PROSPERITY RESOURCES LIMITED

ABN 60 103 280 235

Annual Report
For The Year Ended
30 June 2016

CORPORATE DIRECTORY

DIRECTORS	Mohammed (Mo) Munshi *Non-Executive Chairman & Managing Director* John Arbuckle *Non-Executive Director* Sebastian (Seb) Hempel *Non-Executive Director*
COMPANY SECRETARIES	Garry Taylor Lionel Liew
PRINCIPAL REGISTERED OFFICE	44 Kings Park Road West Perth, Western Australia, 6005 Telephone: (08) 9322 7575 Facsimile: (08) 9322 9485 Email: info@prosperity.net.au Internet: www.prosperity.net.au
AUDITOR	Stantons International Level 2, 1 Walker Avenue West Perth, Western Australia, 6005
BANKERS	Bankwest 108 St George's Terrace Perth, Western Australia, 6000
SHARE REGISTRY	Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth, Western Australia 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033 Email: perth.services@computershare.com.au
SOLICITORS	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia, 6000
STOCK EXCHANGE LISTING	Australian Securities Exchange (ASX)
ASX CODE	PSP

DIRECTORS' REPORT

The directors present their report together with the financial statements of Prosperity Resources Limited ("the Company") and the consolidated financial statement of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2016 and the auditor's report thereon.

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

Mo Munshi *MBA*
Non Executive Chairman and Managing Director

Mr Munshi is a geologist with an extensive mining engineering background with over 20 years experience in exploration, development, production and both technical and corporate management, in the global mining industry.
Mr Munshi has worked in the Australasian and African regions, primarily in Australia, China, Mongolia, Philippines, Indonesia, Ghana, Tanzania and South Africa, and more recently he has had exposure to South America, Ecuador, Peru, Brazil and Argentina, and Eastern Europe in Kosovo and Turkey.

Over the last 20 years, he has had extensive experience and gained detailed knowledge of the geology and mineral resources in these countries, and the opportunities and projects in these countries, through his role as a Business Development Executive for several companies.

He has a broad exposure to large multi-national corporations and junior mining and entrepreneurial companies, having worked previously for ACM Limited, Posgold/Normandy Mining, Great Central Mines NL, Ashanti Goldfields Limited, JCI Limited and Ivanhoe Mines Limited, and was involved in project evaluation, financing, legal and administrative functions in the companies that he worked for.

During the last 3 years, Mr Munshi has also served as a director of Paramount Mining Corporation Limited.

John Arbuckle *B.Bus CPA*
Non Executive Director

Mr Arbuckle is an accountant with extensive experience in the resources industry in Australia and overseas. Currently, he operates a corporate advisory business that provides corporate and capital financing advice to resource industry companies. His previous positions included Chief Financial Officer and Company Secretary of Mount Gibson Iron Limited and Chief Financial Officer of Perilya Limited, where he guided both companies through difficult operational start up phases.

Prior to this he held senior financial management roles with Rio Tinto Limited, North Limited and Anaconda Nickel Limited. He has considerable experience in developing financial and risk management strategies for mining companies and the implementation of accounting controls and systems.

During the last 3 years, Mr Arbuckle has also served as a director of Paramount Mining Corporation Limited.

Sebastian Hempel *ACIS, B.Sc, LL.B, Grad.Dip.AppCorpGov*
Non Executive Director

Mr Hempel is a well regarded and accomplished corporate lawyer based in Sydney, Australia. He has over 20 years of corporate advisory experience in listed companies, with specialities in capital raisings and in the resources sector. He has strong corporate governance expertise through company secretarial and corporate law work, and being a trusted corporate adviser to several companies and boards.

During the last 3 years, Mr Hempel has also served as a director of Fitzroy River Corporation Ltd. He resigned from the position effective from 30 June 2014.

Garry Taylor *MBA CPA FCIS GAICD*
Company Secretary

Mr Taylor is an accountant with an extensive background in corporate financial management across a range of industries.

He holds a MBA from the University of Western Australia, Bachelor of Business degree majoring in Accounting and a Graduate Diploma in Banking and Finance from Monash University, as well as a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia.

He is a member of CPA Australia, a fellow of the Chartered Institute of Secretaries, and a graduate member of the Australian Institute of Company Directors.

Mr Taylor is also Chief Financial Officer and Company Secretary of Paramount Mining Corporation Limited.

DIRECTORS' REPORT (Cont'd)

Lionel Liew *B.Comm* CPA
Company Secretary

Mr Liew is a qualified accountant with a background in external audit and assurance.

He is a member of CPA Australia and CPA Singapore.

Mr Liew is a joint Company Secretary of Paramount Mining Corporation Limited.

Directors' Interests

As at the date of this report the interests of the directors in the shares of Prosperity Resources Ltd were:

Director	Position	Ordinary Shares
Mo Munshi	Non Executive Chairman / Managing Director	114,662,172
John Arbuckle	Non Executive Director	3,963,000
Seb Hempel	Non Executive Director	3,240,900

Earnings Per Share	**Cents**
Basic loss per Share	0.13

Dividends
No dividends have been paid or will be recommended to be paid.

CORPORATE INFORMATION

Corporate Structure
Prosperity Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has the following subsidiary companies:

Domicile in Australia:
Prosperity Resources (Yalgoo) Pty Ltd – 100%
Prosperity Resources (Mt Gibson) Pty Ltd – 100%
Prosperity Resources (Tennant Creek) Pty Ltd – 100%
Prosperity Resources (Indonesia) Pty Ltd – 100%
Prosperity Resources Indonesia (Energy) Pty Ltd – 100%

Domicile in Singapore:
Prospindo Singapore Pte Ltd – 90%
Prospindo Energi Singapore Pte Ltd – 81%

Domicile in Indonesia:
PT Prospindo – 90%
PT Prosperity Surya Persada – 81%
PT Aspirasi Widya Chandra – 83.7%
PT Arus Tirta Power – 83.7%
PT Aneka Mining Nasional – 83.7%
PT Multi Mineral Utama – 73.8%
PT Mulia Kencana Makmur – 73.8%
PT Bintang Agung Mining – 73.8%

The exploration at Tennant Creek and Indonesia are paid for by Prosperity Resources Limited, however these companies are the beneficial owners of the tenements.

Nature of Operations and Principal Activities
The principal activity of the consolidated entity during the course of the financial year was mineral exploration. There has been no other significant change in the nature of this activity during the year.

The auditors have issued an emphasis of matter opinion on the inherent uncertainty regarding the going concern of the Company.

As the Company has no internally generated cash flow, the continuity of exploration activities will require access to new funding. These activities to be carried out in the future and the Company's planned discretionary expenditure may vary significantly due to a variety of factors. The Company has the ability to substantially reduce or defer actual exploration expenditure when required to match the funds available at any point in time.

The directors have prepared the financial statements on a going concern basis which contemplates the continuity of normal business activities.

DIRECTORS' REPORT (Cont'd)

The directors have determined that future equity raisings or debt funding arrangements will be required to provide funding for the Group's activities and to meet the Group's objectives. There is no certainty that these will be successfully completed to provide adequate working capital for the Company.

The Board is confident that the Group will have sufficient funds to finance its operations.

Number of Employees
The number of employees as at the end of the financial year was 4 (2015:5).

Review of Financial Condition
The Group has cash and cash equivalents of $31,376 as at 30 June 2016.

Capital Structure
During the year, the Company raised $64,400 through the issue of 84,014,962 ordinary shares at $0.00077 each. 66,502,812 ordinary shares were issued during the year under the placement capacity, with the remaining 17,512,150 ordinary shares issued after shareholder approval on 11 July 2016. The issued capital as at 30 June 2016 is 509,854,892 fully paid shares.

Risk Management
The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee and the whole Board acts in that role.

The Board has a number of mechanisms in place to ensure that the management's objectives and activities are aligned with the risks identified by the Board.

Significant Changes in State of Affairs
No significant changes in the state of affairs of the Group occurred during the financial year, other than those disclosed elsewhere in this report.

Subsequent Events
Details of subsequent events are set out in note 29.

