PROSPERITY RESOURCES LIMITED

ABN 60 103 280 235

Annual Report For The Year Ended 30 June 2013

CORPORATE DIRECTORY

DIRECTORS	Mohammed (Mo) Munshi *Non-Executive Chairman & Managing Director* John Arbuckle *Non-Executive Director* Sebastian (Seb) Hempel *Non-Executive Director* Mufti Habriansyah *Non-Executive Director*
COMPANY SECRETARIES	Garry Taylor Lionel Liew
PRINCIPAL REGISTERED OFFICE	100 Parry Street Perth, Western Australia, 6000 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 2, 45 St George's 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 2013 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 18 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 (formerly known as European Gas Limited).

Mufti Habriansyah
Non Executive Director

Mr Habriansyah is an experienced resource and commercial lawyer. He was formerly a Partner at respected Jakarta law firm Soemadipradja & Taher. He has over 16 years experience in the area of natural resources, energy and corporate law, having advised some of the world's largest mining houses on various mining and mineral exploration projects and corporate restructuring activities.

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

DIRECTORS' REPORT (Cont'd)

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 (ASX – PCP).

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 (ASX – PCP).

Directors' Interests

As at the date of this report the interest of the directors in the shares and options of Prosperity Resources Ltd were:

Director	Position	Ordinary Shares	Unlisted Options	Performance Rights
Mo Munshi	Non Executive Chairman / Managing Director	28,062,000	1,500,000	5,000,000
John Arbuckle	Non Executive Director	1,500,000	-	1,000,000
Seb Hempel	Non Executive Director	1,040,000	-	1,000,000
Mufti Habriansyah	Non Executive Director	-	-	1,000,000

Earnings Per Share	**Cents**
Basic loss Per Share	1.07

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 fifteen subsidiary companies as follows:

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 – 90%

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%

DIRECTORS' REPORT (Cont'd)

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 and capitalised expenditure on the exploration assets.

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.

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 Company has projects which the Board believes are attractive and will support initiatives to raise moneys to fund ongoing operations.

The Board is confident that the Group will have sufficient funds to finance its operations in 2013/2014.

Number of Employees
The number of employees as at the end of the financial year was 10 (2012:25).

REVIEW OF EXPLORATION

INDONESIA

ACEH PROJECT

Prosperity's exploration for the past twelve months has been limited to ongoing assessment of its Aceh Project areas in Indonesia. Prosperity holds 410 square kilometres of contiguous land package with 60 kilometres of strike length to the west of the Sumatra fault in South Aceh. The Aceh Project has twelve prospective targets with intrusive and associated mineralised centres identified (figure 1). Focus for the past year has been on completion of first phase drill assessment of the Kuini and Pelumat targets with limited additional geological mapping and sampling to resolve geological character of these targets. Access issues restricted wider exploration activities.

Prosperity completed an additional 4 holes at Pelumat South and one additional hole at the Kuini Prospects during 2012-2013. The program continued to test strong rock and soil geochemical anomalism related to hydrothermal magnetite endoskarn in intrusive microdiorite and related gold-copper bearing exoskarn at limestone contacts with variously epidote-chlorite-biotite-garnet-alteration (Figure 2). Significant assay results from the drilling at Pelumat South and Kuini are summarised below. Pelumat South and Kuini are the two most prospective targets drill tested from exploration to date. The highly prospective Samadua prospect remains untested by drilling.

The drill program at Pelumat South was designed to test the extent and character of recognised outcropping and soil covered gold-copper-molybdenum bearing skarn mineralisation delineated from soil and rock chip sampling (Figure 5) and alteration and to determine whether the mineralisation could be related to a mineralised intrusive porphyry body at depth. The observed gold-bearing chalcopyrite-(?bornite)-magnetite±pyrite mineralisation occurs in fractures and other structures within microdiorite intrusives and breccias and at the contact of blocks of limestone incorporated within and intruded by the intrusive bodies. The intrusive breccia consists of monomictic clasts of variously altered pyroxene-hornblende-biotite bearing microdiorite, much of which is propylitic (epidote-carbonate± (reddish) hematite) in character grading to strong garnet alteration in proximity to marble clasts. The rocks are cut by occasional post mineral feldspar-hornblende porphyritic dykes.

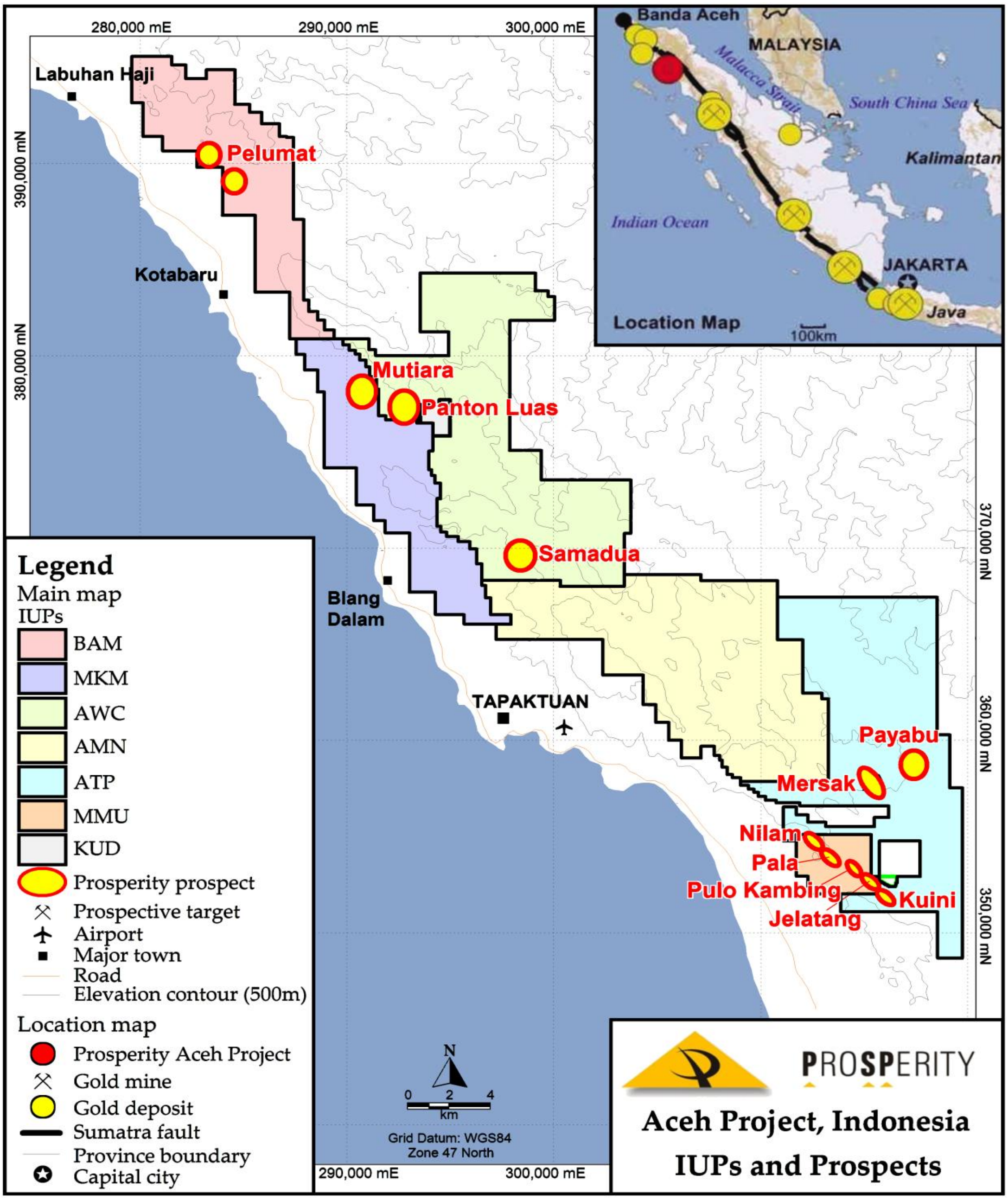

Figure 1: Location map: Prosperity's Aceh Project

The significant drill hole intersections occur in wide envelopes of anomalous Au, Cu and Mo geochemistry which is consistent with the distribution of soil geochemical anomalism determined at the surface in soil and rock chip sampling program, (Figure 5), as shown in the intercepts below:

Pelumat South Exploration and Drilling

The Pelumat South target area is notable for its extensive multi-element geochemical anomalism in soil and rock chip samples including Au-Cu-Mo in association with and marginal to hydrothermal magnetite endoskarns hosted in microdiorite intrusions extending for at least some 5-6 kilometres. High grade Au-Cu skarn bodies occur distributed within the broader geochemically anomalous background and these are the focus of the present drilling.

Down hole assay results are summarised in Figures 2-4 in relation to geology.

