



**PROSPERITY**

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**PROSPERITY RESOURCES LIMITED**

**ABN 60 103 280 235**

**DIRECTORS' REPORT**

**ANNUAL ACCOUNTS**

**AND**

**INDEPENDENT AUDIT REPORT**

**2010**

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Mohammed (Mo) Ibrahim Munshi  
*Non-Executive Chairman & Acting Managing Director*

John Phillip Arbuckle  
*Non-Executive Director*

Sebastian Hempel  
*Non-Executive Director*

### **COMPANY SECRETARY**

Garry Taylor

### **PRINCIPAL REGISTERED OFFICE**

100 Parry Street  
Perth, Western Australia, 6000  
Telephone: (08) 9322 7575  
Facsimile: (08) 9322 9485  
Email: [info@prosperity.net.au](mailto:info@prosperity.net.au)  
Internet: [www.prosperity.net.au](http://www.prosperity.net.au)

### **AUDITOR**

Stantons International  
Level 1, 1 Havelock Street  
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](mailto: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

## CHAIRMAN'S LETTER

Dear shareholders

At this time last year your Company had just started working on the Pinang-Pinang project in South Aceh, Indonesia. The Company recognised that this Project had great potential and for the past twelve months we have been working quietly to accumulate a significant land package in this strategic unexplored belt. The Company has now accumulated 41,000 hectares in six licenses incorporating a highly prospective largely unexplored 60 kilometre long mineralised coastal structural belt.

Prosperity is now in the best position that it has been in since listing in 2003. The Company has just completed a helicopter borne magnetic survey over all six licenses in Aceh. The survey has confirmed the prospectivity of our priority targets at Mutiara, Panton Luas and Jelatang and has generated numerous new targets for our geological team to follow up. The gold price is at record highs and the copper price has recovered strongly from its lows of the financial crisis. The drilling rigs are starting work and it is an exciting time.

The next twelve months will focus on advancing the status of our known Prospects in Aceh, such as Mutiara and Panton Luas. If our drilling is successful then our current program will be extended. At the same time our field teams will target new Prospects with mapping, surface sampling and trenching programs. We anticipate another year of exciting results to be announced as they become available.

The enclosed full year report provides details on the financial results for the year ended 30 June 2010, together with a short summary of our exploration work for the past twelve months.

I take this opportunity to thank our team in Indonesia for the hard work over the past twelve months which has contributed to our results so far. I wish to also thank my fellow directors, staff and consultants for their work for the Company this year.

Finally I would like to thank our loyal shareholders and the new shareholders to the register over the past twelve months and look forward to seeing you at the Annual General Meeting.



**MO MUNSHI**  
Chairman

## 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 2010 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:

#### **Mohammed (Mo) Ibrahim Munshi MBA Non Executive Chairman and Acting 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, The Philippines, Indonesia, Ghana, Tanzania and South Africa, and more recently he has had exposure to South America, in Ecuador, Peru, Brazil and Argentina, and Eastern Europe in Kosovo and Turkey.

Over the last 15 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.

#### **Other current directorships**

Paramount Mining Corporation Limited (ASX – PCP)

#### **John Phillip 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.

#### **Other current directorships**

Alchemy Resources Ltd (ASX – ALY)

#### **Former directorships in last 3 years**

Segue Resources Limited (resigned 2008), Carpathian Resources Limited (resigned 2008)

#### **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 19 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.

#### **Other current directorships**

European Gas Limited (ASX – EPG)

#### **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.

## DIRECTORS' REPORT (Cont'd)

Mr Taylor is also Chief Financial Officer and 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	Directors Interest in Ordinary Shares	Directors Interest in Unlisted Options
Mohammed I Munshi	Non Executive Chairman / Managing Director	11,650,000	8,000,000
John P Arbuckle	Non Executive Director	1,000,000	1,250,000
Sebastian Hempel	Non Executive Director	740,000	500,000

**Earnings Per Share** **Cents**  
Basic loss Per Share 2.26

### 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 eleven 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%

#### Domicile in Singapore:

Prospindo Singapore Pte Ltd – 100%

#### 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 – 41.31% (controlled entity)

The exploration at Yalgoo, Mt Gibson, 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.

#### Number of Employees

The number of employees as at the end of the financial year was 33 (2009:4).

