



PROSPERITY

Prosperity Resources Limited

ABN 60 103 280 235

Half Year Report
31 December 2015

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

COMPANY DIRECTORY

DIRECTORS

Mo Munshi
John Arbuckle
Sebastian Hempel

COMPANY SECRETARY

Garry Taylor
Lionel Liew

PRINCIPAL REGISTERED OFFICE

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SHARE REGISTRY

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AUDITORS

Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia, 6005

STOCK EXCHANGE LISTING

The Company's shares are quoted on the Australian Securities Exchange (ASX)

ASX Code: **PSP**

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the half-year ended 31 December 2015 and the review report thereon.

DIRECTORS

The names and details of the Directors of Prosperity Resources Limited in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

Mo Munshi
John Arbuckle
Sebastian Hempel

RESULTS OF OPERATIONS

The loss of the consolidated entity for the six months to 31 December 2015 amounted to \$275,089 (Half year ended 31 December 2014: \$444,855 loss).

REVIEW OF OPERATIONS

During the half year, the Company extended the repayment date of an existing term loan whilst continuing to seek funding to assist with the exploration of this exciting Indonesian project.

Minimal exploration work was done during the period to preserve working capital.

It is recommended that this half-yearly statement be read in conjunction with the 30 June 2015 Annual Report and any public announcements made by the Company during the half year.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with the Australian Securities Exchange regarding exploration and other activities of the Company.

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 14.

Dated at Perth this 24 November 2016

Signed in accordance with a resolution of the Directors.



Mo Munshi
Managing Director

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

		31 December 2015	31 December 2014
		\$	\$
Revenue	Note		
Interest income		59	69
Other income		144,700	169,643
Total revenue	2	144,759	169,712
Operating costs:			
Depreciation		4,380	6,333
Employee expenses		212,867	149,084
Exploration and project expenditure		(20)	172,084
Other operating costs		182,621	280,816
Borrowing costs		20,000	6,250
Total expenses		419,848	614,567
Loss before income tax		(275,089)	(444,855)
Income tax refund / (expense)		-	-
Loss after income tax		(275,089)	(444,855)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		(431)	(3,185)
Comprehensive loss for the period		(275,520)	(448,040)
Loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(277,025)	(440,704)
Non-controlling interest		1,936	(4,151)
Loss for the period		(275,089)	(444,855)
Total Comprehensive loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(158,685)	(350,841)
Non-controlling interest		(116,835)	(97,199)
Total Comprehensive loss for the period		(275,520)	(448,040)
Earnings per share			
Basic loss per share – cents	6	(0.06)	(0.10)

Diluted earnings (loss) per share has not been included as it results in a more favourable earnings (loss) per share figure than basic earnings (loss) per share.

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		31 December 2015	30 June 2015 (Restated)
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,370	7,306
Other receivables		33,835	34,672
Prepayments		-	2,211
TOTAL CURRENT ASSETS		37,205	44,189
NON-CURRENT ASSETS			
Trade and other receivables		93,803	89,292
Property, plant and equipment		77,012	81,391
Capitalised mineral exploration and evaluation expenditure		-	-
TOTAL NON-CURRENT ASSETS		170,815	170,683
TOTAL ASSETS		208,020	214,872
CURRENT LIABILITIES			
Trade and other payables		1,551,385	1,373,148
Provisions		461	25,001
Borrowings	4	891,285	776,314
TOTAL CURRENT LIABILITIES		2,443,131	2,174,463
TOTAL LIABILITIES		2,443,131	2,174,463
NET LIABILITIES		(2,235,111)	(1,959,591)
EQUITY			
Issued capital	7	35,435,445	35,435,445
Reserves		4,747,784	4,629,444
Accumulated losses		(39,933,502)	(39,656,477)
Total surplus / (deficiency) attributed to equity holders of the Company		249,727	408,412
Non-controlling Interest		(2,484,838)	(2,368,003)
TOTAL EQUITY		(2,235,111)	(1,959,591)

The consolidated statement of financial position should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	31 December 2015	31 December 2014
	\$	\$
Note		
Cash flows from operating activities		
Cash payments in the course of operations	(215,695)	(172,834)
Interest received	59	69
Other income received	128,703	168,068
Net cash flows used in operating activities	(86,933)	(4,697)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	-
Net cash flows used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Capital raising costs	-	-
Proceeds from borrowings	82,997	-
Repayment of loan	-	-
Net cash flows used in financing activities	82,997	-
Net increase / (decrease) in cash and cash equivalents	(3,936)	(4,697)
Cash and cash equivalents at beginning of period	7,306	8,455
Cash and cash equivalents at end of period	3,370	3,758
3		

