



PROSPERITY

Prosperity Resources Limited

ABN 60 103 280 235

and its Controlled Entities

Half Year Financial Statement

31 December 2011

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

COMPANY DIRECTORY

DIRECTORS

Mohammed (Mo) Ibrahim Munshi
John Phillip Arbuckle
Sebastian Hempel
Mufti Habriansyah

COMPANY SECRETARY

Garry Taylor
Lionel Liew

PRINCIPAL REGISTERED OFFICE

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SHARE REGISTRY

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AUDITORS

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

STOCK EXCHANGE LISTING

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

ASX Code: **PSP**

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statement for the half-year ended 31 December 2011 and the review report thereon.

DIRECTORS

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

Mohammed (Mo) Ibrahim Munshi
John Phillip Arbuckle
Sebastian Hempel
Mufti Habriansyah

RESULTS OF OPERATIONS

The total comprehensive loss of the consolidated entity for the six months to 31 December 2011 amounted to \$866,285 (Half year ended 31 December 2010: \$2,952,796 loss).

REVIEW OF OPERATIONS

Prosperity continued to focus on its highly prospective 410 square kilometre exploration project in the Aceh Province of Indonesia. The Company has identified ten porphyry intrusive and related skarn targets from a regional helicopter-borne magnetic survey flown along 60 kilometres of strike length in Q3 2010.

During the half year, the Company commenced a diamond drilling program at the Kuini Prospect in southern Aceh. This program was designed to test a magnetic high identified from the magnetic survey and to follow up the results from PNDG017 which was drilled at the Jelatang Prospect to the north west. Hole PNGD017 finished in mineralisation with the last 17 metres recording an intercept of 1.27g/t gold and 0.7% copper. The drilling program continued to the end of the reporting period.

Prosperity also completed a rock chip and trench sampling program of exposed massive magnetite skarn in a small pit being mined by locals at the Kuini Prospect. The sampling was designed to determine the grade of gold and copper in the magnetite skarn outcropping in the pit area. The program produced some excellent results including 22m @ 2.04g/t gold and 0.2% copper from trench KU-01 and a highest grade rock sample of 95g/t gold.

Exploration is ongoing at a number of targets in the Aceh Project.

The Company continues its efforts to divest the Yalgoo and Mount Gibson projects in Western Australia which are not considered to be core assets.

It is recommended that this half-yearly statement be read in conjunction with the 30 June 2011 Annual Report and any public announcements made by the Company during the half year.

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 13.

Dated at Perth this 15th day of March 2012

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'M.I. Munshi'.

M I Munshi
Managing Director

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

		31 December 2011	31 December 2010
		\$	\$
Revenue	Note		
Interest income		16,223	28,617
Other income		119,630	93,800
Total revenue	2	<u>135,853</u>	<u>122,417</u>
Operating costs:			
Depreciation		19,876	20,203
Employee expenses		194,705	301,133
Exploration and project expenditure		295,536	249,518
Occupancy expenses		15,303	12,401
Other operating costs		203,532	189,357
Borrowing costs		-	275,000
Share based payment expenses		112,518	1,488,716
Total expenses		<u>841,470</u>	<u>2,536,328</u>
Loss before income tax		(705,617)	(2,413,911)
Income tax refund / (expense)		-	-
Loss after income tax		<u>(705,617)</u>	<u>(2,413,911)</u>
Other comprehensive income			
Currency translation differences		(160,668)	(538,885)
Income tax on items of other comprehensive income		-	-
Comprehensive loss for the period		<u><u>(866,285)</u></u>	<u><u>(2,952,796)</u></u>
Loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(876,326)	(2,380,875)
Non-controlling interest		170,709	(33,036)
Loss for the period		<u><u>(705,617)</u></u>	<u><u>(2,413,911)</u></u>
Total Comprehensive loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(845,935)	(2,864,413)
Non-controlling interest		(20,350)	(88,383)
Total Comprehensive loss for the period		<u><u>(866,285)</u></u>	<u><u>(2,952,796)</u></u>
Earnings per share	6	<u><u>(0.20)</u></u>	<u><u>(0.84)</u></u>
Basic loss per share – cents			