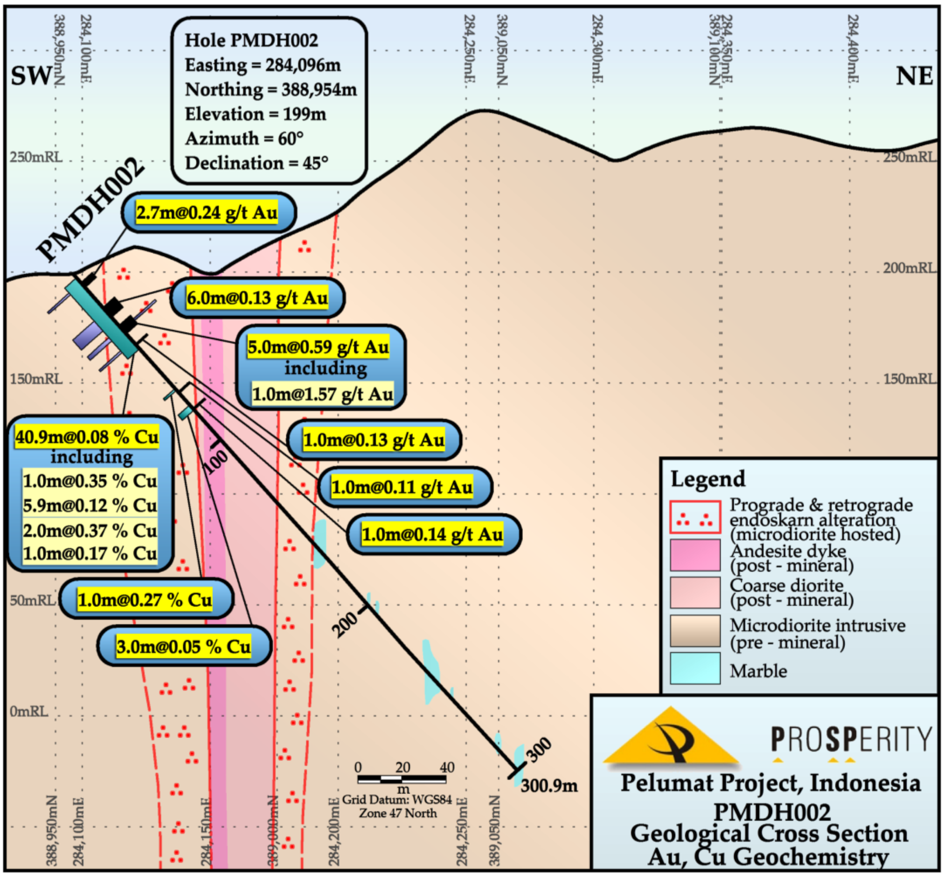

Figure 2: Pelumat Area - Summary Cu & Au assay results and geology Hole PMDH002

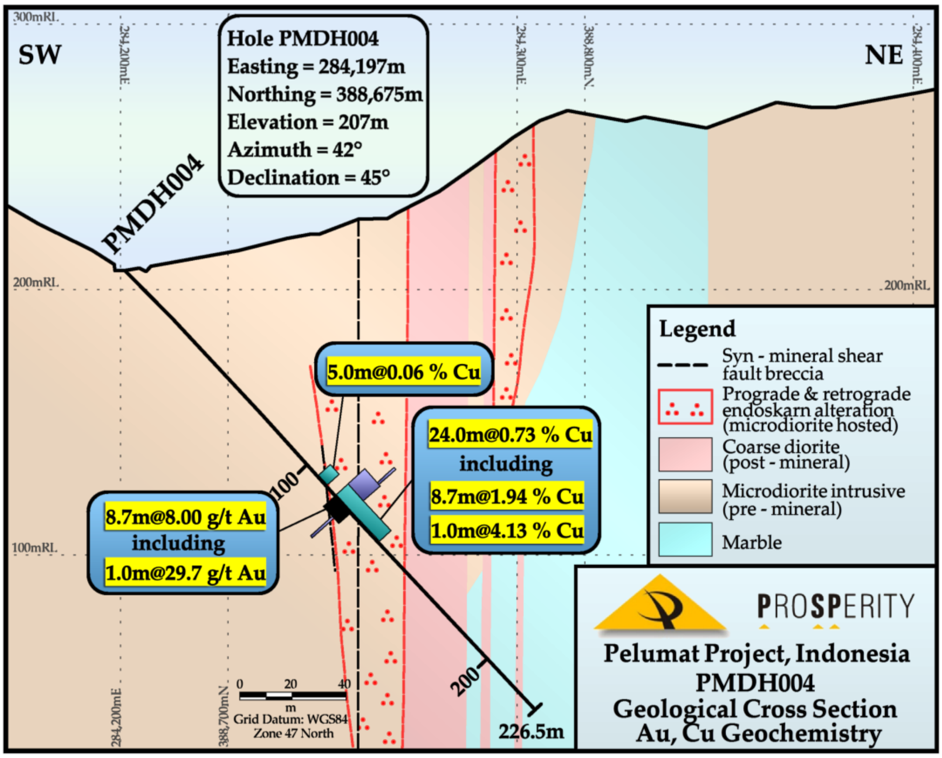

Figure 3: Pelumat Area - Summary Cu & Au assay results and geology Hole PMDH004

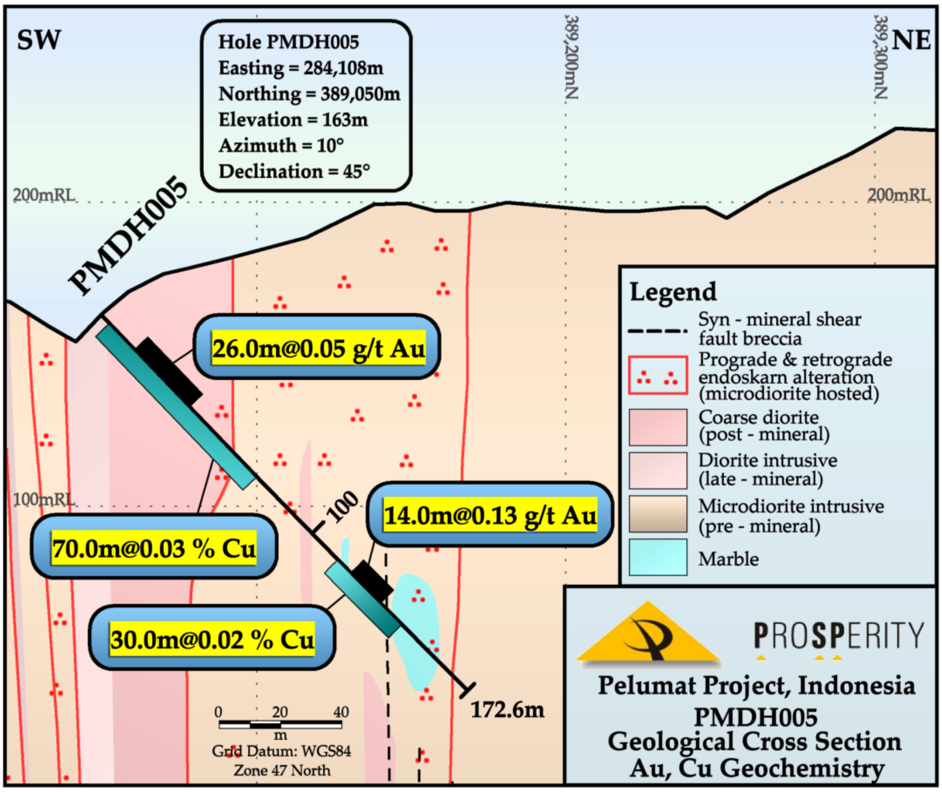

Figure 4: Summary Cu & Au assay results and geology Hole PMDH005. This highlights significant intersections in an elevated background of gold and copper associated with the zones of pro- and retrograde endoskarn alteration of microdiorite.