Likely Developments
The consolidated entity will focus on the exploration and/or divestment of its portfolio of mining tenements and the acquisition of new projects and/or assets. The Group disposed off its Singapore subsidiary post year end, which has been disclosed in subsequent events note 29.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations on future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation and Performance
The consolidated entity's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities.

The directors are not aware of any breaches during the period covered by this report.

Listed Options
As at the date of this report there were no listed options on issue.

Unlisted Options
As at the date of this report there were no unlisted options on issue.

Performance Rights
As at the date of this report there were no performance rights on issue.

Indemnification of Officers
The Company has agreed to indemnify and keep indemnified the following officers, Mr Munshi, Mr Arbuckle, Mr Hempel, Mr Taylor and Mr Liew against all liabilities incurred by the officers as an Executive Officer of the Company (and subsidiaries) and all legal expenses incurred by the officers as an Executive Officer of the Company (and subsidiaries).

The indemnity only applies to the extent and in the amount that the directors are not indemnified under any other indemnity, including an indemnity contained in any insurance policy taken out by the Company (or subsidiary), under the general law or otherwise.

The indemnity does not extend to any liability:

- to the Company or a related body corporate of the Company; or
- arising out of conduct of the directors involving a lack of good faith; or
- which was incurred prior to 15 April 1994 and which is in respect of any negligence, default, breach of duty or breach of trust of which the directors may be guilty in relation to the Company or related body corporate.

Insurance of Officers
Since the end of the previous financial year the Company has paid insurance premiums of $13,497 in respect of directors and officers liability and corporate reimbursement, for directors and officers of the Company. The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer, first made against them jointly or severally during the period of insurance; and

- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid on each individual officer of the Company.

Remuneration Report (Audited)
This report outlines the remuneration arrangements in place for directors and executives of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Details of key management personnel of the Group

(i) Directors

Mo Munshi	Non-Executive Chairman and Managing Director
John Arbuckle	Non-Executive Director
Seb Hempel	Non-Executive Director

Remuneration Committee
The board has not established a remuneration committee. Processes are in place for the full board to consider issues that would otherwise be considered by a remuneration committee.

The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objectives of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration Philosophy
The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards and the Australasian Institute of Mining and Metallurgy Remuneration and Membership Survey. Whilst in the exploration and acquisition phase, the Company targets the lowest quartile of remuneration levels.

Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate and distinct.

Managing Director / Non - Executive Chairman
The Company will pay Mr Munshi director's fees of $35,000 per annum (exclusive of statutory superannuation) during such period as he serves as a Non-Executive Chairman of the Company.

The Company has entered into a Consultancy Agreement with Mr Munshi pursuant to which Mr Munshi is engaged by the Company as Managing Director with effect from 1 January 2014 for 3 years. The Company will pay Mr Munshi a consulting fee of $25,000 per month in a combination of cash and shares and each party can terminate the agreement by giving three months' notice.

Non - Executive Directors
Each director receives a fee of $30,000 per annum for being a director of the Company with effect from 1 October 2007. No contracts were drafted.

Details of the nature and amount of each element of the emoluments of each director and executive of the Company and the consolidated entity are:

DIRECTORS' REPORT (Cont'd)

Compensation of Directors and Executives for the Year Ended 30 June 2016 and 2015

Directors	Short-Term			Post Employment	Termination Benefits	Share-based Payments		Total
	Salary & Fees $	Cash Bonus $	Non Monetary $	Super-annuation $	$	Performance rights issued $	Options issued $	$
Mo Munshi								
2016	-	-	^337,699*	-	-	-	-	337,699
2015	-	-	^337,587*	-	-	-	-	337,587
John Arbuckle								
2016	-	-	^32,699*	-	-	-	-	32,699
2015	-	-	^32,587*	-	-	-	-	32,587
Seb Hempel								
2016	-	-	^32,699*	-	-	-	-	32,699
2015	-	-	^32,587*	-	-	-	-	32,587
Totals								
2016	-	-	403,098	-	-	-	-	403,098
2015	-	-	402,761	-	-	-	-	402,761

^ Amounts include salary and director fees due to Directors as at 30 June 2016 which will be paid through the issue of shares, subject to approval at the following Annual General Meeting.
* These amounts include a pro-rata allocation of $2,699 (2015 - $2,587) of the cost of Directors and Officer's Insurance ($13,497 (2015 - $15,523) in total) as is required to be disclosed under the Australian Accounting Standards.

Options Granted and Vested During the Years Ended 30 June 2016 and 2015
No options were granted to Directors during the years ended 30 June 2016 and 2015.

Shares issued on exercise of options
No options were exercised during the year ended 30 June 2016 and 2015.

Performance Rights
No performance rights were issued to key management personnel during the year ended 30 June 2016 and 2015.

Performance Income as a Proportion of Total Compensation

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts of the Company) because of a contract made by the Company or a related body corporate with the Director or with a firm of which the Director has a substantial financial interest.

Directors' holdings as at 30 June 2016 and 2015 are as follows:

Shares:

Year ended 30 June 2016	Balance at the start of the year	Received during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
Mo Munshi	54,183,000	-	-	-	54,183,000
John Arbuckle	3,963,000	-	-	-	3,963,000
Seb Hempel	3,240,900	-	-	-	3,240,900

Year ended 30 June 2015	Balance at the start of the year	Received during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
Mo Munshi	54,183,000	-	-	-	54,183,000
John Arbuckle	3,963,000	-	-	-	3,963,000
Seb Hempel	3,240,900	-	-	-	3,240,900
Mufti Habriansyah (resigned 29 May 2015)	2,463,000	-	(2,463,000)	-	-

DIRECTORS' REPORT (Cont'd)

Options:

Year ended 30 June 2016	Balance at the start of the year	Received during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
Mo Munshi	-	-	-	-	-
John Arbuckle	-	-	-	-	-
Seb Hempel	-	-	-	-	-

Year ended 30 June 2015	Balance at the start of the year	Received during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
Mo Munshi	1,500,000	-	-	(1,500,000)	-
John Arbuckle	-	-	-	-	-
Seb Hempel	-	-	-	-	-
Mufti Habriansyah (resigned 29 May 2015)	-	-	-	-	-

Performance Rights:

Year ended 30 June 2016	Balance at the start of the year	Received during the year	Balance at date of resignation	Expired during the year	Balance at the end of the year
Mo Munshi	1,000,000	-	-	(1,000,000)	-
John Arbuckle	-	-	-	-	-
Seb Hempel	-	-	-	-	-

Year ended 30 June 2015	Balance at the start of the year	Received during the year	Balance at date of resignation	Expired during the year	Balance at the end of the year
Mo Munshi	4,000,000	-	-	(3,000,000)	1,000,000
John Arbuckle	500,000	-	-	(500,000)	-
Seb Hempel	500,000	-	-	(500,000)	-
Mufti Habriansyah (resigned 29 May 2015)	500,000	-	-	(500,000)	-

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Director		Meetings whilst Director	
	Appointed	*Resigned*	*Held*	*Attended*
Mo Munshi	6 Mar 07		-	-
John Arbuckle	9 Sept 06		-	-
Seb Hempel	21 Jul 08		-	-
Mufti Habriansyah	1 Dec 10	29 May 2015	-	-

Results
The total comprehensive loss of the consolidated entity for the financial year was $585,783 (2015: $701,758).

Auditor's Independence and Non Audit Services
There have been no non audit services provided during this year.

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is set out on page 43.

Signed in accordance with a resolution of the directors.

M.I. Munshi

Mo Munshi
Managing Director

Dated at Perth this 13 April 2017

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 30 June 2016 and has been approved by the board.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd Edition) (the "Recommendations"). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

Unless disclosed below, all the Recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2016.

Recommendations (3rd Edition)	Comply
Principle 1: Lay solid foundations for management and oversight	
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Yes
Commentary on Recommendation 1.1 The Company has adopted a written Corporate Governance Charter, within which the Board Charter sets out the respective roles and responsibilities of the Board and the management, and the delegations by the Board to management. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.	
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes
Commentary on Recommendation 1.2 Before appointing a Director, the Board undertakes appropriate checks and provides security holders with all material information which is relevant to a decision to elect or re-elect a Director. The Notice of Annual General Meeting contains all material information relevant to a decision on whether or not to elect or re-elect a Director.	
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
Commentary on Recommendation 1.3 Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.	
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes
Commentary on Recommendation 1.4 The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.	