The consolidated statement of cash flows should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2015	35,435,445	(39,656,477)	3,374,524	1,254,920	408,412	(2,368,003)	(1,959,591)
Loss for the period	-	(277,025)	-	-	(277,025)	1,936	(275,089)
Other comprehensive income							
Investment revaluation	-	-	-	-	-	-	-
Currency translation differences	-	-	-	118,340	118,340	(118,771)	(431)
Total other comprehensive (loss) / income	-	-	-	118,340	118,340	(118,771)	(431)
Total comprehensive loss	-	(277,025)	-	118,340	(158,685)	(116,835)	(275,520)
Transactions with owner recorded directly into equity							
Issue of shares	-	-	-	-	-	-	-
Issue of performance rights	-	-	-	-	-	-	-
As at 31 December 2015	35,435,445	(39,933,502)	3,374,524	1,373,260	249,727	(2,484,838)	(2,235,111)

The consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2014	35,435,445	(40,326,378)	3,374,524	852,834	(663,575)	(594,258)	(1,257,833)
Prior period adjustment (note 9)	-	1,369,659	-	-	1,369,659	(1,369,659)	-
Restated opening balance	35,435,445	(38,956,719)	3,374,524	852,834	706,084	(1,963,917)	(1,257,833)
Loss for the period	-	(440,704)	-	-	(440,704)	(4,151)	(444,855)
Other comprehensive income							
Investment revaluation	-	-	-	-	-	-	-
Currency translation differences	-	-	-	89,863	89,863	(93,048)	(3,185)
Total other comprehensive (loss) / income	-	-	-	89,863	89,863	(93,048)	(3,185)
Total comprehensive loss	-	(440,704)	-	89,863	(350,841)	(97,199)	(448,040)
Transactions with owner recorded directly into equity							
Issue of shares	-	-	-	-	-	-	-
Issue of performance rights	-	-	-	-	-	-	-
As at 31 December 2014	35,435,445	(39,397,423)	3,374,524	942,697	355,243	(2,061,116)	(1,705,873)

The consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Note 1: Basis of Preparation of the Half Year Financial Statements

The half-year financial statements are a general purpose financial statement, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, and other mandatory professional requirements.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Prosperity Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half year financial statements do not include full disclosures of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

The half-year financial statements have been prepared on a historical cost basis, except for financial assets classified as held for available-for-sale, that have been measured at fair value.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period. The same accounting policies and methods of computation have been followed in this interim financial statement as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

New and amended standards adopted by the group

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Going Concern Basis

The financial statements of the Company and the Group have been prepared on a going concern basis which anticipates the ability of the Company to meet its obligations in the normal course of the business.

As at 31 December 2015, the Group has total liabilities of \$2,443,131, and has incurred a loss of \$275,089, for the period ended, with a cash and cash equivalents balance of \$3,370 and a working capital deficiency of \$2,405,926. In the absence of future capital raising noted below, current cash resources are not expected to be sufficient to meet forecast outgoings for a period of at least 12 months from the date of this report.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's and parent entity's ability to continue as a going concern.

The current liabilities also include financial liabilities of \$891,285 from lenders. One of the loans is due for repayment as at 30 June 2016. The lender has agreed to support the Group's activities in Indonesia by extending the loan repayment due dates on such terms as may be negotiated from time to time.

The directors have prepared cash flow budgets that indicate that the Company and the Group will have cash surpluses for a period of at least 12 months from the date of this report. This budget is dependent on the raising of funds by way of equity raisings and or obtaining further loan funds in order for the Group to meet its exploration commitments and other costs.

Based on the cash flow budgets and possible equity and/or debt funding described above, the directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity and the parent be unable to continue as going concerns, they may be required to realise assets and extinguish liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent be unable to continue as a going concern.

The Directors acknowledge that the Company will need to adopt further strategies to ensure that funding is maintained. This includes, but is not limited further capital or debt funding, the sale, relinquishment or introduction of joint venture contributions on areas of interest held, and seeking other prospective projects.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 December 2015	31 December 2014
	\$	\$
Note 2: Revenue		
Revenue		
Interest received – other entities	59	69
Other income – consulting fees	112,500	161,625
Other income – recovery of tenement cost	-	218
Other income – rent	7,200	7,800
Disposal of PPE	25,000	-
	<u>144,759</u>	<u>169,712</u>
	31 December 2015	30 June 2015
	\$	\$
Note 3: Cash and cash equivalents		
Cash at bank and on hand	3,370	7,306
	<u>3,370</u>	<u>7,306</u>
Note 4: Borrowings		
Loan from third party ¹	686,107	653,134
Loan from director ²	205,178	123,180
	<u>891,285</u>	<u>776,314</u>

1. The Group has an existing USD1,000,000 credit facility with a third party which is unsecured and interest free. To date, USD 500,000 has been drawn down. This amount is classified as a current liability and due for repayment on the 30 June 2016.