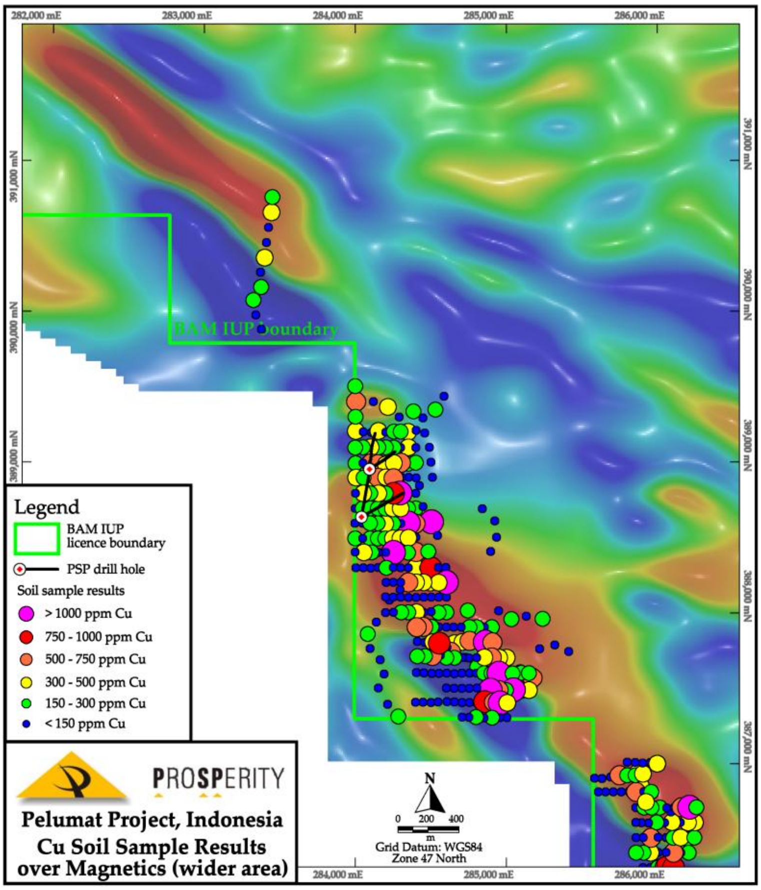

Figure 5: Pelumat Area - Cu soil sample results over helicopter borne magnetic RTP image.

DIRECTORS' REPORT (Cont'd)

Kuini Prospect

Drill testing of the Kuini Project commenced in 2011-2012 and one additional hole was in 2012-2013 completing the planned program. The Kuini prospect is a zone of skarn alteration typical of those found in the wider region. Kuini was been successfully tested by three holes during the past year achieving a significant high grade intersection in drill hole PNGD022 and the 2012-2013 hole (PNGD023) was designed to test the northern extent of strong mineralisation defined in the earlier phase of the program. Results are summarised in Figure 6.

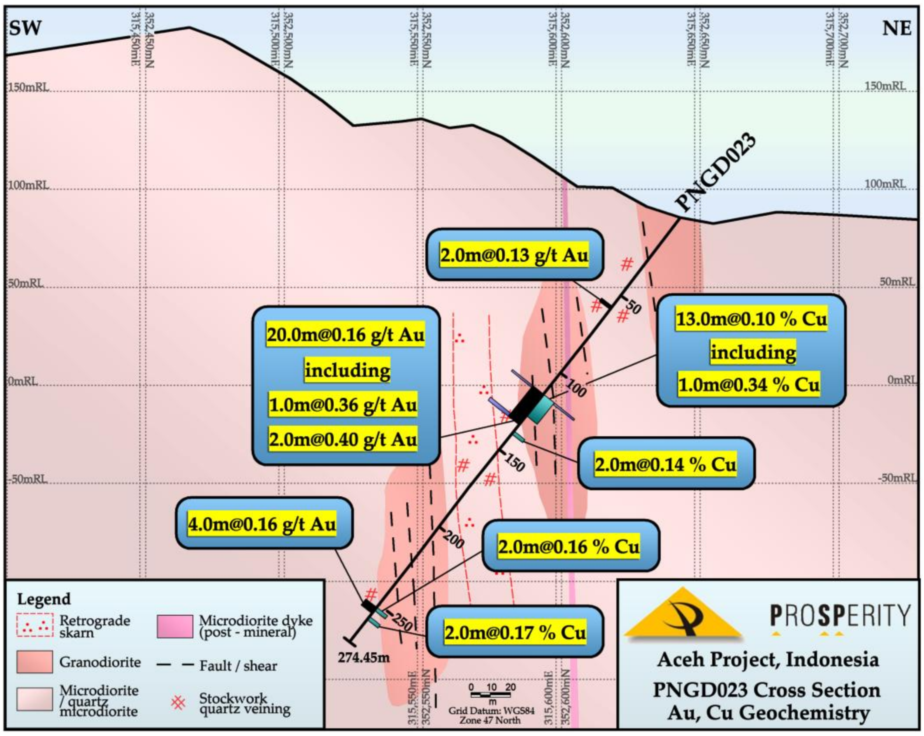

Figure 6: Summary section of Kuini drill hole PNGD023 showing geology and significant gold-copper.

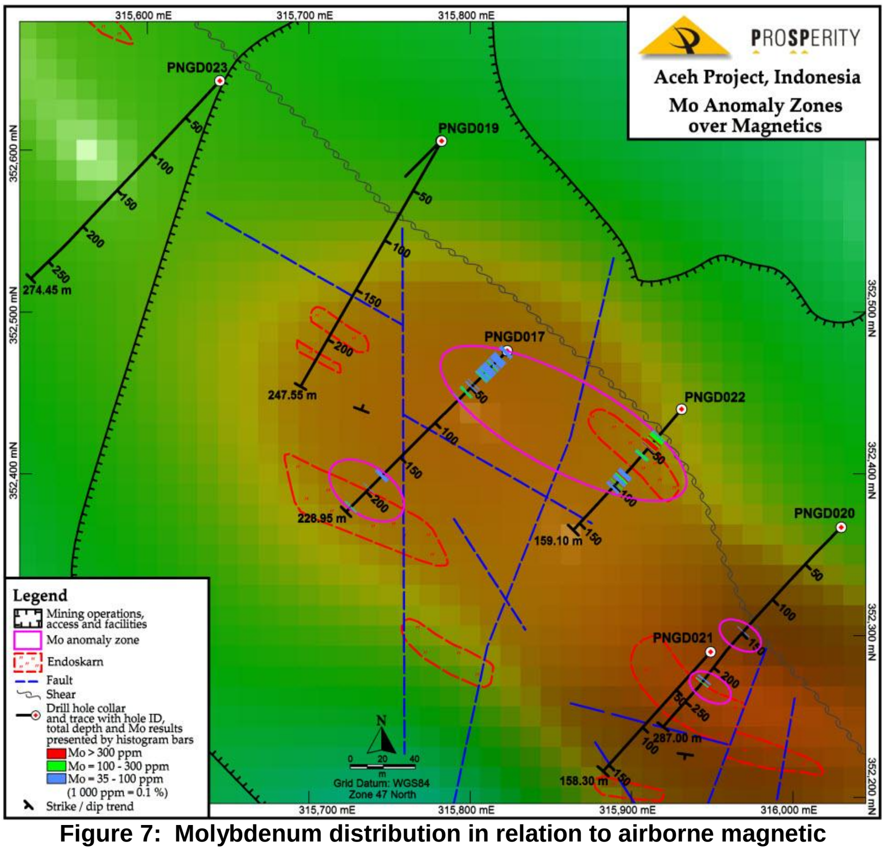

Figure 7: Molybdenum distribution in relation to airborne magnetic anomaly at Kuini (RTP TMI data) and drill holes in the Jelatang and Kuini Project areas.

DIRECTORS' REPORT (Cont'd)

The Company's objective is to continue definition of defined targets and exploration of new targets in the Aceh Project areas in Indonesia over the next year. While the project area remains highly prospective and substantially underexplored exploration is limited by access issues.

Competent Person's Statements:

The exploration activities and results in this report have been reviewed by Dr. Neil F. Rutherford. Dr. Rutherford is a Fellow of The Australian Institute of Geoscientists and is a full time employee of Rutherford Mineral Resource Consultants, mineral industry consultants. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr. Neil Rutherford has consented to the inclusion in this report of the matters based on this information in the form and context in which it appears.

DIRECTORS' REPORT (Cont'd)

Review of Financial Condition
The Group has cash and cash equivalent of $17,287 as at 30 June 2013.

The Group has cash and undrawn loan facility adequate to meet its current commitments.

Capital Structure
During the year, 25,412,000 shares were issued taking the issued capital to 408,104,180 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 of its portfolio of mining tenements and the acquisition of new projects and/or assets.

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 a total of 2,500,000 unlisted options with details as follows:

Number of Options Granted	*Exercise Price (cents)*	*Expiry Date*
1,000,000	30	30 Nov 13
1,500,000	30	30 Nov 14

Included in these unlisted options are Directors' options as follows:

Directors	*Number of Options Granted*	*Exercise Price (cents)*	*Expiry Date*
Mo Munshi	1,500,000	30	30 Nov 14

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

Indemnification of Officers
The Company has agreed to indemnify and keep indemnified the following officers, Mr Munshi, Mr Arbuckle, Mr Hempel, Mr Habriansyah, 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.