Recommendation 1.5 No

A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:

(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Commentary on Recommendation 1.5

The Company is committed to providing a diverse and inclusive work environment in which everyone is treated fairly and with respect.

The Company is committed to recruiting, training and promoting individuals based on competence and to attracting the best people in their fields, regardless of gender, religion, race, ethnicity, language, cultural background, sexual orientation, disability or age.

The board has not established a policy concerning diversity. When assessing the composition of the board, the board as a whole considers the mix of skills and the diversity of board members. The board assesses existing and potential directors' skills to ensure they have appropriate industry experience in the Group's operating segments.

The board considers the diversity of existing and potential senior executives and directors to ensure they are in line with the geographical and operational segments of the Group. Where considered appropriate, the board seeks to appoint a diverse range of directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Group operates.

Proportion of the total	
Women employees in the whole organisation	25%
Women in senior executive positions	0%
Women on the board	0%

Recommendation 1.6 No

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Commentary on Recommendation 1.6

There is no formal process for evaluating the performance of the board, its committees and individual directors.

Board, committee and individual director performance is evaluated on an ongoing basis, including within this reporting period, having regard to Company objectives and each director's contribution to board deliberations.

Recommendation 1.7 No

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Commentary on Recommendation 1.7

There is no formal process for evaluating the performance of senior executives.

Senior executive performance is evaluated by the board on an ongoing basis, including within this reporting period, having regard to Company objectives, and executives' roles and responsibilities.

Principle 2: Structure the board to add value

Recommendation 2.1 No

The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Commentary on Recommendation 2.1

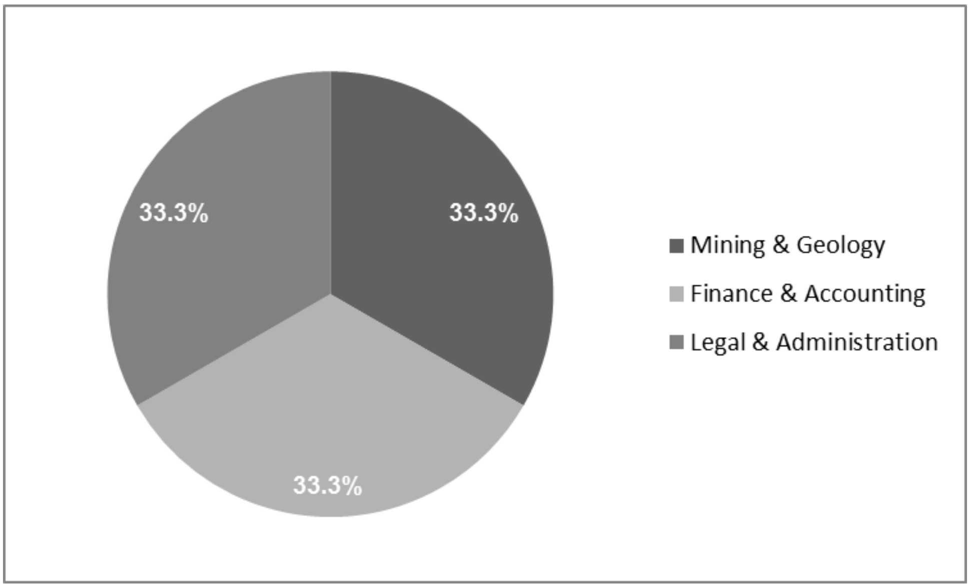
In view of the small size of the Company and its operations, the Board has not established a nomination committee. Functions that would be handled by such a committee are handled by the full board.

Recommendation 2.2 Yes

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Commentary on Recommendation 2.2

The following chart demonstrates the primary skills and experience of the current board across the range of attributes that are relevant to the Company's business.



Recommendation 2.3 Yes

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

Commentary on Recommendation 2.3

The Board consists of a majority of independent directors; the following Directors are considered to be independent. None of the following directors has an interest, position, association or relationship of the type described in Box 2.3.

Name	Position	Length of Service
John Arbuckle	Non-Executive Director	9 years 9 months
Seb Hempel	Non-Executive Director	8 years

Recommendation 2.4 Yes

A majority of the board of a listed entity should be independent directors.

Commentary on Recommendation 2.4

At the date of this report, the Board consists of three directors and two are considered independent.

Recommendation 2.5 No

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Commentary on Recommendation 2.5

The Chair of the Board, Mo Munshi is not considered to be an independent director. Mr Munshi also serves as CEO.

Recommendation 2.6 Yes

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Commentary on Recommendation 2.6

Directors are given an induction briefing by the Chairman and an induction pack containing information about the Company, Board and Committee Charters, and Company policies.

In line with its charter, the Nominations and Remuneration Committee considers individual Directors' developmental needs as required.

Principle 3: Act ethically and responsibly

Recommendation 3.1 — Yes

A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Commentary on Recommendation 3.1

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has established a Code of Conduct/Values, which forms part of the Company's Corporate Governance Charter, which may be found at the Company's website.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 — No

The board of a listed entity should:

a) have an audit committee which:

    (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

    (2) is chaired by an independent director, who is not the chair of the board,

and disclose:

    (3) the charter of the committee;

    (4) the relevant qualifications and experience of the members of the committee; and

    (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Commentary on Recommendation 4.1

In view of the small size of the Company and its operations, the Board has not established an audit committee. Functions that would be handled by such a committee are handled by the full board.

Recommendation 4.2 — Yes

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Commentary on Recommendation 4.2

In accordance with the Corporations Act 2001 (Cth) (the "Act), the CEO and CFO have provided written statements to the Board in respect of each half and full year financial period, that, in their opinion, the financial records of the Company have been properly maintained in accordance with the Act, the financial statements and the notes for the financial period comply with the accounting standards and give a true and fair view of the financial position and performance of the entity and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 — Yes

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Commentary on Recommendation 4.3

The Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 — Yes

The entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Commentary on Recommendation 5.1

The Board has endorsed a policy on the release of Price Sensitive Information and on Communications with Stakeholders, which sets out the processes which assist the Company to ensure that all investors have equal and timely access to material information about the Company and that Company announcements are factual and presented in a clear and balanced way.

The policy on the release of Price Sensitive Information also sets out the procedures for identifying and disclosing material and market-sensitive information in accordance with the Corporations Act 2011 (Cth) and the ASX Listing Rules.

The policies are integral parts of the Company's Corporate Governance Charter, which is published on the Company's website.

Principle 6: Respect the rights of security holders

Recommendation 6.1 Yes

A listed entity should provide information about itself and its governance to investors via its website.

Commentary on Recommendation 6.1

The Board has endorsed a policy on Communications with Stakeholders. Under the policy, the Company aims to ensure that investors and other stakeholders are kept informed of all major developments affecting the state of affairs of the Company.

Recommendation 6.2 Yes

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Commentary on Recommendation 6.2

The Company provides telephone and online email inquiry services to assist shareholders with any queries. Information is also communicated to shareholders via email regarding Company announcements.

Recommendation 6.3 Yes

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Commentary on Recommendation 6.3

The Company encourages security holder participation at its AGM through its use of electronic communication, including by making notices of meetings available on its website. Shareholders who are not able to attend the annual general meeting have the opportunity to put questions or comments ahead of the meeting. Where appropriate, these questions are answered at the meeting.

Recommendation 6.4 Yes

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Commentary on Recommendation 6.4

The Company's policy on Communications with Stakeholders provides that security holders can register to receive email notifications when an announcement is made by the Company, including the release of the Annual Report, half-yearly reports and quarterly reports.

All shareholders may register their email contact details with the Company's security registry to send and receive correspondence electronically.

Principle 7: Recognise and manage risk

Recommendation 7.1 No

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director,

and disclose:

- (3) the charter of the committee;
- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Commentary on Recommendation 7.1

In view of the small size of the Company and its operations, the Board has not established a risk committee. Functions that would be handled by such a committee are handled by the full Board.

