the year	**402**	(957)
Gain / (loss) attributable to owners of the Company	**273**	(670)
Gain / (loss) attributable to the non-controlling interests	**129**	(287)
Gain / (loss) for the year	**402**	(957)
Other comprehensive income attributable to owners of the Company	**-**	288
Other comprehensive income attributable to the non-controlling interests	**-**	127
Other comprehensive income for the year	**-**	415
Total comprehensive gain / (loss) attributable to owners of the Company	**273**	(382)
Total comprehensive gain / (loss) attributable to the non-controlling interests	**129**	(160)
Total comprehensive gain / (loss) for the year	**402**	(542)
Net cash (outflow) / inflow from operating activities	**(337)**	260
Net cash inflow / (outflow) from investing activities	**474**	(4,103)
Net cash (outflow) / inflow from financing activities	**(173)**	4,057
Net cash (outflow) / inflow	**(36)**	214

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 23. PROSPECT RESOURCES LIMITED PARENT COMPANY INFORMATION

	2022 $'000	2021 $'000
Assets		
Current assets	**474,705**	7,681
Non-current assets	**189**	26,374
Total Assets	**474,894**	34,055
Liabilities	**1,241**	633
Current liabilities	**17,153**	43
Non-current liabilities	**18,394**	676
Total Liabilities		
Equity		
Contributed equity	**101,344**	76,647
Reserves	**10,509**	11,655
Accumulated profits / (losses)	**344,646**	(54,923)
	456,499	33,379
Financial Performance		
Profit / (loss) for the year	**399,569**	(6,546)
Other comprehensive income	**-**	-
Total Comprehensive Profit / (Loss)	**399,569**	(6,546)

Parent Entity Contingencies and Guarantees
The parent entity has no 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 $615,000 (2021: $552,000).

NOTE 24. SHARE-BASED PAYMENTS (OPTIONS)

(a) Recognised Share-Based Payments Expense

The share based payments expense was $699,121 (2021: $809,000), with $699,121 recognised in the statement of financial performance (2021: $328,000). The share based payments expense results from options granted in the prior periods. The following table lists the inputs to the model used:

Options series	Employee incentive	Management incentive	Executive incentive	Broker	Directors
No. of Options	6,250,000	4,500,000	6,000,000	13,500,000	5,000,000
Grant date	17/11/2020	06/02/2021	25/06/2021	23/04/2021	25/06/2021
Share price	$0.125	$0.18	$0.195	$0.15	$0.195
Exercise price	$0.24	$0.26	$0.26	(ii)	$0.24
Asset Interest rate	0.11%	1.77%	1.77%	1.77%	1.77%
Expiry date	05/11/2023	03/02/2025	03/02/2025	31/12/2025	07/01/2025
Volatility	100%	42.33%	42.33%	42.33%	42.33%
Fair value at grant date	$0.0487	$0.042	$0.047	(ii)	$0.051
Vesting condition and period	(i)	(i)	(i)	(ii)	(i)

(i) The terms of the options provided for their vesting on a Change in Control Event, covering a change of control at both a corporate and project level. The signing of the SSA triggered a change in control event as the Group has agreed to sell all or a substantial part of the assets or business of the Group (the Arcadia Project) to a third party, which was not the result of an internal restructure.

(ii) Broker options are fully vested and have exercise prices attached as follows:

(a) 4,000,000 options have an exercise price of $0.22 and fair value per option of $0.0415;

(b) 4,500,000 options have an exercise price of $0.25 and fair value per option of $0.0357; and

(c) 5,000,000 options have an exercise price of $0.28 and fair value per option of $0.0309

Post 30 June 2022, the 13,500,000 Broker options were exercised on 8 July 2022 and the company received $3,405,000.

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

Options series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value per Option at Grant Date
Issued 13 May 2018	4,500,000	13/05/2018	12/05/2022	$0.60	$782,289
Issued 17 November 2020	6,250,000	17/11/2021	05/11/2023	$0.26	$304,423
Issued 6 February 2021	4,500,000	06/02/2021	03/02/2025	$0.26	$189,079
Issued 23 April 2021	13,500,000	23/04/2021	31/12/2025	$0.22-$0.28	$480,938
Issued 25 June 2021	6,000,000	25/06/2021	03/02/2025	$0.26	$279,725
Issued 25 June 2021	5,000,000	25/06/2021	07/01/2025	$0.24	$254,314

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 24. SHARE-BASED PAYMENTS (OPTIONS) (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 to Key Management Personnel and employees during the year:

	2022 No.	2022 WAEP $/Share	2021 No.	2021WAEP $/Share
Outstanding at the beginning of the year	**26,250,000**	**0.31**	**4,500,000**	**0.60**
Granted during the year	-	-	21,750,000	0.25
Exercised during the year	**(26,250,000)**	**0.31**	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	**26,250,000**	**0.31**

At the end of the year 26,500,000 options granted to Key Management Personnel and employees were vested and exercised (2021: 6,250,000).