DIRECTORS' REPORT (Cont'd)

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 $14,569 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

Directors

Mo Munshi	Non-Executive Chairman and Acting Managing Director
John Arbuckle	Non-Executive Director
Seb Hempel	Non-Executive Director
Mufti Habriansyah	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 2011 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 2013 and 2012

Directors	Short-Term			Post Employment	Termination Benefits	Share-based Payments		Total	Value of share based payments as portion of remuneration
	Salary & Fees $	Cash Bonus $	Non Monetary $	Super-annuation $	$	Performance rights issued $	Options issued $	$	%
Mo Munshi									
2013	95,000	-	^242,428*	-	-	12,815	-	350,243	3.66
2012	95,000	-	^242,317*	-	-	-	65,742	403,059	16.31
John Arbuckle									
2013	30,000	-	2,428*	-	-	2,559	-	34,987	7.31
2012	30,000	-	2,317*	-	-	-	-	32,317	-
Seb Hempel									
2013	30,000	-	2,428*	900	-	2,559	-	35,887	7.13
2012	30,000	-	2,317*	2,700	-	-	-	35,017	-
Mufti Habriansyah									
2013	82,983	-	2,428*	-	-	2,559	-	87,970	2.91
2012	107,593	-	2,317*	-	-	-	-	109,910	-
Executives									
Sean Delaney									
2013	-	-	-	-	-	-	-	-	-
2012	93,500	-	579*	2,790	-	-	-	96,869	-
Totals									
2013	237,983	-	249,712	900	-	20,492	-	509,087	
2012	356,093	-	249,846	5,490	-	-	65,742	677,172	

^ This amount includes $180,000 (2012 - $240,000) due to Mr Munshi as at 30 June 2013 to be paid through the issue of shares, subject to approval at the next annual general meeting.

* These amounts include a pro-rata allocation of $2,428 (2012 - $2,317) of the cost of Directors and Officer's Insurance ($14,569 (2012 - $14,480) in total) as is now required to be disclosed under the Australian Accounting Standards.

Options Granted and Vested During the Year Ended 30 June 2013 and 2012

No options were granted to Directors during the year ended 30 June 2013 and 2012.

Shares issued on exercise of options

No options were exercised during the year ended 30 June 2013.

Performance Rights

During the year ended 30 June 2013, 8,000,000 Performance Rights were issued to key management personnel as follows:

Directors	Number of Performance Rights	Market capitalisation hurdle ($)	Accounting value ($)
Mo Munshi	2,000,000	25,000,000	5,111
	2,000,000	30,000,000	5,127
	1,000,000	40,000,000	2,577
John Arbuckle	500,000	25,000,000	1,278
	500,000	30,000,000	1,282
Seb Hempel	500,000	25,000,000	1,278
	500,000	30,000,000	1,282
Mufti Habriansyah	500,000	25,000,000	1,278
	500,000	30,000,000	1,282

The Performance Rights has a vesting condition subject to the Company's Market Capitalisation being at or above the Market Capitalisation hurdle for 20 consecutive trading days at any time after the issue of the Performance Rights and before the relevant expiry date. Each Performance Rights will convert to one fully paid ordinary share upon achievement of the Market Capitalisation hurdle at no cost. The details of the Performance Rights condition are as follow:

DIRECTORS' REPORT (Cont'd)

Number of Performance Rights	Market capitalisation hurdle	Date of Expiry
3,500,000	$25,000,000	30 Nov 2013
3,500,000	$30,000,000	30 Jun 2014
1,000,000	$40,000,000	31 Mar 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' 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		1	1
John Arbuckle	9 Sept 06		1	1
Seb Hempel	21 Jul 08		1	1
Mufti Habriansyah	1 Dec 10		1	1

Results
The total comprehensive loss of the consolidated entity for the financial year was $3,133,839 (2012: $3,640,000).

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 53.

Signed in accordance with a resolution of the directors.

M.I.Munshi

Mo Munshi
Managing Director

Dated at Perth this 30th day of September 2013

CORPORATE GOVERNANCE STATEMENT

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd 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. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Unless disclosed below, all the Recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2013.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Roles and Responsibilities

The board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Company's Board Charter has been made publicly available on the Company's website. This document details the adopted practices and processes in relation to matters reserved for the board's consideration and decision-making and specifies the level of authorisation provided to other key management personnel. The board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Performance Evaluation

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.

There is no formal process for evaluating the performance of the board and individual directors. Board 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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board Composition

The Board respects independence of thought and decision making as critical to effective governance, and is satisfied that its Board composition meets these requirements.

The Group has accepted the definition of "independence" in the Recommendations in the above analysis. The majority of the Board are independent directors.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of independent directors of the Company are:

Mr John Arbuckle

Mr Seb Hempel

Mr Mufti Habriansyah

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds;

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the company.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

Nomination Committee

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards

The board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A Corporate Governance Charter has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Corporate Governance Charter.

Directors are obliged to be independent in judgment and ensure that all reasonable steps are taken to ensure due care is taken by the board in making sound decisions.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

Diversity policy

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 directors to ensure they are in line with the geographical and operational segments of the Group. 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	3
Women in senior executive positions	0
Women on the board	0

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The board has not established an audit committee. Processes are in place for the full board to consider issues that would otherwise be considered by an audit committee.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy, which is available on the Company's website, sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

CORPORATE GOVERNANCE STATEMENT (Continued)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Prosperity Resources Limited, to lodge questions to be responded by the board, the CFO or the Auditors, and are able to appoint proxies.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management

The board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the board, covering all aspects of the business from the operational level through to strategic level risks. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing and reassessing its key business risks.

The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Policies

All executives receive a base salary and superannuation.

The amount of remuneration for all key management personnel for the company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors' report under the heading key management personnel compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

Non-executive directors are remunerated by way of fees in the form of cash and options. Non-executive directors do not receive bonus payments, nor are they provided with retirement benefits.

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.

Other Information

The following checklist summarises the Company's compliance with the Recommendations. Explanations regarding compliance with the Principles and Recommendations are disclosed in this Corporate Governance Statement and further information is available on the company's website at www.prosperity.net.au

	Requirement	Comply Yes/No
Principle 1	**Lay solid foundations for management and oversight**	
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
Rec 1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
Principle 2	**Structure the board to add value**	
Rec 2.1	A majority of the board should be independent directors.	Yes
Rec 2.2	The chair should be an independent director.	Yes
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
Rec 2.4	The board should establish a nomination committee.	No

Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
Rec 2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
Principle 3	**Promote ethical and responsible decision-making**	
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include a requirement for the board to establish measurable objectives for gender diversity for the board to assess annually both the objectives and progress towards achieving them.	No
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
Rec 3.4	Companies entities should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
Principle 4	**Safeguard integrity in financial reporting**	
Rec 4.1	The board should establish an audit committee	No
Rec 4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair; who is not chair of the board • has at least three members	No
Rec 4.3	The audit committee should have a formal charter.	No
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5	**Make timely and balanced disclosure**	
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
Principle 6	**Respect the rights of shareholders**	
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
Principle 7	**Recognise and manage risk**	
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material	Yes

	business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
Principle 8	**Remunerate fairly and responsibly**	
Rec 8.1	The board should establish a remuneration committee	No
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; • has at least three members.	No
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	NOTE	Consolidated 2013 $	Consolidated 2012 $
Revenue	3	**331,572**	**266,873**
Total revenue		**331,572**	**266,873**
Expenses			
Occupancy expenses		**(71,689)**	**(71,486)**
Administrative expenses		**(1,139,639)**	**(1,171,293)**
Share based payment expenses	17	**(116,892)**	**(112,518)**
Borrowing costs		**119,824**	**(312,000)**
Depreciation		**(34,036)**	**(39,282)**
Exploration expenditure		**(318,133)**	**(2,046,080)**
Impairment of capitalised exploration expenditure		**(3,043,424)**	**-**
Loss before income tax		**(4,272,417)**	**(3,485,786)**
Income tax refund / (expense)	5	**-**	**-**
Loss after income tax		**(4,272,417)**	**(3,485,786)**
Other Comprehensive Income			
Items that may be subsequently classified to profit and loss:			
Loss on fair valuation of available-for-sale financial asset		**(7,344)**	**-**
Currency translation differences		**1,145,922**	**(154,214)**
Comprehensive loss for the year		**(3,133,839)**	**(3,640,000)**
Loss for the year attributable to:			
Shareholders of Prosperity Resources Ltd	16	**(4,221,714)**	**(3,344,614)**
Non-controlling interest		**(50,703)**	**(141,172)**
Loss for the year		**(4,272,417)**	**(3,485,786)**
Total Comprehensive loss for the year attributable to:			
Shareholders of Prosperity Resources Ltd		**(3,073,248)**	**(3,569,662)**
Non-controlling interest		**(60,591)**	**(70,338)**
Total Comprehensive loss for the year		**(3,133,839)**	**(3,640,000)**
Basic loss per share (cents)	25	**(1.07)**	**(0.99)**