Recommendation 7.2 Yes

The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

Commentary on Recommendation 7.2

The full Board considers the Company's risk management framework against its risk policy objectives as set out in the Company's Risk Management Policy. The Risk Management Charter and the Risk Management Policy are parts of the Company's Corporate Governance Charter, which may be found at the Company's website.

Recommendation 7.3 Yes

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Commentary on Recommendation 7.3

The full Board assesses the need for an internal audit function on an ongoing basis. Management, through the CEO is responsible for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

Recommendation 7.4 Yes

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Commentary on Recommendation 7.4

The Company has adopted a Risk Management Policy, which requires consideration of whether the Company has any material exposure to economic, environmental, operational and sustainability risks, and where it does, to determine how it manages or will manage such risks. The Risk Management Policy is an integral part of the Company's Corporate Governance Charter, which may be found at the Company's website.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 No

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Commentary on Recommendation 8.1

In view of the small size of the Company and its operations, the Board has not established a remuneration committee. Functions that would be handled by such a committee are handled by the full board.

Recommendation 8.2 Yes

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Commentary on Recommendation 8.2

The Company's policies and practices regarding the remuneration of Directors and senior executives is disclosed in the Remuneration Report section of this Annual Report.

Recommendation 8.3 Yes

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

Commentary on Recommendation 8.3

The Company did not have an equity-based remuneration scheme during the period.

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	NOTE	Consolidated 2016 $	Consolidated 2015 $
Revenue	3	**171,770**	361,365
Total revenue		**171,770**	361,365
Expenses			
Occupancy expenses		**(4)**	-
Administrative expenses		**(689,586)**	(696,316)
Share based payment expenses	16a	**-**	-
Borrowing costs		**(60,000)**	(10,000)
Depreciation		**(8,618)**	(10,956)
Exploration expenditure written off		**20**	(344,911)
Impairment of capitalised exploration expenditure		**-**	-
Loss before income tax		**(586,418)**	(700,818)
Income tax refund / (expense)	5	**-**	-
Loss after income tax		**(586,418)**	(700,818)
Other Comprehensive Income			
Items that may be subsequently classified to profit or loss:			
Currency translation differences		**635**	(940)
Comprehensive loss for the year		**(585,783)**	(701,758)
Loss for the year attributable to:			
Shareholders of Prosperity Resources Ltd	17	**(589,727)**	(699,756)
Non-controlling interest		**3,309**	(1,062)
Loss for the year		**(586,418)**	(700,818)
Total Comprehensive income / (loss) for the year attributable to:			
Shareholders of Prosperity Resources Ltd		**(502,508)**	(297,670)
Non-controlling interest	31	**(83,275)**	(404,088)
Total Comprehensive loss for the year		**(585,783)**	(701,758)
Basic loss per share (cents)	25	**(0.13)**	(0.16)

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	NOTE	Consolidated 2016 $	Consolidated 2015 $
CURRENT ASSETS			
Cash and cash equivalents	26(a)	**15,696**	7,306
Other receivables	6	**2,799**	34,672
Prepayments		**4,888**	2,211
Disposal group – Assets held for sale	11	**108,372**	-
TOTAL CURRENT ASSETS		**131,755**	44,189
NON-CURRENT ASSETS			
Trade and other receivables	6	**-**	89,292
Property, plant and equipment	9	**72,774**	81,391
Capitalised mineral exploration and evaluation expenditure	10	**-**	-
TOTAL NON-CURRENT ASSETS		**72,774**	170,683
TOTAL ASSETS		**204,529**	214,872
CURRENT LIABILITIES			
Trade and other payables	12	**1,636,962**	1,373,148
Provisions	13	**1,456**	25,001
Borrowings	14	**904,580**	776,314
Liabilities associated with disposal group	11	**142,505**	-
TOTAL CURRENT LIABILITIES		**2,685,503**	2,174,463
TOTAL LIABILITIES		**2,685,503**	2,174,463
NET LIABILITIES		**(2,480,974)**	(1,959,591)
EQUITY			
Issued capital	15	**35,486,421**	35,435,445
Shares to be issued	15	**13,424**	
Reserves	16	**4,716,663**	4,629,444
Accumulated losses	17	**(40,246,204)**	(39,656,477)
Total surplus / (deficiency) attributed to equity holders of the Company		**(29,696)**	408,412
Non-controlling interest	31	**(2,451,278)**	(2,368,003)
TOTAL DEFICIENCY		**(2,480,974)**	(1,959,591)

The above statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	NOTE	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Interest received		**270**	196
Other income received		**198,082**	361,587
Cash payments in the course of operations		**(345,981)**	(451,112)
Net cash used in operating activities	26(b)	**(147,629)**	(89,329)
Cash flows from investing activities			
Payments for exploration and evaluation		**-**	-
Net cash (provided by) / used in investing activities		**-**	-
Cash flows from financing activities			
Proceeds from borrowings		**107,299**	88,180
Proceeds from issue of shares		**64,400**	-
Net cash provided by financing activities		**171,699**	88,180
Net increase / (decrease) in cash and cash equivalents		**24,070**	(1,149)
Cash and cash equivalents at the beginning of the year		**7,306**	8,455
Cash and cash equivalents at the end of the year	11 & 26(a)	**31,376**	7,306

The above statement of cash flows is to be read in conjunction with the notes to the financial statements.

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

CONSOLIDATED

	Issued Capital	Shares to be issued	Accumulated Losses	Share Based Payment Reserve (Note 16a)	Foreign Currency Translation Reserve (Note 16b)	Investment Revaluation 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 year	-	-	(589,727)	-	-	-	(589,727)	3,309	(586,418)
Other comprehensive income									
Currency translation differences	-	-	-	-	87,219	-	87,219	(86,584)	635
Total other comprehensive income / (loss)	-	-	-	-	87,219	-	87,219	(86,584)	635
Total comprehensive income / (loss)	-	-	(589,727)	-	87,219	-	(502,508)	(83,275)	(585,783)
Transactions with owner recorded directly into equity									
Issue of shares	50,976	-	-	-	-	-	50,976	-	50,976
Shares to be issued	-	13,424	-	-	-	-	13,424	-	13,424
As at 30 June 2016	**35,486,421**	**13,424**	**(40,246,204)**	**3,374,524**	**1,342,139**	**-**	**(29,696)**	**(2,451,278)**	**(2,480,974)**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

CONSOLIDATED

	Issued Capital	Accumulated Losses	Share Based Payment Reserve (Note 16a)	Foreign Currency Translation Reserve (Note 16b)	Investment Revaluation 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	-	1,369,657	-	-	-	1,369,657	(1,369,657)	-
Restated opening balance	**35,435,445**	**(38,956,721)**	**3,374,524**	**852,834**	**-**	**706,082**	**(1,963,915)**	**(1,257,833)**
Loss for the year	-	(699,756)	-	-	-	(699,756)	(1,062)	(700,818)
Other comprehensive income								
Investment revaluation and reclassification of loss on available-for-sale asset to profit or loss	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	402,086	-	402,086	(403,026)	(940)
Total other comprehensive income / (loss)	-	-	-	402,086	-	402,086	(403,026)	(940)
Total comprehensive income / (loss)	-	(699,756)	-	402,086	-	(297,670)	(404,088)	(701,758)
Transactions with owner recorded directly into equity								
Issue of shares	-	-	-	-	-	-	-	-
Issue of performance rights	-	-	-	-	-	-	-	-
As at 30 June 2015	**35,435,445**	**(39,656,477)**	**3,374,524**	**1,254,920**	**-**	**408,412**	**(2,368,003)**	**(1,959,591)**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

1. 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 all the years presented, unless otherwise stated. The financial statement includes the financial statements of Prosperity Resources Limited as a consolidated entity of Prosperity Resources Limited and its subsidiaries (The Group). Separate financial statements for Prosperity Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Prosperity Resources Limited as an individual entity is included in Note 30. Prosperity Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on Australian Securities Exchange Limited.