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

	2022 No.	2022 WAEP $/Share	2021 No.	2021 WAEP $/Share
Outstanding at the beginning of the year	**13,500,000**	**0.25**	-	-
Granted during the year	-	-	13,500,000	0.25
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**13,500,000**	**0.25**	13,500,000	0.25

All the broker options above fully vested during the prior year.

(a) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2022 is 3.51 years (2021: 3.39 years).

(b) Range of Exercise Price

The range of exercise prices for options outstanding at the end of the year was $0.22 - $0.28 (2021: $0.22 - $0.60).

(c) Weighted Average Fair Value

The weighted average fair value of options granted during the year was $Nil (2021: $0.45).

(d) Share Options Exercised During the Year

26,250,000 options were exercised in 2022 (2021: Nil).

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 25. 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	
	2022 $'000	2021 $'000
Not longer than 1 year	**-**	-
Longer than 1 year and not longer than 5 years	**-**	-

(b) Operating Lease Commitments

The Group has an operating lease commitment for office rental and equipment totaling $45,000 (2021: $16,000).

(c) Other Commitments

The Group has Nil commitments for ongoing annual licensing and permit fees. In the prior year the Group had $50,000 commitments related to the Arcadia mining lease and its Special Economic Zone status.

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 $615,000 as at 30 June 2022 (2021: $682,000).

In the prior year the Group had 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 from the Arcadia Project, and to receive a US$10,000,000 offtake prepayment upon the ball mill being delivered and bolt installed at the Project. This offtake agreement was cancelled at a cost of US$8,000,000 on the sale of the Arcadia project during the current year.

The Group had also 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. This agreement was not for a fixed tonnage and required agreement on the availability of supply, as the project is now sold this agreement will lapse.

Mr Greaves resigned from the Board on 6 September 2022. As the Board has accepted his resignation, a termination payment of $125,000 has become payable to Mr Greaves.

NOTE 26. CONTINGENT LIABILITIES

The Group has no other liabilities.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 27. AUDITORS REMUNERATION

	Consolidated	
	2022 $'000	2021 $'000
Audit of the parent entity		
Audit and audit review of the financial reports	**98**	80
Other services	**-**	25
	98	105
Auditor of subsidiaries		
Audit services	**50**	42

The auditor of the Group is Stantons.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2022 $'000	2021 $'000
The aggregate compensation made to Key Management Personnel of the Group is set out below:		
Short term employee benefits	**2,123**	974
Post employment benefits	**65**	48
Share based payments	**663**	146
Total compensation made to key management personnel	**2,851**	1,168

NOTE 29. RELATED PARTY TRANSACTIONS

(a) Dividends

During the year Prospect Minerals Pte Ltd declared and paid a dividend to its immediate parent Prospect Resources Limited for US$298,000,000 ($416,900,000).

(b) Loans to subsidiaries

- At 30 June 2022, the Company has loaned US$33,000 ($48,000) to its 100% owned subsidiary Breattaking Investments (Private) Limited. The Company has a recoverable book value of this loan of $48,000.
- At 30 June 2022, the Company has loaned US$29,000 ($42,000) to its 100% owned subsidiary Market Street (Private) Limited. The Company has a recoverable book value of this loan of $42,000.
- At 30 June 2022, the Company has a payable of US$11,791,000 ($17,116,000) (2021 receivable: US$562,000 ($747,000)) to its 100% owned subsidiary Prospect Minerals Pte Ltd (PMPL). The significant change in this position from the prior year reflects the transfer of disposal consideration on sale of Prospect Lithium Zimbabwe (Private) Limited and Thornvlei Farming Enterprises (Private) Limited to the Company net of the payment of the dividend by Prospect Minerals Pte Ltd during the current year.
- At 30 June 2022, the Company has loaned US$2,532,000 ($3,676,000) (2021: US$3,490,000 / $4,643,000) to its 70% owned subsidiary Hawkmoth Mining and Exploration (Private) Limited ('HME'). The Company has a recoverable book value of this loan of $Nil (2021: $694,000). The loan was fully provided for at 30 June 2022.