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	NOTE	Consolidated 2013 $	Consolidated 2012 $
CURRENT ASSETS			
Cash and cash equivalents	26(a)	**17,287**	**758,287**
Trade and other receivables	6	**34,570**	**82,274**
Prepayments		**26,333**	**27,408**
Available-for-sale financial assets	7	**7,656**	**11,026**
TOTAL CURRENT ASSETS		**85,846**	**878,995**
NON-CURRENT ASSETS			
Trade and other receivables	6	**202,742**	**144,333**
Property, plant and equipment	9	**116,797**	**150,027**
Capitalised mineral exploration and evaluation expenditure	10	**6,299,999**	**8,388,388**
TOTAL NON-CURRENT ASSETS		**6,619,538**	**8,682,748**
TOTAL ASSETS		**6,705,384**	**9,561,743**
CURRENT LIABILITIES			
Trade and other payables	11	**737,680**	**1,365,039**
Provisions	12	**27,352**	**20,898**
Borrowings	13	**581,695**	**492,070**
TOTAL CURRENT LIABILITIES		**1,346,727**	**1,878,007**
TOTAL LIABILITIES		**1,346,727**	**1,878,007**
NET ASSETS		**5,358,657**	**7,683,736**
EQUITY			
Issued capital	14	**34,978,343**	**34,196,651**
Reserves	15	**4,443,902**	**3,268,368**
Accumulated losses	16	**(33,959,585)**	**(29,737,871)**
Total equity attributed to equity holders of the Company		**5,462,660**	**7,727,148**
Non-controlling interest		**(104,003)**	**(43,412)**
TOTAL EQUITY		**5,358,657**	**7,683,736**

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

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOW
For the year ended 30 June 2013

	NOTE	Consolidated 2013 $	Consolidated 2012 $
Cash flows from operating activities			
Interest received		2,859	26,034
Other income received		300,392	217,430
Cash payments in the course of operations		(992,662)	(386,216)
Net cash used in operating activities	26(b)	(689,411)	(142,752)
Cash flows from investing activities			
Payments for exploration and evaluation		(82,281)	(2,935,473)
Payments for property, plant & equipment		-	(757)
Proceeds from disposal of investment		-	30,000
Net cash used in investing activities		(82,281)	(2,906,230)
Cash flows from financing activities			
Proceeds from the issue of shares		-	2,000,000
Proceeds from borrowings		35,000	463,459
Cost of issue of shares		(4,308)	(12,743)
Net cash provided by financing activities		30,692	2,450,716
Net increase/(decrease) in cash and cash equivalents		(741,000)	(598,266)
Net foreign exchange differences		-	(15,062)
Cash and cash equivalents at the beginning of the year		758,287	1,371,615
Cash and cash equivalents at the end of the year	26(a)	17,287	758,287

The above statement of cash flow 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 2013

CONSOLIDATED

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Total	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$	$
As at 1 July 2012	**34,196,651**	**(29,737,871)**	**3,341,596**	**(73,228)**	**-**	**7,727,148**	**(43,412)**	**7,683,736**
Loss for the period	-	(4,221,714)	-	-	-	(4,221,714)	(50,703)	(4,272,417)
Other comprehensive income								
Investment revaluation	-	-	-	-	(7,344)	(7,344)	-	(7,344)
Currency translation differences	-	-	-	1,155,810	-	1,155,810	(9,888)	1,145,922
Total other comprehensive (loss) / income	-	-	-	1,155,810	(7,344)	1,148,466	(9,888)	1,138,578
Total comprehensive loss	-	(4,221,714)	-	1,155,810	-	(3,073,248)	(60,591)	(3,133,839)
Transactions with owner recorded directly into equity								
Issue of shares	781,692	-	-	-	-	781,692	-	781,692
Issue of performance rights	-	-	26,892	-	-	26,892	-	26,892
Issue of options	-	-	176	-	-	176	-	176
As at 30 June 2013	**34,978,343**	**(33,959,585)**	**3,368,664**	**(1,082,582)**	**(7,344)**	**5,462,660**	**(104,003)**	**5,358,657**

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 2012

CONSOLIDATED	**Issued Capital**	**Accumulated Losses**	**Share Option/ Performance Reserve**	**Foreign Currency Translation Reserve**	**Total**	**Non-controlling interest**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
As at 1 July 2011	**31,656,803**	**(26,393,257)**	**3,213,078**	**69,551**	**8,546,175**	**272,547**	**8,818,722**
Loss for the period	-	(3,344,614)	-	-	(3,344,614)	(141,172)	(3,486,786)
Other comprehensive income							
Currency translation differences	-	-	-	(142,779)	(142,779)	(15,421)	(158,200)
Total other comprehensive loss	-	-	-	(142,779)	(142,779)	(15,421)	(158,200)
Total comprehensive loss for the year	-	(3,344,614)	-	(142,779)	(3,487,393)	(156,593)	(3,643,988)
Transactions with owner recorded directly into equity							
Issue of shares	2,539,848	-	-	-	2,539,848	-	2,539,848
Share based payment	-	-	128,518	-	128,518	-	128,518
Equity investment – non controlling interest	-	-	-	-	-	(159,366)	(159,366)
As at 30 June 2012	**34,196,651**	**(29,737,871)**	**3,341,596**	**(73,228)**	**7,727,148**	**(43,412)**	**7,683,736**

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 2013, the Group has total liabilities of $1,346,727, and has incurred a total comprehensive loss of $3,133,839 for the year ended, with a cash and cash equivalents balance of $17,287 and a working capital deficiency of $1,260,881. 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 $581,695 from lenders as disclosed in note 13. One of the loans was due for repayment as at 31 March 2013 have been extended to on or before end of February 2014 at the Lender's option. The Group received comfort letter from the lender. The lender has agreed to support the group activities in Indonesia by extending the loan repayment due dates on such terms as may be negotiated from time to time. The lender is also prepared to conclude additional loan agreements with the Group on mutually agreeable terms.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements effective* 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(c) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, AASB 2010-7 ‘Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)’, and AASB 2012-6 ‘Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures’	1 January 2015	30 June 2016
AASB 10 ‘Consolidated Financial Statements’	1 January 2013	30 June 2014
AASB 11 ‘Joint Arrangements’	1 January 2013	30 June 2014
AASB 12 ‘Disclosure of Interests in Other Entities’	1 January 2013	30 June 2014
AASB 13 ‘Fair Value Measurement’ and AASB 2011-8 ‘Amendments to Australian Accounting Standards arising from AASB 13’	1 January 2013	30 June 2014
AASB 119 ‘Employee Benefits’ (2011) and AASB 2011-10 ‘Amendments to Australian Accounting Standards arising from AASB 19 (2011)’	1 January 2013	30 June 2014
AASB 127 ‘Separate Financial Statements (2011), AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards’	1 January 2013	30 June 2014
AASB 128 ‘Investments in Associates and Joint Ventures’ (2011), AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards’	1 January 2013	30 June 2014
AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’	1 July 2013	30 June 2014
AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards’	1 January 2013	30 June 2014
AASB 2012-2 ‘Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities’ (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 ‘Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities’ (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 ‘Amendments to Australian Accounting Standards arising from Annual Improvements cycle’	1 January 2013	30 June 2014
AASB 2012-6 ‘Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures’	1 January 2013	30 June 2014
Interpretation 20 ‘Stripping Costs in the Production Phase of a Surface Mine’ and AASB 2011-12 ‘Amendments to Australian Accounting Standards arising from Interpretation 20’.	1 January 2013	30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements ((applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This standard is not expected to significantly impact the Group's financial report as a whole.

AASB 119 (September 2011) includes changes to the accounting for termination benefits.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.

These standards are not expected to impact the Group.

(d) Basis of Consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'The Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Joint Ventures
Interests in joint ventures are brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in Note18.

(e) 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.

(f) 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.

(g) 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.

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 comprehensive income.

(h) 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)

(i) 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.

(j) 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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(k) 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)

(l) 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.

(m) 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.

(n) 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.

(o) 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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(p) 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)

(q) 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.

(r) 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.

(s) 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)

(t) 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.

(u) 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 2013, the consolidated entity operated in the following Geographical Segments: Australia and Indonesia (2012: Australia and Indonesia).

(v) 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.