(a) Basis of Preparation

This general purpose financial statement has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the Corporations Act 2001. It has been prepared on the basis of accrual accounting and historical costs and except where stated, does not take into account changing money values of fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report is presented in Australian dollars.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the financial statement of the Company and the Group complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

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 30 June 2016, the Group has total liabilities of $2,685,503 and has incurred a total comprehensive loss of $585,783 for the year ended, with cash and cash equivalents balance of $15,696 and a working capital deficiency of $2,553,748. 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 $904,580 from lenders as disclosed in note 14. One of the loans amounting to $674,100 (equivalent to USD 500,000) will be fully extinguished by the disposal of shares held in a Singapore subsidiary which holds the Company's Aceh gold project. This Singapore subsidiary, with all the subsidiaries it controls, has been recognised as a disposal group in the Statement of Financial Position as at 30 June 2016 (Note 11). As at 30 June 2016, the shares of the Singapore subsidiary has not been transferred to the lender.

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 to further capital or debt funding, the sale, relinquishment or introduction of joint venture contributions on areas of interest held, and seeking other prospective projects.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New and amended standards adopted by the group

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2015 but determined that their application to the financial statements is either not relevant or not material.

New Accounting Standards for Application in Future Periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- ***AASB 9 Financial Instruments*** **and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)**

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- ***AASB 15: Revenue from Contracts with Customers*** **(applicable to annual reporting periods commencing on or after 1 January 2018).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- ***AASB 16: Leases*** **(applicable to annual reporting periods commencing on or after 1 January 2019).**

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures.

- ***Other standards not yet applicable***

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'The Group' in these financial statements). The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 8.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Interest in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

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

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(f) Investment and Other Financial Assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment and Other Financial Assets (continued)

Held-to-maturity investments
These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities
Non-derivative financial liabilities, including borrowings are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(g) Exploration and Evaluation Costs

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest or alternatively by its sale; or

- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in/or in relation to the area of interest continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Land and building
Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment
Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
Land is not depreciated. Depreciation on other assets is calculated on a straight line basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 10% and 33% per annum. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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(j) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income, but only after reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of Assets

At each reporting date, the Company 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 costs 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 income statement.

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(m) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments
The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, 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 at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired and
(ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(n) Issued Capital

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received
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(o) Revenue Recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the statement of financial position 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 statement of comprehensive income 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 to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(q) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into 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 transactions. 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 the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

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 year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(r) 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Earnings Per Share (EPS)

Basic earnings per share
Basic EPS is calculated as the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted EPS adjusts the figures used in the determination 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 to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Segment Reporting

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 maker) in assessing performance and determining the allocation of resources. The Group's primary and only segment is exploration and evaluation of mineral resources.

During the year ended 30 June 2016, the consolidated entity operated in the following Geographical Segments: Australia and Indonesia (2015: Australia and Indonesia).

(u) Borrowing Costs

Borrowing costs may be either expensed in the period they are incurred, or where the borrowing costs incurred are directly associated with the construction, purchase or acquisition of a qualifying asset, the borrowing costs may be capitalised as part of the cost of the asset.

(v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 5 - Income Tax
- Note 10 - Capitalised Mineral Exploration and Evaluation Expenditure
- Note13 - Provisions
- Note 27 - Financial Instruments

	Consolidated 2016 $	Consolidated 2015 $

3. REVENUE FROM NON-OPERATING ACTIVITIES

	Consolidated 2016 $	Consolidated 2015 $
Interest received	270	196
Other income – consultancy, rental income and other income	146,500	361,169
Gain on disposal of asset	25,000	-
	171,770	**361,365**

4. EXPENSES

The loss from operating activities before income tax has been determined after charging the following items:

	Consolidated 2016 $	Consolidated 2015 $
Auditor's remuneration	24,000	52,425
Wages and salaries	13,125	208,542
Contributions to employee superannuation plans	1,247	8,174
Provision for employee entitlements	1,990	(1,750)

	Consolidated 2016 $	Consolidated 2015 $

5. INCOME TAX

(a) Reconciliation

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the prima facie tax benefit on the operating loss.

The differences are reconciled as follows:

	Consolidated 2016 $	Consolidated 2015 $
Operating loss	(586,418)	(700,818)
Prima facie tax benefit at 30%	**(175,925)**	**(210,246)**
Tax effect of differences:		
Legal and entertainment costs	-	-
Capitalised exploration costs	6	(7,200)
Provisions	25,651	(40,117)
Superannuation payable	-	(1,632)
Capital raising costs	-	-
Share based payment	18,000	-
Future income tax (expense) / benefits not brought to account	132,268	259,195
Income tax expense attributable to ordinary activities	-	-

(b) Unrecognised temporary differences Deferred tax asset

	Consolidated 2016 $	Consolidated 2015 $
On income tax account		
Capital raising costs	8,096	8,096
Provisions	96,293	70,642
Carry forward tax losses	11,733,598	11,601,330
	11,837,987	11,680,068
On capital account		
Carry forward tax losses	112,394	112,394
	11,950,381	11,792,462
Deferred tax liabilities (at 30%)		
Capital exploration costs	-	-

Carried forward losses are for the Australian parent entity only, and does not include losses from both the Singapore and Indonesian subsidiaries which were disposed of post year end.

	Consolidated 2016 $	Consolidated 2015 $
6. TRADE AND OTHER RECEIVABLES		
Current		
GST Recoverable	2,139	7,430
Other Debtors	660	27,242
	2,799	**34,672**

Past Due but Not Impaired

No receivable were past due and impaired as at 30 June 2016 and 2015.

Non Current		
Deposit Paid	-	89,292
Other Receivables	-	-
	-	**89,292**

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

ASX listed securities[1]	-	-
	-	**-**

1. The Group holds 304,260 (2015 – 304,260) equity shares in Living Cities Development Group Limited (formerly known as Ferrowest Limited). The investment is classified as a Tier 1, available-for-sale financial asset. They are traded on the ASX and are revalued at each reporting date to fair value. Due to the suspension of its securities, the financial asset has been written down to nil.

8. CONSOLIDATED ENTITIES

	Country of Incorporation	Direct Equity Interest %		Investment $	
		2016	**2015**	**2016**	**2015**
Prosperity Resources (Yalgoo) Pty Ltd	Australia	100	100	-	-
Prosperity Resources (Mt Gibson) Pty Ltd	Australia	100	100	-	-
Prosperity Resources (Tennant Creek) Pty Ltd	Australia	100	100	4,500,000	4,500,000
Prosperity Resources (Indonesia) Pty Ltd	Australia	100	100	1	1
Prosperity Resources Indonesia (Energy) Pty Ltd	Australia	100	100	1	1
Prospindo Singapore Pte Ltd – (1)	Singapore	90	90	7	7
Prospindo Energi Singapore Pte Ltd – (2)	Singapore	81	90	7	7
PT Prospindo – (3)	Indonesia	90	90	112,671	112,671
PT Prosperity Surya Persada – (4)	Indonesia	81	81	105,102	105,102
PT Aspirasi Widya Chandra – (5)	Indonesia	83.7	83.7	1,155,269	1,155,269
PT Arus Tirta Power – (5)	Indonesia	83.7	83.7	1,153,718	1,153,718
PT Aneka Mining Nasional – (5)	Indonesia	83.7	83.7	1,154,965	1,154,965
PT Multi Mineral Utama – (6)	Indonesia	73.8	73.8	1,326,918	1,326,918
PT Mulia Kencana Makmur – (6)	Indonesia	73.8	73.8	1,376,593	1,376,593
PT Bintang Agung Mining – (6)	Indonesia	73.8	73.8	1,278,818	1,278,818

(1) Prospindo Singapore Pte Ltd was incorporated on 19 April 2010 and is 90% owned by Prosperity Resources (Indonesia) Pty Ltd.

(2) Prospindo Energi Singapore Pte Ltd was incorporated on 23 September 2010 and is 90% owned by Prospindo Singapore Pte Ltd. Prospindo Energi Singapore Pte Ltd has 10 shares on issue at S$1 each.

(3) PT Prospindo was incorporated on 20 August 2009 to act as our holding company for our interest in metal projects in Indonesia. PT Prospindo is 95% and 5% owned by Prospindo Singapore Pte Ltd and Prospindo Energi Singapore Pte Ltd respectively.

8. CONSOLIDATED ENTITIES (Continued)

(4) PT Prosperity Surya Persada (PT PSP) was incorporated on the 9 October 2009 with our joint venture partners in Indonesia. PT PSP has 100,000 shares on issue at US$1 each, with PT Prospindo holding 90% of PT PSP.