NOTE 29. RELATED PARTY TRANSACTIONS (Continued)

In accord with the SSA the loans due from PLZ and TFE to related companies were sold for US$12,000,000. The proceeds were received by PMPL as the owner of PLZ and subsequently transferred to the holding Company. The intercompany loan balances that were in place at the end of the previous year were as follows:

- At 30 June 2021, the Company had loaned US$19,638,000 ($26,121,000) to its then 70% owned subsidiary Prospect Lithium Zimbabwe (Private) Limited
- At 30 June 2021 the Company had a loan receivable from its then 70% owned subsidiary Thornvlei Farming Enterprises (Private) Limited ('TFE') of US$70,000 ($93,000). This loan receivable was then sold sold in addition to the sale of the shares in the subsidiary. At the end of the current year $Nil balances were receivable by the Group from TFE.

During the year, until the sale of the entity, the loan with PLZ increased to US$12,059,000 ($16,239,000). This loan receivable was then sold in addition to the sale of the shares in the subsidiary. At the end of the current year $Nil balances are receivable by the Group from PLZ. The loan payable by TFE was unchanged to the date of sale.

(c) Farvic Consolidated Mines (Private) Limited (Farvic)

- The Group is owed $Nil by Farvic (2021: $142,000). The prior period amount receivable was interest free and payable on demand. Harry Greaves and Zed Rusike are directors and shareholders of Farvic.
- Prior to its disposal, PLZ purchased a crusher and crusher frame from Farvic for US$99,000 for its Mine property. Included within Revenue from discontinued operations for the current period is the gain on sale of flotation equipment to Farvic for US$47,000 and revenue earned on provision of geological services to Farvic for US$2,000. All transactions with Farvic were conducted on market terms and conditions.
- The Group is owed $Nil by Mixnote Investments (Pvt) Limited (Mixnote), a subsidiary of Farvic (2021: $3,706). The amount is recognised as a trade receivable and is interest free (Note 9)

(d) Anglo Pacific Ventures Pty Ltd

During the prior year the Company paid $36,778 to Anglo Pacific Ventures Pty Ltd for rent whilst Mr Warner was a Director and beneficiary of Anglo Pacific Ventures Pty Ltd.

NOTE 30. SUBSEQUENT EVENTS

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

- Since the year end the directors have recommend the payment of a dividend of $0.79 per ordinary share ($365,224,975) and a capital payment of $0.17 per ordinary share ($78,584,109). The payments were approved at the Company's Extraordinary General Meeting on 22 July 2022. The aggregate amount of $443,809,084 was paid on 4 August 2022 out of retained earnings and share capital at 30 June 2022 but not recognised as a liability at year end.
- On 26 August 2022 the Group acquired the 30% noncontrolling interest in Hawkmoth Mining & Explorations (Pvt) Limited ("HME") for a purchase price of US$100. On completion of the transaction HME becomes a wholly owned subsidiary of the group.
- Post 30 June 2022, the 13,500,000 Broker options were exercised on 8 July 2022 and the company received $3,405,000.

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2022

NOTE 31. PROFIT / (LOSS) PER SHARE (EPS)

	Consolidated	
	2022 $'000	2021 $'000
Basic (loss) per share (cents per share) from continuing operations	**(4.29)**	(0.80)
Diluted (loss) per share (cents per share) from continuing operations	**(4.20)**	(0.80)
Amount used in the calculation of basic EPS Continuing (loss) after income tax attributable to members of Prospect Resources Limited ($'000)	**(17,756)**	(2,593)
Basic profit / (loss) per share (cents per share) from discontinuing operations	**100.06**	(0.26)
Diluted profit per share (cents per share) from discontinuing operations	**97.91**	0.26
Amount used in the calculation of basic EPS Discontinuing profit / (loss) after income tax attributable to members of Prospect Resources Limited ($'000)	**415,389**	(865)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	**415,154,600**	325,855,625

AUDITORS' INDEPENDENCE DECLARATION

Stantons

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23 September 2022

Board of Directors
Prospect Resources Limited
Level 2, 33 Richardson Street
West Perth WA 6005

Dear Directors

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 the Audit Director for the audit of the financial statements of Prospect Resources Limited for the year ended 30 June 2022, 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 LTD
(Authorised Audit Company)

Samir Tirodkar
Director

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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 ("Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of 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 2022 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.

KEY AUDIT MATTERS

We have defined the matters described below to be the key audit matters to be communicated in our report.

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 this matter.