(w) 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
- Note12 - Provisions
- Note 27 - Financial Instruments

	Consolidated 2013 $	Consolidated 2012 $
3. REVENUE FROM NON-OPERATING ACTIVITIES		
Interest received	13,072	26,543
Net gain from held for sale investments	-	64,900
Other income - consultancy	318,500	175,430
	331,572	**266,873**
4. EXPENSES		
The loss from operating activities before income tax has been determined after charging the following items:		
Auditor's remuneration	38,280	45,425
Wages and salaries	347,923	325,672
Contributions to employee superannuation plans	16,650	18,540
Provision for employee entitlements	6,454	(43,767)

	Consolidated 2013 $	Consolidated 2012 $
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 operation loss.		
The differences are reconciled as follows:		
Operating loss	4,272,417	3,485,786
Prima facie tax benefit at 30%	**(1,281,725)**	**(1,045,736)**
Tax effect of differences:		
Income	-	(1,023)
Legal and entertainment costs	12,400	-
Capitalised exploration costs	(360,000)	(450,000)
Provisions	101,018	(37,612)
Superannuation Payable	(394)	(461)
Capital Raising Costs	7,633	7,374
Share Based Payment	880	(33,755)
Foreign Exchange Differences	(12,621)	57,539
Future income tax (expense) / benefits not brought to account	1,532,809	1,503,854
Income tax expense attributable to ordinary activities	-	-
(b) Unrecognised temporary differences Deferred tax asset (at 30%)		
On income tax account		
Capital Raising Costs	22,328	21,294
Provisions	28,456	129,474
Carry forward tax losses	9,900,063	9,006,481
	9,950,847	9,157,249
On capital account		
Carry forward tax losses	102,614	112,394
	10,053,461	9,269,643
Deferred tax liabilities (at 30%)		
Capital exploration costs	(90,000)	(450,000)

	Consolidated 2013 $	Consolidated 2012 $
6. TRADE AND OTHER RECEIVABLES		
Current		
GST Recoverable	7,216	17,436
Other Debtors	27,354	64,838
	34,570	**82,274**

Past Due but Not Impaired
As at 30 June 2013, trade receivable of nil (2012 – nil) were past due but not impaired.

	Consolidated 2013 $	Consolidated 2012 $
Non Current		
Deposit Paid	74,790	27,805
Other Receivables	127,952	116,528
	202,742	**144,333**

Other receivables include $74,069 (2012 - nil) receivable from related party, Paramount Mining Corporation Ltd and its subsidiaries.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2013 $	Consolidated 2012 $
Listed shares in Ferrowest Limited	**7,656**	**11,026**

The Group holds 304,260 (2012 – 304,260) equity shares in Ferrowest Limited. The investment is classified as available-for-sale financial assets. They are traded on the ASX and are revalued at each reporting date.

8. CONSOLIDATED ENTITIES

	Country of Incorporation	Direct Equity Interest %		Investment A$	
		2013	2012	2013	2012
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	90	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	64.8	1,326,918	1,290,455
PT Mulia Kencana Makmur – (7)	Indonesia	73.8	64.8	1,376,593	1,340,130
PT Bintang Agung Mining – (8)	Indonesia	73.8	64.8	1,278,818	1,242,355

(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 Prosperity Resources Indonesia (Energy) Pty 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 93% equity interest in each of PT Aspirasi Widya Chandra, PT Arus Tirta Power and PT Aneka Mining Nasional.

(6) During the year, PT Prospindo acquired a 10% equity interest in PT Multi Mineral Utama (PT MMU), bringing the group interest to 73.8%.

(7) During the year, PT Prospindo acquired a 10%equity interest in PT Mulia Kencana Makmur (PT MKM), bringing the group interest to 73.8%.

(8) During the year, PT Prospindo acquired a 10% interest in PT Bintang Agung Mining (PT BAM), bring the group interest to 73.8%.

Prosperity Resources Limited is the ultimate Australian parent entity.

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2013 $	Consolidated 2012 $
Plant and equipment		
At cost	111,882	111,117
Accumulated depreciation	(105,044)	(94,509)
	6,838	16,609
Building		
At cost	75,825	75,825
Accumulated depreciation	(42,961)	(35,378)
	32,864	40,447
Land		
At cost	62,680	62,680
Accumulated depreciation	-	-
	62,680	62,680
Motor Vehicles		
At cost	60,002	60,001
Accumulated depreciation	(52,638)	(40,638)
	7,364	19,363
Furniture and fixtures		
At cost	25,207	22,688
Accumulated depreciation	(18,156)	(11,760)
	7,051	10,928
Total net book value	**116,797**	**150,027**

Reconciliation

	Consolidated 2013 $	Consolidated 2012 $
Reconciliation of the carrying amount for property, plant and equipment is set out below		
Carrying amount at beginning of year	150,027	188,552
Additions	-	920
Depreciation	(34,036)	(39,282)
Foreign currency translation differences	806	(163)
Carrying amount at end of year	**116,797**	**150,027**

10. CAPITALISED MINERAL EXPLORATION AND EVALUATION EXPENDITURE

In the exploration and evaluation phase	Consolidated 2013 $	Consolidated 2012 $
Balance at start of year	8,388,388	7,439,929
Add: Expenditure incurred during the year	190,281	2,994,539
Less: Impairment	(3,043,424)	(2,046,080)
Add: Foreign exchange movement during the year	764,754	-
Total amount capitalised at end of year	**6,299,999**	**8,388,388**

11. TRADE AND OTHER PAYABLES

Current		
Unsecured		
Trade creditors	129,034	134,782
Amounts owed to Directors and/or Director-related entities	297,333	438,167
Shares to be issued	-	228,000
Accruals		
Audit fee	15,000	15,000
General	197,053	441,879
Other Creditors		
Other Taxes	99,260	107,211
	737,680	**1,365,039**

Shares to be issued relate to a new loan facility and are subject to shareholders' approval at the next general meeting.

12. PROVISIONS

Current		
Employee entitlements	**27,352**	**20,898**
Number of employees at year end	**10**	**25**

13. BORROWINGS

Loan from third party	546,695	492,070
Loan from director	35,000	-
	581,695	**492,070**

Loan from third party are unsecured, non-interest bearing and repayable 90 days from the 2013 AGM date.

14. CONTRIBUTION EQUITY

	Consolidated 2013 $	Consolidated 2012 $
(a) Ordinary Shares 408,104,180 (2012: 382,692,180)	**34,978,343**	**34,196,651**

(b) Share Movements during the year

	Number of Shares 2013	Number of Shares 2012	Total 2013 $	Total 2012 $
Balance at the beginning of the year	382,692,180	344,539,179	34,196,651	31,656,803
Issue Jan 12 at 3.4 cents	-	2,000,000	-	68,000
Issue Apr 12 at 10 cents	-	20,000,000	-	2,000,000
Issue Apr 12 at 3 cents	-	16,153,001	-	484,590
Issue Nov 12 at 5.71 cents	8,412,000		480,000	-
Issue Nov 12 at 1.8 cents	17,000,000		306,000	-
Less:				
Capital Raising Costs	-	-	(4,308)	(12,742)
	408,104,180	**382,692,180**	**34,978,343**	**34,196,651**

(c) Options

There were no listed options on issue. The unlisted options as at 30 June 2013 are as follows:

Number of Options	Exercise Price (cents)	Expiry Date
1,000,000	30	30 Nov 2014
1,500,000	30	30 Nov 2014

Unlisted Option Movements during the year

	Number of Options 2013	Number of Options 2012	Total 2013 $	Total 2012 $
Balance at the beginning of the year	14,450,000	19,950,000	3,341,596	3,213,078
Issue Jan 12 at 4 cents		2,000,000		16,000
Expired during the year	(11,950,000)	(7,500,000)		
Prior year issues now recognised			176	112,518
	2,500,000	**14,450,000**	**3,341,772**	**3,341,596**

(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

The following performance rights were issued during the year:

Date of Expiry	Market capitalisation hurdle	Number of Performance Rights
30 Nov 2013	$25,000,000	4,750,000
30 June 2014	$30,000,000	4,750,000
31 Mar 2015	$40,000,000	1,000,000

14. CONTRIBUTION EQUITY (Continued)

(e) Performance Rights (continued)

The performance rights outstanding as at 30 June 2013 has a weighted average remaining contractual life of 0.82 year. The price for the performance rights granted was calculated by using a discounted pricing model applying the following inputs:

Issued date	Exercise Price	Expiry date	Underlying Share Price	Market hurdle	Risk-free Interest rate	Value per Performance Rights (undiscounted)	Accounting value (after 85% discount)
30 Nov 2012	Nil	30 Nov 13	1.8 cents	$25,000,000	2.67%	0.0170	0.00256
30 Nov 2012	Nil	30 June 14	1.8 cents	$30,000,000	2.67%	0.0171	0.00256
30 Nov 2012	Nil	31 Mar 15	1.8 cents	$40,000,000	2.67%	0.0172	0.00256

The Performance Rights has a vesting condition subject to the Company's Market Capitalisation being at or above the Market Capitalisation hurdle for 20 consecutive trading days at any time after the issue of the Performance Rights and before the relevant expiry date. Each Performance Rights will convert to one fully paid ordinary share upon achievement of the Market Capitalisation hurdle at no cost.

