



PROSPERITY

Prosperity Resources Limited

ABN 60 103 280 235

Half Year Report
31 December 2012

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

COMPANY DIRECTORY

DIRECTORS

Mo Munshi
John Arbuckle
Sebastian Hempel
Mufti Habriansyah

COMPANY SECRETARY

Garry Taylor
Lionel Liew

PRINCIPAL REGISTERED OFFICE

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SHARE REGISTRY

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AUDITORS

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

STOCK EXCHANGE LISTING

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

ASX Code: **PSP**

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statement for the half-year ended 31 December 2012 and the review report thereon.

DIRECTORS

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

Mo Munshi
John Arbuckle
Sebastian Hempel
Mufti Habriansyah

RESULTS OF OPERATIONS

The total comprehensive loss of the consolidated entity for the six months to 31 December 2012 amounted to \$504,095 (Half year ended 31 December 2011: \$866,285 loss).

REVIEW OF OPERATIONS

Prosperity divested its Yalgoo and Mount Gibson projects in Western Australia to focus its attention on the highly prospective 410 square kilometre exploration project in the Aceh Province of Indonesia.

During the half year, the Company acquired an additional 10% of the equity in three exploration licence ("IUP") holding companies; PT Bintang Agung Mining, PT Mulia Kencana Makmur and PT Multi Mineral Utama through the issue of six million fully paid ordinary shares in the Company. This acquisition brings the Company's Indonesian subsidiary's ownership in these assets to 90%. The Company also terminated a Memorandum of Understanding ("MOU") with a local Indonesian partner during the period. The Company is seeking an alternative structure to assist with exploration of the exciting Indonesian project.

Exploration work was limited during the period due to funding constraints and the difficult capital markets.

It is recommended that this half-yearly statement be read in conjunction with the 30 June 2012 Annual Report and any public announcements made by the Company during the half year.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 12.

Dated at Perth this 15th day of March 2013

Signed in accordance with a resolution of the Directors.



M Munshi
Managing Director

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		31 December 2012 \$	31 December 2011 \$
Revenue	Note		
Interest income		2,342	16,223
Other income		140,455	119,630
Total revenue	2	142,797	135,853
Operating costs:			
Depreciation		18,886	19,876
Employee expenses		192,409	194,705
Exploration and project expenditure		224,638	295,536
Occupancy expenses		34,013	15,303
Other operating costs		355,619	203,532
Borrowing costs		(119,824)	-
Share based payment expenses		116,892	112,518
Total expenses		822,633	841,470
Loss before income tax		(679,836)	(705,617)
Income tax refund / (expense)		-	-
Loss after income tax		(679,836)	(705,617)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		184,922	(160,668)
Change in fair value of available-for-sale investment		(9,181)	-
Comprehensive loss for the period		(504,095)	(866,285)
Loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(647,754)	(876,326)
Non-controlling interest		(32,082)	170,709
Loss for the period		(679,836)	(705,617)
Total Comprehensive loss for the period attributable to:			
Shareholders of Prosperity Resources Limited		(484,670)	(845,935)
Non-controlling interest		(19,425)	(20,350)
Total Comprehensive loss for the period		(504,095)	(866,285)
Earnings per share	6	(0.17)	(0.20)
Basic loss per share – cents			

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

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		31 December 2012	30 June 2012
	Not e	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	84,231	758,287
Trade and other receivables		455,147	82,274
Prepayments		80,531	27,408
Available-for-sale financial assets		5,819	11,026
TOTAL CURRENT ASSETS		625,728	878,995
NON-CURRENT ASSETS			
Trade and other receivables		82,820	144,333
Property, plant and equipment		130,850	150,027
Capitalised mineral exploration and evaluation expenditure		8,419,538	8,388,388
TOTAL NON-CURRENT ASSETS		8,633,208	8,682,748
TOTAL ASSETS		9,258,936	9,561,743
CURRENT LIABILITIES			
Trade and other payables		719,413	1,365,039
Provisions		24,988	20,898
Borrowings	4	526,134	492,070
TOTAL CURRENT LIABILITIES		1,270,535	1,878,007
TOTAL LIABILITIES		1,270,535	1,878,007
NET ASSETS		7,988,401	7,683,736
EQUITY			
Issued capital	7	34,978,343	34,196,651
Reserves		3,458,520	3,268,368
Accumulated losses		(30,385,625)	(29,737,871)
Total equity attributed to equity holder of the Company		8,051,238	7,727,148
Non-controlling Interest		(62,837)	(43,412)
TOTAL EQUITY		7,988,401	7,683,736