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

The consolidated statement of comprehensive income should be read in conjunction with the accompanying condensed notes.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Not e	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents	3	528,054	1,371,615
Trade and other receivables		38,381	928,308
Prepayments		189,962	48,372
TOTAL CURRENT ASSETS		756,397	2,348,295
NON-CURRENT ASSETS			
Other receivables		179,271	95,316
Investments		13,692	-
Property, plant and equipment		169,318	188,552
Capitalised mineral exploration and evaluation expenditure		8,274,271	7,439,929
TOTAL NON-CURRENT ASSETS		8,636,552	7,723,797
TOTAL ASSETS		9,392,949	10,072,092
CURRENT LIABILITIES			
Trade and other payables		912,513	603,305
Provisions		13,775	123,525
Borrowings	4	550,106	526,540
TOTAL CURRENT LIABILITIES		1,476,394	1,253,370
TOTAL LIABILITIES		1,476,394	1,253,370
NET ASSETS		7,916,555	8,818,722
EQUITY			
Issued capital	7	31,656,803	31,656,803
Reserves		3,550,498	3,282,629
Accumulated losses		(27,269,583)	(26,393,257)
Total equity attributed to equity holder of the Company		7,937,718	8,546,175
Non-controlling Interest		(21,163)	272,547
TOTAL EQUITY		7,916,555	8,818,722

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31 December 2011	31 December 2010
	\$	\$
Note		
Cash flows from operating activities		
Cash payments in the course of operations	(276,243)	(695,526)
Interest received	15,826	20,476
Other income received	98,171	100,452
Net cash flows used in operating activities	(162,246)	(574,598)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(710,673)	(1,256,090)
Payments to acquire fixed assets	(642)	(3,965)
Proceeds from disposal of investment	30,000	-
Net cash flows used in investing activities	(681,315)	(1,260,055)
Cash flows from financing activities		
Proceeds from issue of shares	-	3,584,571
Capital raising costs	-	(76,832)
(Repayment) / proceeds from borrowings	-	(309,048)
Net cash flows from financing activities	-	3,198,691
Net increase / (decrease) in cash and cash equivalents	(843,561)	1,364,038
Cash and cash equivalents at beginning of period	1,371,615	537,315
Cash and cash equivalents at end of period	528,054	1,901,353
	3	

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Option Reserves	Foreign Currency Translation Reserve	Total	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2010	24,923,577	(20,448,463)	2,010,173	(14,595)	6,470,692	14,447	6,485,139
Total comprehensive loss for the period							
Loss for the year	-	(2,380,875)	-	-	(2,380,875)	(33,036)	(2,413,911)
Other comprehensive income							
Currency translation differences	-	-	-	(483,538)	(483,583)	(55,347)	(538,885)
Total other comprehensive loss	-	-	-	(483,538)	(483,538)	(55,347)	(538,885)
Total comprehensive loss for the year	-	(2,380,875)	-	(483,538)	(2,864,413)	(88,383)	(2,952,796)
Transactions with owner recorded directly into equity							
Issue of shares	3,507,739	-	-	-	3,507,739	-	3,507,739
Share based payment	1,307,250	-	696,467	-	2,003,717	-	2,003,717
Equity investment – Non-controlling interest	-	-	-	-	-	264,772	264,772
As at 31 December 2010	29,738,566	(22,829,338)	2,706,640	(498,133)	9,117,735	190,836	9,308,571
As at 1 July 2011	31,656,803	(26,393,257)	3,213,078	69,551	8,546,175	272,547	8,818,722
Total comprehensive loss for the year							
Loss for the year	-	(876,326)	-	-	(876,326)	170,709	(705,617)
Other comprehensive income							
Currency translation differences	-	-	-	155,351	155,351	(316,019)	(160,668)
Total other comprehensive loss	-	-	-	155,351	155,351	(316,019)	(160,668)
Total comprehensive loss for the year	-	(876,326)	-	155,351	(720,975)	(145,310)	(866,285)
Transactions with owner recorded directly into equity							
Issue of shares	-	-	-	-	-	-	-
Share based payment	-	-	112,518	-	112,518	-	112,518
Equity investment- Non-controlling interest	-	-	-	-	-	(148,400)	(148,400)
As at 31 December 2011	31,656,803	(27,269,583)	3,325,596	224,902	7,937,718	(21,163)	7,916,555

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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

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

It is recommended that this financial statement be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Prosperity Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

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

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- *Improvements to AASBs* (May 2010)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

AASB 132 Financial instruments: Presentation (Amendment)

The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments had no impact on the financial position or performance of the Group.

The Group has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

Going Concern Basis

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

As at 31 December 2011, the Group has cash and cash equivalents of \$528k. Subsequent to the half year end, a new term loan agreement of US\$1 million was executed. In addition, the Group is considering raising additional funds in the near term. It is considered that the Group should have sufficient funds to enable it to meet its obligation. If the Group is unable to continue as going concern then it may be required to realise its assets and extinguish its liabilities, other than in the normal course of business and at amounts different from those stated in the financial statements.