(5) PT Prospindo holds a 83.7% equity interest in each of PT Aspirasi Widya Chandra, PT Arus Tirta Power and PT Aneka Mining Nasional.

(6) The Group holds a 73.8% equity interest in each of PT Multi Mineral Utama (PT MMU), PT Mulia Kencana Makmur (PT MKM) and PT Bintang Agung Mining (PT BAM).

Prosperity Resources Limited is the ultimate Australian parent entity.

	Consolidated 2016 $	Consolidated 2015 $
9. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At cost	20,580	29,725
Accumulated depreciation	(20,580)	(28,761)
	-	964
Building		
At cost	75,825	75,825
Accumulated depreciation	(65,731)	(58,127)
	10,094	17,698
Land		
At cost	62,680	62,680
Accumulated depreciation	-	-
	62,680	62,680
Motor Vehicles		
At cost	-	60,002
Accumulated depreciation	-	(60,002)
	-	-
Furniture and fixtures		
At cost	31,075	30,106
Accumulated depreciation	(31,075)	(30,057)
	-	49
Total net book value	**72,774**	**81,391**

Reconciliation

	Consolidated 2016 $	Consolidated 2015 $
Reconciliation of the carrying amount for property, plant and equipment is set out below		
Carrying amount at beginning of year	81,391	92,080
Write off of net book value	-	-
Depreciation	(8,618)	(10,956)
Foreign currency translation differences	1	267
Carrying amount at end of year	**72,774**	**81,391**

10. CAPITALISED MINERAL EXPLORATION AND EVALUATION EXPENDITURE

In the exploration and evaluation phase	**Consolidated 2016 $**	**Consolidated 2015 $**
Balance at start of year	-	-
Add: Expenditure incurred during the year	-	344,911
Less: Impairment	-	-
Less: Exploration expenditure write off	-	(344,911)
Add: Foreign exchange movement during the year	-	-
Total amount capitalised at end of year	**-**	**-**

11. DISPOSAL GROUP

The Company signed a share sale agreement with Resource Global Finance Limited ("RGF") on 11 July 2016 to transfer all the shares owned by the parent in its Singapore subsidiary, Prospindo Singapore Pte Ltd to extinguish the USD500,000 loan drawn down till date (refer to note 14). The total loan granted is USD1 million.
The assets and associated liabilities relating to this disposal group were reclassified as Disposal group in Current Asset and Liabilities for the first time under AASB 5 Non-current Assets held for Sale and Discontinued Operations at 30 June 2016.

Current Assets		
Cash and cash equivalents	15,680	-
Other receivables	92,692	-
	108,372	-
Current Liabilities		
Trade and other payables	142,505	-

12. TRADE AND OTHER PAYABLES

Current		
Unsecured		
Trade creditors[1]	332,292	204,347
Amounts owed to Directors and/or Director-related entities	1,208,500	1,030,390
Shares to be issued[2]	60,000	10,000
Accruals		
Audit fee	25,000	37,000
General	1,000	3,972
Other Creditors		
Other Taxes	10,170	87,439
	1,636,962	**1,373,148**

1. As at 30 June 2016, trade creditors of $45,044 (2015 - $86,139) were overdue. This excludes directors and consultants outstanding fees to be settled in shares which will be subject to approval by shareholders.
2. Shares to be issued relate to the extension of a loan facility and a director loan.

13. PROVISIONS

Current		
Employee entitlements	**1,456**	**25,001**
Number of employees at year end	**4**	**5**

14. BORROWINGS

Loan from third party[1]	674,100	653,134
Loan from director[2]	230,480	123,180
	904,580	**776,314**

1. Loan from third party is unsecured, non-interest bearing and repayable on 30 June 2016. The loan will be extinguished in full by the sale of the Aceh asset.
2. Loan from director is unsecured, non-interest bearing and repayable upon request.

15. CONTRIBUTION EQUITY

	Consolidated 2016 $	Consolidated 2015 $
(a) Ordinary Shares 509,854,892 (2015: 443,352,080)	**35,486,421**	**35,435,445**

(b) Share Movements during the year

	Number of Shares 2016	Number of Shares 2015	Total 2016 $	Total 2015 $
Balance at the beginning of the year	443,352,080	443,352,080	35,435,445	35,435,445
Issue Jun 16 at 0.08 cents[1]	66,502,812	-	50,976	-
Less:				
Capital Raising Costs	-	-	-	-
	509,854,892	**443,352,080**	**35,486,421**	**35,435,445**

1. An additional 17,512,150 shares were approved for issue by shareholders and completed on 11 July 2016. Since the proceeds of $13,424 for these shares were received during the year, it has been disclosed as shares to be issued at balance date.

(c) Options

There were no listed and unlisted options issued during the year.

Unlisted Option Movements during the year

	Number of Options 2016	Number of Options 2015	Total 2016 $	Total 2015 $
Balance at the beginning of the year	-	1,500,000	3,341,772	3,341,772
Expired during the year	-	(1,500,000)	-	-
	-	**-**	**3,341,772**	**3,341,772**

(d) Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(e) Performance Rights

No performance rights were issued during 30 June 2016 and 2015.

	No of Rights 2016	Total 2016 $	No. of Rights 2015	Total 2015 $
Performance Rights				
At the beginning of reporting period	1,000,000	32,752	7,250,000	32,752
Performance Rigths issued during the year	-	-	-	-
Performance Rights vested during the current year	-	-	-	-
Performance Rights exercised or lapsed during the current period	(1,000,000)	-	(6,250,000)	-
At end of reporting period	-	32,752	1,000,000	32,752

16. RESERVES

	Consolidated 2016 $	Consolidated 2015 $
(a) Share based payment reserve		
Movements during the year:		
Opening balance	3,374,524	3,374,524
Closing balance	**3,374,524**	**3,374,524**
Breakdown as follows:		
Option reserve (refer to note 15c)	3,341,772	3,341,772
Performance Rights reserve (refer to note 15e)	32,752	32,752

The share based payment reserve recognises the fair value of options and performance rights issued to directors, employees and consultants not exercised. There was no movement during the year ended 30 June 2016 and 2015.

(b) Foreign Currency Translation Reserve

	Consolidated 2016 $	Consolidated 2015 $
Movement during the year:		
Opening balance	1,254,920	852,834
Translation movement during the year	87,219	402,086
Closing balance	**1,342,139**	**1,254,920**

Foreign exchange translation differences arising from the translation of assets, liabilities, income and expenses from a subsidiary's functional currency to presentation currency are recognised in equity in a foreign currency translation reserve.

(c) Investment Revaluation Reserve

Available-for-sale financial assets are revalued at each year end with the movement recognised in the investment revaluation reserve. During the year, the Company recognised nil (2015 - nil) unrealised loss in this reserve. The full debit balance of investment revaluation reserve aggregating to $12,550 has been fully written off to the profit or loss in the year ended 30 June 2014.

17. ACCUMULATED LOSSES

	Consolidated 2016 $	Consolidated 2015 $
Accumulated losses at the beginning of the year	(39,656,477)	(38,956,721)
Net loss attributable to members of the parent entity	(589,727)	(699,756)
Accumulated losses at the end of the year	**(40,246,204)**	**(39,656,477)**

18. SHARE BASED PAYMENTS

Prosperity Resources Limited 2004 Employee Option Incentive Plan ("the Plan") was first established and approved on 30 June 2004. This plan has since been extended on the same terms in a Directors' meeting held on 18 October 2007 and approved in the Annual General Meeting dated 23 November 2007. All eligible employees of Prosperity Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible employees and consultants capped by a number equal to 5% of the issued capital. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan over a period of five years.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options granted to directors and employees under the Plan during the year:

	2016 No	2016 WAEP	2015 No	2015 WAEP
Outstanding at the beginning of the year	-	-	1,500,000	0.30
Granted during the year	-		-	
Expired during the year	-		(1,500,000)	0.30
Exercised during the year	-		-	
Other changes during the year	-		-	
Outstanding at the end of the year	**-**	**-**	**-**	**-**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is nil.

The weighted average exercise price of options outstanding at balance date was nil (2015 - 0).