2. The loan from a director is unsecured, interest free and repayable upon demand.

Note 5: Segment Reporting

The Group operates only in the exploration industry, both in Australia and Indonesia with particular emphasis on strategic and precious metals.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

31/12/2015	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	144,759	-	-	144,759
Expenses	<u>(422,577)</u>	<u>3,461</u>	<u>(732)</u>	<u>(419,848)</u>
Segment Results	<u>(277,818)</u>	<u>3,461</u>	<u>(732)</u>	<u>(275,089)</u>
Assets	113,436	94,566	18	208,020
Liabilities	<u>(2,340,688)</u>	<u>(100,551)</u>	<u>(1,892)</u>	<u>(2,443,131)</u>
31/12/2014	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	169,712	-	-	169,712
Expenses	<u>(565,022)</u>	<u>(44,619)</u>	<u>(4,926)</u>	<u>(614,567)</u>
Segment Results	<u>(395,310)</u>	<u>(44,619)</u>	<u>(4,926)</u>	<u>(444,855)</u>
30/6/2015				
Assets	124,452	90,018	402	214,872
Liabilities	<u>(2,052,886)</u>	<u>(98,958)</u>	<u>(22,619)</u>	<u>(2,174,463)</u>

Note 6: Earnings per share

	2015	2014
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>443,352,080</u>	<u>443,352,080</u>

Note 7: Issued Capital

	Number	\$
Ordinary shares at 1 July 2015	<u>443,352,080</u>	<u>35,435,445</u>
Ordinary shares at 31 December 2015	<u>443,352,080</u>	<u>35,435,445</u>

Note 8: Share based payments

There were no performance rights and/or options issued during the half year ended 31 December 2015 or 2014.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 9: Contingent Liabilities and Contingent Assets

Subject to completion of a JORC Code compliant resource report for the first thirty metres of material located in the Aceh project in Indonesia, the Company will pay USD1,250,000 in cash and issue USD250,000 worth in PSP shares to individual shareholders of PT Multi Mineral Utama.

Subject to completion of a JORC Code compliant resource of between 500,000 to 1,000,000 ounces of gold resource, the Company will issue 2,500,000 to a maximum of 5,000,000 PSP shares to the individual shareholders of PT Bintang Agung Mining and PT Mulia Kencana Makmur separately on a pro rata basis.

Other than the above, there are no other known material contingent liabilities or assets.

Note 10: Dividends

There were no dividends paid or payable during the half year.

Note 11: Events Subsequent to Reporting Date

The USD 500,000 loan from third party was due for repayment on the 30 June 2015 as disclosed in note 4. On the 18 April 2016, an extension of repayment till 30 June 2016 was sought with the issue of 50 million free PSP shares. These shares were approved by shareholders in an AGM held on 11 July 2016.

In the same AGM, the shareholders approved the disposal of the Company's Aceh asset to the lender for USD 500,000. At the date of signing this report, the transfer has not been completed. When completed, the USD 500,000 loan (equivalent to AUD 686,107 at 31 December 2015) will be extinguished and a gain of the same amount recognised in the income statement.

On the 29 January 2016, the Company announced the retirement of non-executive director, Mufti Habriansyah.

As at the date of this report there is no other matter or circumstance that has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors of Prosperity Resources Limited:

1. the financial statements and notes set out on pages 3 to 12
 - (a) give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations; and
2. there are reasonable grounds to believe that Prosperity Resources Limited will be able to pay its debts as and when they become due and payable.
3. the financial report also complies with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth 24 November 2016.



Mo Munshi
Managing Director

24 November 2016

Board of Directors
Prosperity Resources Limited
44 Kings Park Road,
WEST PERTH, WA, 6005

Dear Directors

RE: PROSPERITY 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 Prosperity Resources Limited.

As Audit Director for the review of the financial statements of Prosperity Resources Limited for the half year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

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



Samir Tirodkar
Director

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

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of Prosperity Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prosperity Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Prosperity Resources Limited on 24 November 2016.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prosperity Resources Limited is not in accordance with the *Corporations Act 2001* including:

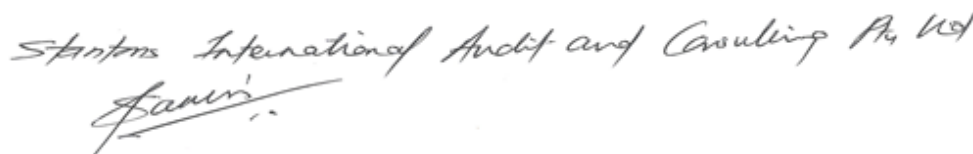
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

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

As referred to in Note 1 to the half year financial report, the financial statements have been prepared on the going concern basis. As at 31 December 2015, the consolidated entity had cash and cash equivalents of \$3,370, working capital deficiency of \$2,405,926 and had incurred a loss of \$275,089 for the half year ended then. In the event that the consolidated entity is unable to raise additional funding from the sources as described in note 1 to the financial report, and based on the current exploration commitments and planned expenditure, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to recoverability and classification of recorded assets amounts, or to the amounts and classification of liabilities, that might be necessary should the consolidated entity not continue as a going concern.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
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Samir Tirodkar
Director

West Perth, Western Australia
24 November 2016