	31 December 2011	31 December 2010
Note 2: Revenue	\$	\$
Revenue		
Interest received – other entities	16,223	28,617
Other income – consulting fees	74,630	93,800
Other income – gain from disposal of investments	45,000	-
	<hr/>	<hr/>
	135,853	122,417
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PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 December 2011	30 June 2011
	\$	\$
Note 3: Cash and cash equivalents		
Cash at bank	528,054	206,192
Cash deposits	-	1,165,423
	<u>528,054</u>	<u>1,371,615</u>

Note 4: Borrowings

In June 2009, the Group took an interest free loan of US\$500,000 to fund exploration work on the Aceh project in Indonesia and for general working capital. The loan is unsecured and repayable in full on 30 June 2012. As at 31 December 2011, total borrowings amount to A\$550,106.

Note 5: Segment Reporting

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to and reviewed by the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position. The Group operates only in the exploration industry, both in Australia and overseas with particular emphasis on strategic and precious metals.

31/12/2011	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	135,853	-	-	135,853
Expenses	<u>(517,593)</u>	<u>(316,127)</u>	<u>(7,750)</u>	<u>(841,470)</u>
Segment Results	<u>(381,740)</u>	<u>(316,127)</u>	<u>(7,750)</u>	<u>(705,617)</u>
31/12/2010	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	122,374	43	-	122,417
Expenses	<u>(2,335,202)</u>	<u>(199,572)</u>	<u>(1,554)</u>	<u>(2,536,328)</u>
Segment Results	<u>(2,212,828)</u>	<u>(199,529)</u>	<u>(1,554)</u>	<u>(2,413,911)</u>

Note 6: Earnings per share

	2011	2010
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>344,539,179</u>	<u>288,642,912</u>

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 7: Issued Capital	Number	\$
Ordinary shares at 1 July 2011	344,539,179	31,656,803
Ordinary shares at 31 December 2011	344,539,179	31,656,803

Note 8: Share based payments

During the half year, no unlisted options were issued.

Note 9: Contingent Liabilities and Contingent Assets

Subject to obtaining from the tenements indicated resources of 300,000oz of gold equivalent, the Company will issue 20,000,000 options at an exercise price of \$0.15 each to Bungarra Resources Limited on or before 31 July 2012. The Company will issue an additional 10,000,000 options at an exercise price of \$0.20 each to Bungarra Resources Limited on or before 31 July 2012 should a decision to mine any of the tenements be made by management. At the end of 31 December 2011, the Company has not issued any options as these consideration conditions are not yet crystallised.

On 16 June 2009, the Company entered into a Loan Agreement with Resource Global Finance Limited for USD500,000. This loan is unsecured and repayment has been extended to 30 June 2012 as disclosed in Note 4. The Company has to issue 2,000,000 shares and 2,000,000 options for the extension of loan, subject to shareholders' approval.

Subject to completion of a JORC code compliance resource report for the first thirty metres of oxide material located in the 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.

The Company has to issue 20,000,000 PSP shares to its joint venture partner in Indonesia for the assignment of interest in the joint venture agreements with PT BAM and PT MKM. These shares will be issued when the results of the preliminary survey and legal due diligence are complete and satisfactory.

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 MKM separately on a pro rata basis.

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

Note 10: Dividends

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

Note 11: Events Subsequent to Reporting Date

Subsequent to period end, the Company executed a new loan agreement with a finance provider for US\$1 million, which is repayable by 30 June 2012.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors of Prosperity Resources Limited:

1. the financial statements and notes set out on pages 4 to 11
 - (a) give a true and fair view of the financial position of the economic entity as at 31 December 2011 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations; and
2. there are reasonable grounds to believe that Prosperity Resources Limited will be able to pay its debts as and when they become due and payable.
3. the financial report also complies with International Financial Reporting Standards.

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

Dated at Perth this 15th day of March 2012.



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M I Munshi
Managing Director

15 March 2012

Board of Directors
Prosperity Resources Limited
100 Parry Street
PERTH WA 6000

Dear Directors

RE: PROSPERITY RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Prosperity Resources Limited.

As Audit Director for the review of the financial statements of Prosperity Resources Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



Sam Tirodkar
Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prosperity Resources Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Prosperity Resources Limited (the consolidated entity). The consolidated entity comprises both Prosperity Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prosperity Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Prosperity Resources Limited on 15 March 2012.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern and Carrying Values of Non-current Assets

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

As referred to in Note 1 to the half year financial report, the financial statements have been prepared on the going concern basis. As at 31 December 2011, the consolidated entity had working capital deficiency of \$719,997 and had incurred a loss of \$705,617 for the half year ended then. The ability of the consolidated entity to continue as a going concern is subject to successful recapitalisation of the Group. In the event that the Board is not successful in recapitalising the Group and raising further funds, the consolidated entity may not be able to continue as a going concern.

The recoverability of the Group's carrying value of Capitalised Exploration costs of \$8,274,271 as at 31 December 2011 is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the assets, the consolidated entity may not be able to continue as a going concern and the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

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

Stantons International Audit and Consultancy Pty Ltd



Sam Tirodkar
Director

West Perth, Western Australia
15 March 2012