Stantons

Key Audit Matters	How the matter was addressed in the audit
Disposal of Subsidiary and Accounting for Discontinued Operations in accordance with AASB 5 On 23 December 2021. The Company announced the execution of Binding Agreements for the Sale of Arcadia Lithium Project ("Arcadia Project") to Zhejiang Huayou Cobalt ("The Transaction"). The Arcadia Project was held through Prospect Lithium Zimbabwe Pvt Ltd ("PLZ') which is a subsidiary of Prospect Resources' wholly owned Singapore-based subsidiary, Prospect Resources Pte Ltd. The Transaction was approved by the shareholders of the Company in the Extraordinary General Meeting held on 25 February 2022 and was completed on 20 April 2022 ("Completion Date"). The sale resulted in a profit on the sale of $414.5 million. The Transactions comprised: i) the sale of Prospect Lithium Zimbabwe Pvt Ltd ("PLZ'), the company that held the Arcadia Lithium Project, including PLZ's non-controlling interest; and ii) The transfer/reassignment of benefits assigned to PLZ by the Zimbabwe Investment Development Agency (ZIDA) for the Special Economic Zone License. We consider the accounting for the disposal of subsidiary and discontinued operations to be a key audit matter due to the following: i) Significance PLZ to the Group's operations as it the Arcadia Lithium Project was the flagship project for the Group and because the Transaction has significantly affected the composition of the Group's businesses and activities. Significant audit effort was required during the year ended 30 June 2022 to ensure The Transaction was correctly accounted for; ii) Significant of the income from the disposal of PLZ to the Group's performance for the year; and iii) Significance of the disclosures in the consolidated financial statements have been presented in accordance with AASB 5: *Non-Current Assets Classified as Held for Sale and Discontinued Operations* (AASB 5). Refer to note 22 to the consolidated financial statements for the disclosure relating to the non-current assets held for sale and discontinuing operations.	Inter alia, our audit procedures included the following: i. Obtained and read Share Sale Agreement for the sale of PLZ and related announcements made by the Company in order to assess the accounting implications of the Transaction on the consolidated financial statements of the Group; ii. Ensuring that the Transaction was appropriately accounted for, cash received appropriately recorded and tracing the funs to the bank statements; iii. Testing, on a sample basis, the costs incurred in completing the transaction; iv. Testing the accuracy of the assets and liabilities of PLZ as at the Completion Date by reconciling these amounts to the completion accounts of PLZ and assessed the corresponding tax effect (in Zimbabwe), which were included in the calculation of the gain on disposal and related results disclosed within discontinued operations; v. Reviewing the Directors' assessment of the tax consequences of the transactions in Zimbabwe, Singapore, and Australia. This included review of the draft ATO Tax Ruling on the Taxation in Australia; and vi. We also evaluated the presentation and disclosure of the transactions within the consolidated financial statements.

Stantons

Key Audit Matters	How the matter was addressed in the audit
Share based payments The consolidated financial statements, the Company awarded 35,250,000 share options to directors, employees, consultants and other services providers in the prior year. The awards vest subject to the achievement of certain vesting conditions which extended into the current financial year. The Group valued the share options using the Black Scholes methodology and estimated likelihood of vesting conditions being achieved over the vesting period for each tranche of awards. The Group has performed calculations to record the related share-based payment expense of $699,000 in the consolidated statement of profit or loss and other comprehensive income. Further to the above, 25,250,000 shares options were exercised, resulting in cash proceeds of $2,561,000. As a result of the exercise of these options, $1.842 million has been transferred from Share Option Reserve to Issued Capital. Included in the total number of share options exercised were 15,225,000 share options exercised via the cashless exercise mechanism, as per the initial terms and conditions when the options were granted to respective directors, key management personnel and employees. Due to the complex nature of the transactions and estimates used in determining the valuation of the share-based payment arrangements and vesting periods, we consider the Group's calculation of the share-based payment expense to be a key audit matter. In determining the share-based payment expense, the Group made assumptions in respect of future board's financial decisions as well as estimates of achievement of certain mining targets. Refer to note 21 to the consolidated financial statements for the disclosure relating to share-based payment expense.	Inter alia, our audit procedures included the following: i. Verifying the inputs and examining the assumptions used in the Group's valuation of unlisted options, being the share price of the underlying equity, time to maturity (expected life) and grant date; ii. Challenging management's assumptions in relation to the likelihood of achieving the vesting conditions; iii. Assessing the fair value of the calculation through re-performance using appropriate inputs; and iv. Assessing the accuracy of the share-based payments expense and the adequacy of disclosures made by the Group in the financial report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 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 conclusion 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.