A Performance Rights Plan was put in place in February 2012 to govern the issue of securities to directors and officers of the Company. The Plan was approved by shareholders at the 2012 AGM. The current year Performance Rights issued are disclosed in note 15e.

19. JOINT VENTURE

PT MMU – The Company has a joint venture agreement with the Kurnia group in Indonesia to earn a 90% equity interest through sole expenditure of USD1,250,000. The remaining 10% is free carried to production. The Company has earned the full 90% and the Group's effective interest in PT MMU is 73.8%.

PT BAM / PT MKM – The Company has a joint venture agreement with the Kurnia Group in Indonesia to earn a 90% equity interest by spending USD1,250,000 each. The remaining 10% is free carried to production. The Company has earned the full 90% and the Group's effective interest in PT BAM and PT MKM are 73.8% respectively.

20. AUDITOR'S REMUNERATION

	Consolidated 2016 $	Consolidated 2015 $
Audit services – parent entity	24,000	22,000
- subsidiaries	-	30,425
	24,000	**52,425**

The audits of the Indonesian subsidiaries are undertaken by Syarief Basir & Rekan.

21. RELATED PARTY TRANSACTIONS

The consolidated financial statements include financial statements of Prosperity Resources Limited and the subsidiaries listed in the following table.

Related Party	**Amount Owed by Related Parties to Parent**		**Amount Owed to Related Parties by Parent**	
Consolidated Subsidiaries	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Prosperity Resource (Yalgoo) Pty Ltd	6,160,513	6,160,513	-	-
Prosperity Resources (Mt Gibson) Pty Ltd	2,266,445	2,266,445	-	-
Prosperity Resources (Tennant Creek) Pty Ltd	3,692,764	3,692,764	-	-
Prosperity Resources (Indonesia) Pty Ltd	11,597	11,597	-	-
PT Prospindo	11,341,294	10,987,905	-	-
Prospindo Singapore Pte Ltd	165,366	134,717	-	-
Prospindo Energi Singapore Pte Ltd	34,778	23,303	-	-
PT Prosperity Surya Persada	-	-	-	-
PT Aspirasi Widya Chandra	-	-	-	-
PT Arus Tirta Power	-	-	-	-
PT Aneka Mining Nasional	-	-	-	-
PT Multi Mineral Utama	-	-	-	-
PT Mulia Kencana Makmur	-	-	-	-
PT Bintang Agung Mining	-	-	-	-

The following transactions have occurred with related parties:	**Consolidated 2016 $**	**Consolidated 2015 $**
Consultancy and other services provided by:		
R & K Global Finance Ltd – common director	335,000	335,000

The following transactions have occurred with related parties:	**Consolidated 2016 $**	**Consolidated 2015 $**
Trade and other payables:		
R & K Global Finance Ltd	921,250	586,250
Maybach Consulting Pty Ltd	11,750	11,750

22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements
The aggregate employee entitlement liability is disclosed in Note 13.

Employee Option Incentive Plan
Details of the Company's Employee Option Incentive Plan are disclosed in Note 18.

Superannuation Commitments
The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employee's wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

23. EXPENDITURE COMMITMENTS

Exploration
The Company and consolidated entity have certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's and the consolidated entity's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company and the consolidated entity which have not been provided for in the financial statements and which cover the following twelve month period amount to nil (2015: nil). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

Leased Premises
The Company does not have any rental commitments on the current leased premises.

24. SEGMENT INFORMATION

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

30 June 2016	Australia	Indonesia	Unallocated	Total
	$	$	$	$
Revenue	171,770	-	-	171,770
Expenses	(718,049)	(38,619)	(1,520)	(758,188)
Segment Results	(546,279)	(38,619)	(1,520)	(586,418)
Assets	96,157	93,439	14,933	204,529
Liabilities	(2,542,998)	(140,437)	(2,068)	(2,685,503)

30 June 2015	Australia	Indonesia	Unallocated	Total
	$	$	$	$
Revenue	361,365	-	-	361,365
Expenses	(1,009,455)	(42,962)	(9,766)	(1,062,183)
Segment Results	(648,090)	(42,962)	(9,766)	(700,818)
Assets	124,454	90,018	400	214,872
Liabilities	(2,052,886)	(98,958)	(22,619)	(2,174,463)

25. LOSS PER SHARE

	Consolidated 2016 $	Consolidated 2015 $
The following reflects the loss and share data used in calculations of basic and diluted earnings/(loss) per share:		
Loss used in calculating basic and diluted loss per share	(589,727)	(699,756)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	**446,986,113**	**443,352,080**

A diluted earnings per share has not been disclosed, as it results in a more favourable result per share than the basic loss per share.

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash at bank	30,876	6,806
Cash on hand	500	500
	31,376	**7,306**

Cash at bank includes $15,680 classified as asset held for sale in statement of financial position.

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

	Consolidated 2016 $	Consolidated 2015 $
Loss from operating activities after income tax	(586,418)	(700,818)
Adjustments for:		
Depreciation	8,618	10,956
Provision for employee entitlement	1,990	(1,751)

26. NOTES TO THE CASH FLOW STATEMENT (continued)

Foreign exchange (gains) / losses	20,967	105,381
Exploration expenditure	-	2,450
Gain on sale of PPE	(25,000)	-
Change in operating assets and liabilities		
(Decrease) / increase in trade and other payables	403,545	481,515
(Increase) / decrease in prepayments	(2,677)	10,323
(Increase) / decrease in receivables	31,346	2,615
Net cash outflows used in Operating Activities	**(147,629)**	**(89,329)**

(c) Non-cash Investing and Financing Activities

There were no non-cash investing or financing activities in 2016 or 2015.

27. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk.

The Group and the parent entity hold the following financial instruments:

	Consolidated 2016 $	Consolidated 2015 $
Financial assets		
Cash and cash equivalents	15,696	7,306
Trade and other receivables	2,799	123,964
Assets held for sale – cash	15,680	-
- Other receivables	92,692	-
	126,867	**131,270**
Financial liabilities		
Trade and other payables	1,636,962	1,373,148
Liabilities associated with assets held for sale	142,505	-
Borrowings	904,580	776,314
	2,684,047	**2,149,462**

(a) Market Risk

Foreign Exchange Risk
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investment in foreign operation.

The Group has no foreign asset other than a US denominated bank account and a loan denominated in US dollars. Exploration expenditure commitments for all tenements are disclosed in note 23.

The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements.

27. FINANCIAL INSTRUMENTS (continued)

The Group's exposure to foreign currency risk at the reporting date was as follow:

	30 June 2016	30 June 2015
Cash and Cash equivalents		
- US Dollars	374	528
- Indonesian Rupiah	-	7,301,061
- Singapore Dollars	-	197
Loan payable		
- US Dollars	500,000	500,000

Group Sensitivity
At present, the Group and parent entity are not exposed to any material foreign exchange risk or commodity price risk. The Group and parent entity does not have any material exposure to equity securities price risk.

Interest Rate Risk
The Group's main interest rate risk arises from cash and short – term deposits.
As at the reporting date, the Group had the following variable rate cash and cash equivalents outstanding:

	30 June 2016 *Weighted Average Interest Rate %*	Balance *$*	30 June 2015 *Weighted Average Interest Rate %*	Balance *$*
Financial Assets				
Cash at Bank[1]	1.08	30,876	1.8	6,806
Cash in Hand	-	500	-	500
		31,376		7,306

1. Includes $15,680 classified as assets held for sale in the statement of financial position.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "B" are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying of the financial assets which are summarised as follow:

	Consolidated 2016 $	Consolidated 2015 $
Trade and Other Receivables		
Counterparties without external credit rating		
Group 1 *	660	27,242
Group 2 **	-	-
Group 3 ***	-	-
Total Trade and Other Receivables	660	27,242
Cash at Bank & Short-Term Deposits		
Counterparties with external credit rating (Moody's) B	30,876[1]	7,306
Counterparties without external credit rating	-	-
	30,876	7,306

** Group 1 -New Customers (less than 6 months)*
*** Group 2 -Existing customers (more than 6 months) with no defaults in the past*
**** Group 3 -Existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.*
1. Includes $15,680 classified as assets held for sale in the statement of financial position.