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	\$	\$
Note		
Cash flows from operating activities		
Cash payments in the course of operations	(762,680)	(276,243)
Interest received	1,761	15,826
Other income received	91,171	98,171
Net cash flows used in operating activities	(669,748)	(162,246)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(710,673)
Payments to acquire fixed assets	-	(642)
Proceeds from disposal of investment	-	30,000
Net cash flows used in investing activities	-	(681,315)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Capital raising costs	(4,308)	-
(Repayment) / proceeds from borrowings	-	-
Net cash flows used in financing activities	(4,308)	-
Net increase / (decrease) in cash and cash equivalents	(674,056)	(843,561)
Cash and cash equivalents at beginning of period	758,287	1,371,615
Cash and cash equivalents at end of period	84,231	528,054
	3	

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Option Reserves	Foreign Currency Translation Reserve	Investment Revaluation 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
Total comprehensive loss for the period								
Loss for the year	-	(876,326)	-	-	-	(876,326)	170,709	(705,617)
Other comprehensive income								
Currency translation differences	-	-	-	155,351	-	155,351	(316,019)	(160,668)
Total other comprehensive loss	-	-	-	155,351	-	155,351	(316,019)	(160,668)
Total comprehensive loss for the year	-	(876,326)	-	155,351	-	(720,975)	(145,310)	(866,285)
Transactions with owner recorded directly into equity								
Issue of shares	-	-	-	-	-	-	-	-
Share based payment	-	-	112,518	-	-	112,518	-	112,518
Equity investment – Non-controlling interest	-	-	-	-	-	-	(148,400)	(148,400)
As at 31 December 2011	31,656,803	(27,269,583)	3,325,596	224,902	-	7,937,718	(21,163)	7,916,555
As at 1 July 2012	34,196,651	(29,737,871)	3,341,596	(73,228)	-	7,727,148	(43,412)	7,683,736
Total comprehensive loss for the year								
Loss for the year	-	(647,754)	-	-	-	(647,754)	(32,082)	(679,836)
Other comprehensive income								
Investment revaluation	-	-	-	-	(9,181)	(9,181)	-	(9,181)
Currency translation differences	-	-	-	172,265	-	172,265	12,657	184,922
Total other comprehensive loss	-	-	-	172,265	(9,181)	163,084	12,657	175,741
Total comprehensive loss for the year	-	(647,754)	-	172,265	(9,181)	(484,670)	(19,425)	(504,095)
Transactions with owner recorded directly into equity								
Issue of shares	781,692	-	-	-	-	781,692	-	781,692
Share based payment	-	-	27,068	-	-	27,068	-	27,068
As at 31 December 2012	34,978,343	(30,385,625)	3,368,664	99,037	(9,181)	8,051,238	(62,837)	7,988,401

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

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

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

It is recommended that this financial statement be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Prosperity Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

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

New Accounting Policies Adopted Effective 1 July 2012

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

New Accounting Policies Adopted Effective 1 July 2012 (continued)

basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Going Concern Basis

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

As at 31 December 2012, the Group has cash and cash equivalents of \$84,231 and access to USD 500,000 of credit facility not drawn down. The Group is actively seeking to raise additional funds in the near term. It is considered that the Group should have sufficient funds to enable it to meet its obligation. If the Group is unable to continue as going concern then it may be required to realise its assets and extinguish its liabilities, other than in the normal course of business and at amounts different from those stated in the financial statements.

	31 December 2012	31 December 2011
	\$	\$
Note 2: Revenue		
Revenue		
Interest received – other entities	2,342	16,223
Other income – consulting fees	115,355	74,630
Other income – gain from disposal of investments	25,100	45,000
	<hr/>	<hr/>
	142,797	135,853
	<hr/>	<hr/>

	31 December 2012	30 June 2012
	\$	\$
Note 3: Cash and cash equivalents		
Cash at bank and on hand	84,231	758,287
Cash deposits	-	-
	<hr/>	<hr/>
	84,231	758,287
	<hr/>	<hr/>

Note 4: Borrowings

The Group has an existing USD1,000,000 credit facility which is unsecured, interest free and repayable on 31 March 2013. To date, USD 500,000 has been drawn down.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 5: Segment Reporting

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

31/12/2012	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	142,786	11	-	142,797
Expenses	<u>(722,055)</u>	<u>(98,161)</u>	<u>(2,417)</u>	<u>(822,633)</u>
Segment Results	<u>(579,269)</u>	<u>(98,150)</u>	<u>(2,417)</u>	<u>(679,836)</u>
Assets	1,734,874	7,486,130	37,932	9,258,936
Liabilities	<u>938,032</u>	<u>327,601</u>	<u>4,902</u>	<u>1,270,535</u>
31/12/2011	Australia	Indonesia	Unallocated	Total
	\$	\$	\$	\$
Revenue	135,853	-	-	135,853
Expenses	<u>(517,593)</u>	<u>(316,127)</u>	<u>(7,750)</u>	<u>(841,470)</u>
Segment Results	<u>(381,740)</u>	<u>(316,127)</u>	<u>(7,750)</u>	<u>(705,617)</u>
30/6/2012				
Assets	2,435,028	7,088,003	38,712	9,561,743
Liabilities	<u>1,482,252</u>	<u>391,885</u>	<u>3,870</u>	<u>1,878,007</u>