15. RESERVES

	Consolidated 2013 $	Consolidated 2012 $
(a) Share based payment reserve		
Movements during the year:		
Opening balance	3,341,596	3,213,078
Options issued during the year	176	128,518
Performance rights issued during the year	26,892	-
Closing balance	**3,368,664**	**3,341,596**

Option reserve recognises the fair value of options issued to directors, employees and consultants not exercised.

	Consolidated 2013 $	Consolidated 2012 $
(b) Foreign Currency Translation Reserve		
Movement during the year:		
Opening balance	(73,228)	69,551
Translation movement during the year	1,155,810	(142,779)
Closing balance	**1,082,582**	**(73,228)**

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 $7,344 unrealised loss in this reserve.

15. RESERVES (Continued)

(d) Performance Rights Reserve

	No of Rights 2013	Total 2013 $	No. of Rights 2012	Total 2012 $
Performance Rights				
At the beginning of reporting period	-	-	-	-
Performance Rigths issued during the year	10,500,000	26,892	-	-
Performance Rights vested during the current year		-	-	-
Performance Rights exercised or lapsed during the current period		-	-	-
At 30 June 2013	10,500,000	26,892	-	-

16. ACCUMULATED LOSSES

	Consolidated 2013 $	Consolidated 2012 $
Accumulated losses at the beginning of the year	(29,737,871)	(26,393,257)
Net loss attributable to members of the parent entity	(4,221,714)	(3,344,614)
Accumulated losses at the end of the year	**(33,959,585)**	**(29,737,871)**

17. 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:

	2013 No	2013 WAEP	2012 No	2012 WAEP
Outstanding at the beginning of the year	7,950,000		15,950,000	
Granted during the year	-		-	
Expired during the year	(6,450,000)		(6,750,000)	
Exercised during the year	-		-	
Other changes during the year	-		(1,250,000)	
Outstanding at the end of the year	**1,500,000**	**0.30**	**7,950,000**	**0.24**
Exercisable at the end of the year	**1,500,000**	**0.30**	**7,950,000**	**0.24**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 1.42 years.

The exercise price for options outstanding at the end of the year was $0.30.

The weighted average fair value of options granted during the year was nil (2012 - nil).

Total expense recognised as share based payment expense in the year was $116,892 (2012 - $112,518).

17. SHARE BASED PAYMENTS (Continued)

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.

18. 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.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

Managing Director
Mo Munshi

Non - Executive Directors
John Arbuckle
Seb Hempel
Mufti Habriansyah

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.

Compensation for Key Management	**Consolidated 2013 $**	**Consolidated 2012 $**
Short term benefits	487,695	605,940
Post employment benefits	900	5,490
Long term benefits	-	-
Termination benefits	-	-
Share-based payment	20,492	65,742
Total Compensation	**509,087**	**677,172**

Equity Instruments Disclosures Relating to Key Management Personnel

Share Holdings

The numbers of shares in the Company held during the financial year by each key management personnel of Prosperity Resources Limited, including their personally-related entities, are set out below.

Year ended 30 June 2013 **Directors**	**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	19,650,000	8,412,000	-	-	28,062,000
John Arbuckle	1,500,000	-	-	-	1,500,000
Seb Hempel	1,040,000	-	-	-	1,040,000
Mufti Habriansyah	-	-	-	-	-

19. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Year ended 30 June 2012 Directors	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	19,650,000	-	-	-	19,650,000
John Arbuckle	1,500,000	-	-	-	1,500,000
Seb Hempel	1,040,000	-	-	-	1,040,000
Mufti Habriansyah	-	-	-	-	-
Other Key Management Personnel					
Sean Delaney	660,000	-	660,000	-	-

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director and executive of Prosperity Resources Limited, including their personally-related entities, is set out below.

Year ended 30 June 2013 Name	Balance at the start of the year	Granted during the year as remuneration	Options exercised during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mo Munshi	4,500,000	-	-	-	(1,500,000)	3,000,000	3,000,000
John Arbuckle	1,000,000	-	-	-	(500,000)	500,000	500,000
Seb Hempel	1,000,000	-	-	-	(500,000)	500,000	500,000
Mufti Habriansyah	1,000,000	-	-	-	(500,000)	500,000	500,000

Year ended 30 June 2012 Name	Balance at the start of the year	Granted during the year as remuneration	Options exercised during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mo Munshi	10,500,000	-	-	-	(6,000,000)	4,500,000	4,500,000
John Arbuckle	1,750,000	-	-	-	(750,000)	1,000,000	1,000,000
Seb Hempel	1,000,000	-	-	-	-	1,000,000	1,000,000
Mufti Habriansyah	1,000,000	-	-	-	-	1,000,000	1,000,000
Other Key Management Personnel							
Sean Delaney	1,500,000	-	-	1,500,000	-	-	-

Performance Rights Holdings

The number of performance rights in the Company held during the financial year by each director and executive of Prosperity Resources Limited, including their personally-related entities, is set out below.

Year ended 30 June 2013 Name	Balance at the start of the year	Granted during the year as remuneration	Rights converted into shares during the year	Balance at date of resignation	Other net changes during the year	Balance at the end of the year	Vested and converted at the end of the year
Mo Munshi	-	5,000,000	-	-	-	5,000,000	-
John Arbuckle	-	1,000,000	-	-	-	1,000,000	-
Seb Hempel	-	1,000,000	-	-	-	1,000,000	-
Mufti Habriansyah	-	1,000,000	-	-	-	1,000,000	-

20. AUDITOR'S REMUNERATION

Audit services – parent entity	33,114	26,114
- subsidiaries	5,166	19,311
	38,280	45,425

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**		**Amount Owed to Related Parties**	
Consolidated Subsidiaries	**2013**	**2012**	**2013**	**2012**
Prosperity Resource (Yalgoo) Pty Ltd	6,151,513	6,099,980	-	-
Prosperity Resources (Mt Gibson) Pty Ltd	2,266,355	2,232,146	-	-
Prosperity Resources (Tennant Creek) Pty Ltd	3,052,262	2,794,771	-	-
Prosperity Resources (Indonesia) Pty Ltd	11,597	11,597	-	-
PT Prospindo	9,325,925	7,880,933	-	-
Prospindo Singapore Pte Ltd	113,250	120,032	-	-
Prospindo Energi Singapore Pte Ltd	20,329	29,095	-	-
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 2013 $**	**Consolidated 2012 $**
Sales from consultancy services provided to:		
Gobi Coal and Energy Limited – common director	277,500	154,050
Zaraiya Holdings Limited – common director	-	2,800
Paramount Mining Corporation Ltd – common director	-	3,580
Consultancy and other services provided by:		
R & K Global Finance Ltd – common director	335,000	335,000
Maybach Consulting Pty Ltd – common director	33,000	33,000
Paramount Mining Corporation Ltd – common director	27,595	33,891
Paramindo Singapore Pte Ltd – common director	71,400	116,000

The following transactions are balances outstanding with related parties:

Trade and other receivables:		
Gobi Coal and Energy Limited	26,500	10,000
Paramount Mining Corporation Ltd	74,069	193
Trade and other payables:		
R & K Global Finance Ltd	267,083	427,917
Maybach Consulting Pty Ltd	30,250	2,750
Paramount Mining Corporation Ltd	-	12,124

22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements
The aggregate employee entitlement liability is disclosed in Note 12.

Employee Option Incentive Plan
Details of the Company's Employee Option Incentive Plan are disclosed in Note 17.

22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS (Continued)

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 $72,552 (2012: $912,790). 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 2013	**Australia**	**Indonesia**	**Unallocated**	**Total**
	$	**$**	**$**	**$**
Revenue	331,559	13	-	331,572
Expenses	(2,460,297)	(2,136,513)	(7,179)	(4,603,989)
Segment Results	(2,128,738)	(2,136,500)	(7,179)	(4,272,417)
Assets	234,617	6,460,498	10,269	6,705,384
Liabilities	(1,104,144)	(237,761)	(4,822)	(1,346,727)

30 June 2012	**Australia**	**Indonesia**	**Unallocated**	**Total**
	$	**$**	**$**	**$**
Revenue	266,859	14	-	266,873
Expenses	(2,960,479)	(780,546)	(11,634)	(3,752,659)
Segment Results	(2,693,620)	(780,532)	(11,634)	(3,485,786)
Assets	2,435,028	7,088,004	38,710	9,561,742
Liabilities	(1,482,252)	(391,885)	(3,870)	(1,878,007)

25. EARNINGS / (LOSS) PER SHARE

	Consolidated 2013 $	**Consolidated 2012 $**
The following reflects the loss and share data used in calculations of basic and diluted earnings/(loss) per share:		
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	(4,272,417)	(3,485,786)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	**397,521,648**	**353,028,712**

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.