28. CONTINGENT LIABILITIES AND COMMITMENTS

Subject to completion of a JORC code compliance resource report for the first thirty metres of oxide material located in the Aceh project area, the Company will pay USD1,250,000 in cash and issue USD250,000 worth in PSP shares to individual shareholders of PT MMU.

Subject to completion of a JORC code compliance resource of between 500,000 to 1,000,000 ounces of content resource, the Company will issue 2,500,000 to a maximum of 5,000,000 PSP shares to the individual shareholders of PT BAM and PT MKM separately on a pro rata basis.

Other than the above and and disclosed in Note 23, there were no other known material contingent liabilities or commitments.

29. SUBSEQUENT EVENTS

Subsequent to year end, the Company held its Annual General Meeting (‘AGM”) in July 2016 and shareholders approved the transfer of all shares held in Propsindo Singapore Pte Ltd to Resource Global Finance Limited (“RGF”) to extinguish the USD 500,000 loan. As a result, the Group’s share in Aceh tenements held by subsidiary PT Prospindo will be transferred to RGF.

The Company raised approximately $76,000 in November 2016 for working capital purposes. The Company is in the process of issuing new shares for this capital raising.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors’ of the Company, to effect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

30. PARENT ENTITY

(a) Financial Position as at 30 June

	Parent 2016 $	Parent 2015 $
Total current assets	23,394	43,084
Total non-current assets	72,776	81,381
Total Assets	96,170	124,465
Total current liabilities	(2,542,998)	(2,052,883)
Total non-current liabilities	-	-
Total Liabilities	(2,542,998)	(2,052,883)
Net Liabilities	(2,446,828)	(1,928,418)
Equity		
Issued capital	35,486,421	35,435,445
Shares to be issued	13,424	-
Reserves	3,374,524	3,374,524
Accumulated losses	(41,321,197)	(40,738,387)
Total Equity / (Deficiency)	(2,446,828)	(1,928,418)
Loss for the year	(582,808)	(701,258)
Other comprehensive income	-	-
Total Comprehensive loss for the year	(582,808)	(701,258)

(b) Contingent Liabilities of the Parent

The Parent’s contingent liabilities are consistent with those disclosed in Note 28.

(c) Capital Commitments

The Parent has no capital commitments, except exploration obligation disclosed in Note 23.

31. NON-CONTROLLING INTEREST

A non-controlling interest is held in the equity and profit or loss of certain subsidiaries of the parent as disclosed in Note 8. The share of non-controlling interest in the equity and in the comprehensive loss of the consolidated group is disclosed on the face of the statement of financial position and the statement of comprehensive income respectively.

Movement of NCI during the year	2016 $	2015 $
NCI as at 30 June 2015	(2,368,003)	(1,963,915)
Movement during the year		
Current year comprehensive loss	(83,275)	(404,088)
NCI as at 30 June 2016	**(2,451,278)**	**(2,368,003)**

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

PT Prospindo Summarised Financial Position	**2016 $**	**2015 $**
Current assets	1,274	716
Non-current assets	92,165	89,302
Current liabilities	(11,481,731)	(11,086,863)
Non-current liabilities	-	-
Net Liabilities	(11,388,292)	(10,996,845)

Summarised Financial Performance

Revenue	-	-
Loss before income tax	(38,619)	(42,961)
Income tax	-	-
Post-tax loss from continuing operations	(38,619)	(42,961)
Post-tax loss from discontinued operations	-	-
Other Comprehensive loss	-	(2,070,394)
Total Comprehensive Loss	(38,619)	(2,113,355)
Profit /(loss) attributable to non-controlling interests	(682)	4,684
Distributions paid to non-controlling interests	-	-

DIRECTORS' DECLARATION

In the opinion of the Directors of Prosperity Resources Limited ("the Company"):

(a) the financial statements and notes as set out on pages 15 to 41 and the disclosures in the remuneration report which are included in the Directors' Report, are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date.

(b) the Managing Director and Financial Controller have each declared that:

  (i) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

  (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

  (iii) the financial statements and notes for the financial year give a true and fair view.

(c) 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.

(d) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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

Signed at Perth this 13 April 2017

M.I. Munshi

Mo Munshi
Managing Director

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

Report on the Financial Report

We have audited the accompanying financial report of Prosperity Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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 company'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 company's 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.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Prosperity Resources Limited is 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 2016 and of its performance for the year ended on that date; and
 (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Material Uncertainty Regarding Going Concern

Without modification to the opinion expressed above, attention is drawn to the following matters.

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. At 30 June 2016, the consolidated entity had a net asset deficiency of $2,480,974, cash and cash equivalents of $31,376 and current liabilities of $2,685,503. The consolidated entity has incurred a loss amounting to $586,418 for the year ended 30 June 2016.

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration, and other commitments is subject to renegotiating or refinancing existing or additional debt facilities and successful recapitalisation of the consolidated entity. In the event that the consolidated entity is not successful in renegotiating or refinancing the debt facilities or recapitalising the consolidated entity by raising further capital, the consolidated entity may not be able to continue as a going concern.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion
In our opinion the remuneration report of Prosperity Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

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

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
13 April 2017

Stantons International Audit and Consulting Pty Ltd
trading as
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13 April 2017

Board of Directors
Prosperity Resources Limited
44 Kings Park Road
West Perth, WA 6005

Dear Sirs

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 audit of the financial statements of Prosperity Resources Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

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

Samir Tirodkar
Director

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange Limited, the shareholder information set out below was applicable as at 12 April 2017.

Number of Shares

687,816,214 Ordinary Shares (PSP)

Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	21
1,001 – 5,000	64
5,001 – 10,000	137
10,001 – 100,000	491
More than 100,000	180
Totals	**893**

Holders of Non Marketable Parcels

There were 19 holders of less than a marketable parcel of ordinary shares.

Substantial Shareholders

The following shareholders are recorded in the register of Substantial Shareholders

	Number	Percentage
R & K GLOBAL FINANCE LTD	101,012,172	14.69
MAGNOLIA MANAGEMENT LTD	84,014,962	12.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,950,765	10.31
DERLA NOBLE CORPORATION LIMITED	51,202,801	7.44
RESOURCE GLOBAL FINANCE LTD	50,000,000	7.27
PRUFROCK PARTNERS LIMITED	41,199,000	5.99
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	36,576,863	5.32

Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On-market buy back

There is currently no on-market buy back of the Company's securities.

Use of cash and assets

From the period of ASX Listing (24 November 2003) until the date of this report, the Company has used the cash and assets as declared on admission to the ASX, in a form consistent with the Company's business objectives.

ASX ADDITIONAL INFORMATION

Twenty Largest Shareholders
The names of the twenty largest holders of shares are listed below:

Rank	Name	Units	% of Issued Capital
1	R & K GLOBAL FINANCE LTD	101,012,172	14.69
2	MAGNOLIA MANAGEMENT LTD	84,014,962	12.21
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	70,950,765	10.31
4	DER LA NOBLE CORPORATION LIMITED	51,202,801	7.44
5	RESOURCE GLOBAL FINANCE LTD <RGF A/C>	50,000,000	7.27
6	PRUFROCK PARTNERS LIMITED	41,199,000	5.99
7	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	36,576,863	5.32
8	ZAFUM HOLDINGS LTD	33,000,000	4.80
9	CITICORP NOMINEES PTY LIMITED	31,103,730	4.52
10	SURINA INVESTMENTS LIMITED	22,443,534	3.26
11	INNER MONGOLIA TAI XI MEI GROUP CO LTD	20,000,000	2.91
12	MBSN INVESTMENTS LTD	20,000,000	2.91
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,719,680	1.12
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	6,000,000	0.87
15	MR FREDERIC DURR	5,407,500	0.79
16	MR JULIEN MOULIN	5,407,500	0.79
17	SUGIJONO ROJALI LATIEF	5,000,000	0.73
18	MR PETER ROBERT OTTON + MRS CAROLE ANNE OTTON <OTTON SUPER FUND A/C>	3,900,000	0.57
19	MR JOHN SEBASTIAN HEMPEL	3,240,900	0.47
20	MS SU HWA LAW	2,900,000	0.42