Note 6: Earnings per share

	2012	2011
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>387,111,658</u>	<u>344,539,179</u>

Note 7: Issued Capital

	Number	\$
Ordinary shares at 1 July 2012	382,692,180	34,196,651
Shares approved at AGM (30 November 2012):		
Issued to lender / consultants in lieu of extension of loan / increase equity stake in subsidiaries at \$0.018	17,000,000	306,000
Issued to director in lieu of services provided at \$0.0571	8,412,000	480,000
Less: capital raising costs		<u>(4,308)</u>
Ordinary shares at 31 December 2012	<u>408,104,180</u>	<u>34,978,343</u>

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 8: Share based payments

During the half year, 2,000,000 unlisted options and 10,500,000 performance rights were approved and issued. These options and performance rights were valued under a Black-Scholes option pricing model taking into account the terms and conditions upon which the options and performance rights were granted.

The following table gives the assumptions made in determining the fair value of options and performance rights at grant date:

Fair Value	Unlisted options	Performance rights
Grant date	30 Nov 12	30 Nov 12
Number of options/rights	2,000,000	10,500,000
Vesting date	30 Nov 12	30 Nov 12
Expiry date	31 Dec 12	30 Nov 13 / 30 Jun 14 / 31 Mar 15
Exercise price (cents)	3	NA
Price of shares on grant date (cents)	1.8	1.8
Estimated volatility (%)	100	119
Risk-free interest rate (%)	2.67	2.67
Divided yield (%)	-	-
Non listed status or market based vesting discount (%)	20	85
Fair value (cents)	0.0088	0.26

In addition, the performance rights are subject to a market capitalisation hurdle as follows:

Number of Performance rights	Expiry date	Market cap hurdle
4,750,000	30 Nov 13	A\$25m
4,750,000	30 Jun 14	A\$30m
1,000,000	31 Mar 15	A\$40m

Each performance rights will convert to one fully paid ordinary share at no cost once the market capitalisation hurdle is met for 20 consecutive trading days.

Note 9: Contingent Liabilities and Contingent Assets

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

Subject to completion of a JORC Code compliant 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 are no other known material contingent liabilities or assets.

Note 10: Dividends

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

Note 11: Events Subsequent to Reporting Date

As at the date of this report there is no matter or circumstance has arisen since 31 December 2012, which has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors of Prosperity Resources Limited:

1. the financial statements and notes set out on pages 3 to 10
 - (a) give a true and fair view of the financial position of the economic entity as at 31 December 2012 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations; and
2. there are reasonable grounds to believe that Prosperity Resources Limited will be able to pay its debts as and when they become due and payable.
3. the financial report also complies with International Financial Reporting Standards.

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

Dated at Perth this 15th day of March 2013.



.....
M Munshi
Managing Director

15 March 2013

Board of Directors
100 Parry Street,
PERTH, WA, 6000

Dear Directors

RE: PROSPERITY RESOURCES LIMITED

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

As Audit Director for the review of the financial statements of Prosperity Resources Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



Samir Tirodkar
Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prosperity Resources Limited, which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Prosperity Resources Limited (the consolidated entity). The consolidated entity comprises both Prosperity Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prosperity Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Prosperity Resources Limited on 15 March 2013.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

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

As referred to in Note 1 to the half year financial report, the financial statements have been prepared on the going concern basis. As at 31 December 2012, the consolidated entity had working capital deficiency of \$644,807 and had incurred a loss of \$679,836 for the half year ended then. Without qualification to the conclusion expressed above, attention is drawn to the following matter. In the event that the consolidated entity is unable to raise additional funding from the sources as described in note 1 to the financial report, and based on the current exploration commitments and planned expenditure, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to recoverability and classification of recorded assets amounts, or to the amounts and classification of liabilities, that might be necessary should the consolidated entity not continue as a going concern.

The recoverability of the Group's carrying value of Capitalised Exploration costs of \$8,419,538 as at 31 December 2012 is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the assets, the consolidated entity may not be able to continue as a going concern and the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

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

Stantons International

Samir

Samir Tirodkar
Director

West Perth, Western Australia
15 March 2013