	Consolidated 2013 $	Consolidated 2012 $

26. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash equivalents

Cash at bank	16,788	757,099
Cash on hand	499	1,188
	17,287	**758,287**

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

Loss from operating activities after income tax	(4,272,417)	(3,485,786)
Adjustments for:		
Bad debt (write back) / written off	(4,308)	26,657
Depreciation	34,036	39,282
Exploration expenditure written off	3,043,424	1,500,000
Accruals write back	(145,182)	(102,627)
Share based payment expenses	116,892	97,518
Borrowing costs	(119,824)	312,000
Provision for doubtful debts	-	345,033
Foreign exchange (gains) / losses	50,668	141,172
Impairment charges	(3,975)	3,975
Change in operating assets and liabilities		
(Decrease) / increase in creditors and provisions	620,905	425,327
(Increase) / decrease in prepayments	1,075	20,964
(Increase) / decrease in receivables	(10,705)	533,733
Net cash outflows used in Operating Activities	**(689,411)**	**(142,752)**

(c) Non-cash Investing and Financing Activities

In November 2012, the Company issued 8,412,000 shares at a deemed price of $0.057 each for the services rendered by Mr Munshi for his role as the managing director of the Company. The Company also issued 6 million shares to acquire an additional 10% in PT MKM, PT BAM and PT MMU, and 6 million shares for the extension of loan.

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 2013 $	Consolidated 2012 $
Financial assets		
Cash and cash equivalents	17,287	758,287
Trade and other receivables (current and non-current)	237,312	242,990
Available-for-sale financial assets	7,656	11,025
	262,255	**1,012,302**
Financial liabilities		
Trade and other payables	737,680	1,365,039
Borrowings	581,695	492,070
	1,319,375	**1,857,109**

27. FINANCIAL INSTRUMENTS (Continued)

(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.

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

	30 June 2013 $	30 June 2012 $
Cash and Cash equivalents		
- US Dollars	1,568	305,837
- Indonesian Rupiah	13,694,971	53,020,007
- Singapore Dollars	9,190	21,543
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 2013 *Weighted Average Interest Rate %*	Balance *$*	30 June 2012 *Weighted Average Interest Rate %*	Balance *$*
Financial Assets				
Cash at Bank	3.125	16,788	1.805	757,101
Cash in Hand	-	499	-	1,186
Deposit paid	-	-	5.40	27,805
		17,287		**786,092**

Group Sensitivity

At 30 June 2013, if the interest rate had changed by 1% pa from the year end rates with all other variables held constant, post-tax losses for the year would have been $168 lower/higher (2012 – $7,861 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(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.

27. FINANCIAL INSTRUMENTS (Continued)

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

	Consolidated 2013 $	Consolidated 2012 $
Trade Receivables		
Counterparties without external credit rating		
Group 1 *	-	-
Group 2 **	-	-
Group 3 ***	-	-
Total Trade Receivables	-	-
Cash at Bank & Short-Term Deposits		
Counterparties with external credit rating (Moody's) B	17,287	758,287
Counterparties without external credit rating	-	-
	17,287	758,287

** 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.*

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, there were no other known material contingent liabilities or commitments.

29. SUBSEQUENT EVENTS

Subsequent to year end, the Company renegotiated an extension for the loan facility with our lender, Resource Global Finance Ltd ("RGF"). The repayment deadline is now extended till 90 days after the Company's 2013 AGM, with the lender having an option to convert the full loan into shares at their option at an agreed price. The Company will issue 2,000,000 shares to RGF at no cost for the extension, subject to shareholder approval.

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 2013

	Parent 2013 $	Parent 2012 $
Total current assets	61,662	753,669
Total non-current assets	6,408,506	8,705,086
Total Assets	6,470,168	9,458,755
Total current liabilities	1,339,681	1,464,817
Total non-current liabilities	-	-
Total Liabilities	1,339,681	1,464,817
Net Assets	5,130,487	7,993,938
Equity		
Issued capital	34,978,343	34,196,651
Reserves	3,361,320	3,341,596
Accumulated losses	(33,209,176)	(29,544,309)
Total Equity	5,130,487	7,993,938
Loss for the year	3,664,868	4,702,487
Other comprehensive income	-	-
Total Comprehensive Loss for the year	3,664,868	4,702,487

(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.

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 20 to 49 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 2013 and of their performance as represented by the results of their operations and their 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 30th day of September 2013

M.I. Munshi

Mo Munshi
Managing Director

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trading as
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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 2013, 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 2013 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 and Carrying Values of Non-current Assets

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 2013, the consolidated entity had working capital deficit of $1,260,881, Cash and cash equivalents of $17,287, current liabilities of $1,346,727 which includes borrowings of $581,695. The Consolidated Entity has incurred a loss amounting to $4,272,417 for the year ended 30 June 2013.

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 and recapitalising by raising further capital, the consolidated entity may not be able to continue as a going concern.

The recoverability of the consolidated entity's carrying value of capitalised exploration costs $6,299,999 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 consolidated entity is not successful in commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values as stated in the statement of financial position.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 14 of the directors' report for the year ended 30 June 2013. 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 2013 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

Samir Tirodkar
Director

West Perth, Western Australia
30 September 2013

Stantons International Audit and Consulting Pty Ltd
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30 September 2013

Board of Directors
Prosperity Resources Limited
100 Parry Street
Perth, WA 6000

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 2013, 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

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 September 2013.

Number of Shares

408,104,180 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
RESOURCE GLOBAL FINANCE LTD	65,153,001	15.96
DER LA NOBLE CORPORATION LIMITED	51,202,801	12.55
PRUFROCK PARTNERS LIMITED	41,199,000	10.10
R & K GLOBAL FINANCE LTD	28,062,000	6.88
SURINA INVESTMENTS LIMITED	22,443,534	5.50

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	DER LA NOBLE CORPORATION LIMITED	51,202,801	12.55
2	RESOURCE GLOBAL FINANCE LTD	46,000,000	11.27
3	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	42,911,796	10.51
4	PRUFROCK PARTNERS LIMITED	41,199,000	10.10
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	27,984,405	6.86
6	SURINA INVESTMENTS LIMITED	22,443,534	5.50
7	INNER MONGOLIA TAI XI MEI GROUP CO LTD	20,000,000	4.90
8	RESOURCE GLOBAL FINANCE LTD	19,153,001	4.69
9	R & K GLOBAL FINANCE LTD	14,412,000	3.53
10	CITICORP NOMINEES PTY LIMITED	11,620,065	2.85
11	UBS NOMINEES PTY LTD	7,598,932	1.86
12	MR WENDY KURNIA	6,000,000	1.47
13	SUGIJONO ROJALI LATIEF	5,000,000	1.23
14	MR PETER ROBERT OTTON + MRS CAROLE ANNE OTTON	3,900,000	0.96
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,850,264	0.94
16	ZAFUM HOLDINGS LTD	3,000,000	0.74
17	BASE ASIA PACIFIC LIMITED	2,400,000	0.59
18	MR HUGH KNOWLAND BABBAGE	2,000,000	0.49
19	MR JOHN PHILLIP ARBUCKLE	1,500,000	0.37
20	MIDWAY SECURITIES PTY LTD	1,500,000	0.37

PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

SUMMARY OF TENEMENTS

(as at 12 September 2013)

Project	Lease	Equity	Joint Venture	Operator
Located in Australia:				
Tennant Creek	E 23738	100%	-	Prosperity Resources
Tennant Creek	E 23818	100%	-	Prosperity Resources
Tennant Creek	E 23828	100%	-	Prosperity Resources
Tennant Creek	E 23846	100%	-	Prosperity Resources
Tennant Creek	E 23890	100%	-	Prosperity Resources
Tennant Creek	E 23895	100%	-	Prosperity Resources
Tennant Creek	E 24158	100%	-	Prosperity Resources
Tennant Creek	E 26756	100%	-	Prosperity Resources
Tennant Creek	E 26757	100%	-	Prosperity Resources
Yalgoo North	P 59/1677	100%	-	Prosperity Resources
Yalgoo North	P 59/1678	100%	-	Prosperity Resources
Yalgoo West	E 59/1339	100%	-	Prosperity Resources
Yalgoo West	E 59/1341	100%	-	Prosperity Resources
Yalgoo West	P 59/1818	100%	-	Prosperity Resources
Located in Aceh, Indonesia				
PT MMU	-	90%	-	Prosperity Resources
PT AWC	-	93%	-	Prosperity Resources
PT ATP	-	93%	-	Prosperity Resources
PT AMN	-	93%	-	Prosperity Resources
PT MKM	-	90%	-	Prosperity Resources
PT BAM	-	90%	-	Prosperity Resources

E - Exploration Licence
P - Prospecting