Stantons

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 Group 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 Company to cease to continue as a going concern.

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 are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT

Stantons

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Prospect Resources Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia
23 September 2022

ASX Additional Information

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 15 September 2022.

(a) Substantial Shareholders

The substantial shareholders are:

Holder Name	Holding Balance	% IC
Eagle Eye Asset Holdings Pte Limited	58,188,891	12.58%
Mitsubishi UFJ Financial Group, Inc.	31,439,762	6.80%
Morgan Stanley and its subsidiaries	31,439,762	6.80%
Credit Suisse Holdings (Australia Limited	28,293,466	6.12%
JPMorgan Chase & Co. and its affiliates	24,883,312	5.58%

(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) Number of Holders

Class of Equity Securities	Number of holders
Fully paid ordinary shares	3,608
Options	0

(d) Distribution of Equity Security Holders

Fully Paid Ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
Above 0 up to and including 1,000	554	294,068	0.06%
Above 1,000 up to and including 5,000	1,092	3,121,783	0.68%
Above 5,000 up to and including 10,000	597	4,782,274	1.03%
Above 10,000 up to and including 100,000	1,119	37,273,996	8.06%
Above 100,000	246	416,787,341	90.16%
Totals	3,608	462,259,462	100.00%

(e) Less than Marketable Parcels

There were 1,711 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information

(f) Equity Security Holders

The 20 largest fully paid ordinary shareholders of the Company as at the Reporting Date are:

Position	Holder Name	Holding	% Issued Shares
1	CITICORP NOMINEES PTY LIMITED	86,417,535	18.69%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	53,054,029	11.48%
3	CS FOURTH NOMINEES PTY LIMITED	31,937,708	6.91%
4	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	29,148,219	6.31%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,956,354	3.24%
6	MBM CAPITAL PARTNERS LLP	14,125,000	3.06%
7	CG NOMINEES (AUSTRALIA) PTY LTD	13,500,000	2.92%
8	MR KENNETH JOSEPH HALL	13,000,000	2.81%
9	NEWECONOMY COM AU NOMINEES PTY LIMITED	10,136,215	2.19%
10	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	7,655,934	1.66%
11	MR SAMUEL TIMOTHY HOSACK & MRS BARBARA TAMARA SAMANTHA HOSACK	7,220,854	1.56%
12	BNP PARIBAS NOMS PTY LTD	7,210,651	1.56%
13	FARVIC CONSOLIDATED MINES (PVT) LTD	7,123,260	1.54%
14	ECAPITAL NOMINEES PTY LIMITED	6,759,396	1.46%
15	BNP PARIBAS NOMINEES PTY LTD	6,323,724	1.37%
16	ARMOURED FOX CAPITAL PROPRIETARY LIMITED	5,018,028	1.09%
17	MRS SAMANTHA JAYNE GOLDBERG	4,085,153	0.88%
18	BUTTONWOOD NOMINEES PTY LTD	3,721,883	0.81%
19	BNP PARIBAS NOMS PTY LTD	3,519,301	0.76%
20	MR TREVOR MILES BARNARD	3,212,103	0.69%
	Total	**328,125,347**	**70.98%**
	Total issued capital - selected security class(es)	**462,259,462**	**100.00%**

ASX Additional Information

Restricted securities

Class of Restricted Securities	Type of Restriction	Number on Issue	End Date
Fully Paid Ordinary shares	Voluntary Escrow	4,748,840	25% released every 6 months

Unquoted equity securities

Class of Unquoted Securities	Number on Issue	Number of Holders
Unlisted options	-	-

Other Information

The Company is not currently conducting an on-market buy back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) that have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employees incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Exploration and mining licenses granted

As at 30 June 2022, Prospect Resources Limited has interests in tenements via the following companies:

(1) Hawkmoth Mining and Exploration (Private) Limited ("Hawkmoth") - Chishanya Project

(2) Promin Resource Holdings (Pte) Ltd ("Promin") - Step Aside Project

Tenement Type & Number	Tenement Name	Country	Project	Registered Company Name	% Held at 30 June 2022
ME19948 BM	Step Aside	Zimbabwe	Step Aside	Promin	100%
M2873 BM	Penga 9	Zimbabwe	Chishanya	Hawkmoth	70%
M2874 BM	Penga 10	Zimbabwe	Chishanya	Hawkmoth	70%
M2875 BM	Penga 11	Zimbabwe	Chishanya	Hawkmoth	70%
M2876 BM	Penga 12	Zimbabwe	Chishanya	Hawkmoth	70%

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