# DIRECTORS' REPORT (Cont'd)

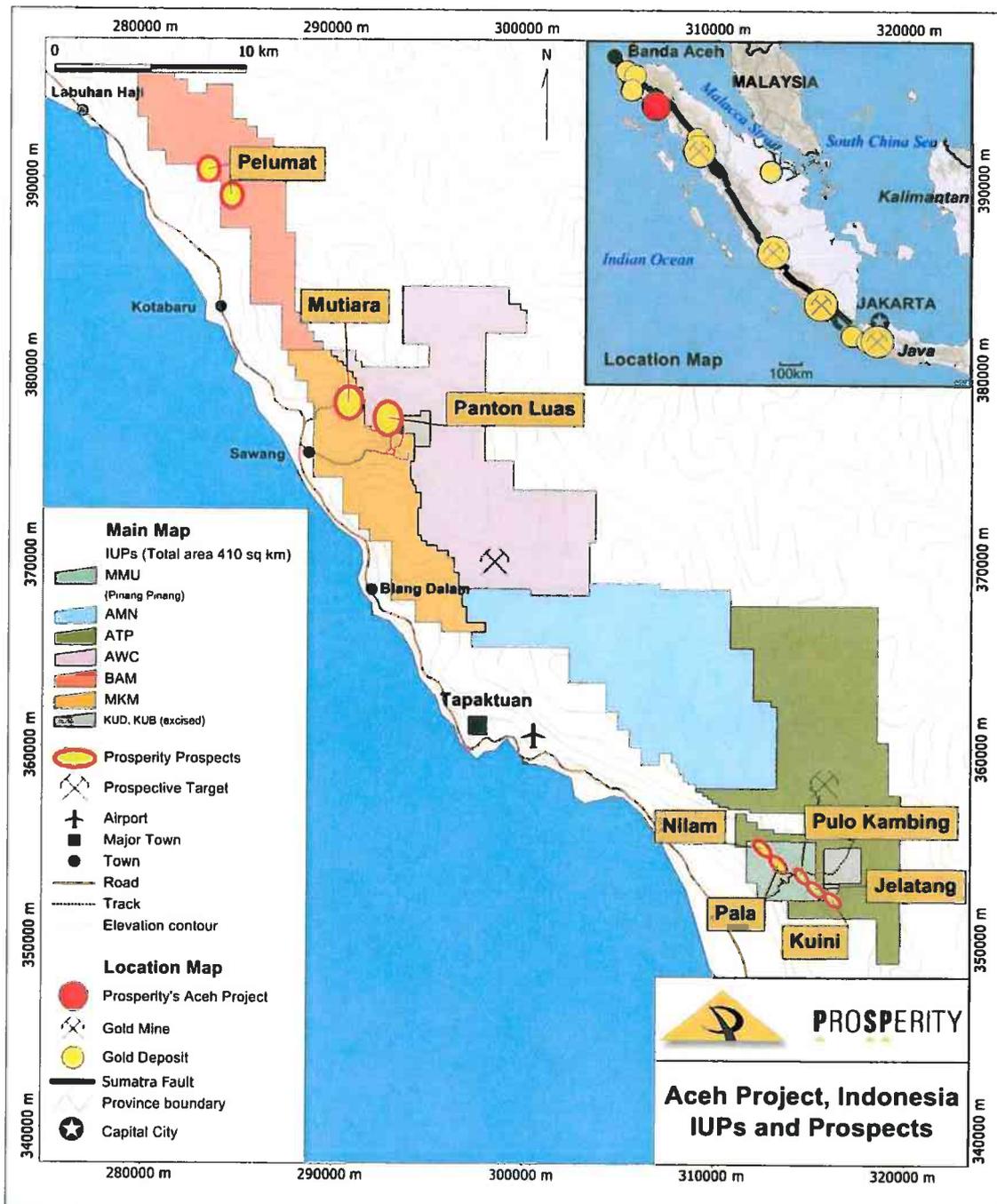
## REVIEW OF EXPLORATION

### INDONESIA

#### ACEH PROJECT

Prosperity has continued to focus on exploration in the South Aceh region of Indonesia over the past twelve months.

Prosperity now holds 41,000 hectares of contiguous land package with 60 kilometres of strike length in the highly prospective underexplored region of south Aceh. The Company secured three new 10,000 hectare Izin Usaha Pertambangan (IUP) exploration licenses in the highly prospective Aceh region in June 2009. The three new licenses are held by PT Aneka Mining Nasional (AMN), PT Arus Tirta Power (ATP) and PT Aspirasi Widya Chandra (AWC). Prosperity also successfully converted its three Kuasa Pertambangan (KP) mineral permits in South Aceh to IUP mining licenses in April 2010. Prosperity's licenses also include the 1,000 Ha exploitation IUP held under PT Multi Mineral Utama (MMU) and two 5,000 Ha exploration IUP licenses held under PT Mulia Kencana Makmur (MKM) and PT Bintang Agung Mining (BAM).



Location map: Prosperity's IUPs

## DIRECTORS' REPORT (Cont'd)

Exploration work has been ongoing at the Aceh projects for the past year and results have been excellent. Six porphyry intrusive centres have been identified to date through field mapping and sampling:

- Pala and Jelatang
  - Panton Luas, Mutiara, Nilam and Pelumat
- a small scout drilling program completed for each
  - trenching and surface sampling programs completed with spectacular high grade gold and copper results

### **Panton Luas Prospect**

An extensive, mapping, sampling and trenching program was completed across the Panton Luas Prospect.

Two different styles of mineralisation are apparent at Panton Luas – (i) a gold-rich, copper-poor style with a strike length of more than 500 metres coinciding with the northwest-trending Panton Luas ridge, and (ii) zones of mineralisation which occur across a width of 400 metres at lower elevations in streams and creeks on both sides of, and perpendicular to, the main ridge which follows the broad trend of mineralised structures and lithological contacts. The tenor of the trench and channel results returned to date and the widespread distribution of mineralised grab sample results from a large number of active and abandoned mine workings suggest there is excellent potential to define a large tonnage disseminated gold resource at Panton Luas.

Several rock samples were taken from the shallow artisanal pit workings on the Panton Luas ridge. These primary sulphide samples returned high gold grades including 83 g/t, 71 g/t and 29g/t gold.

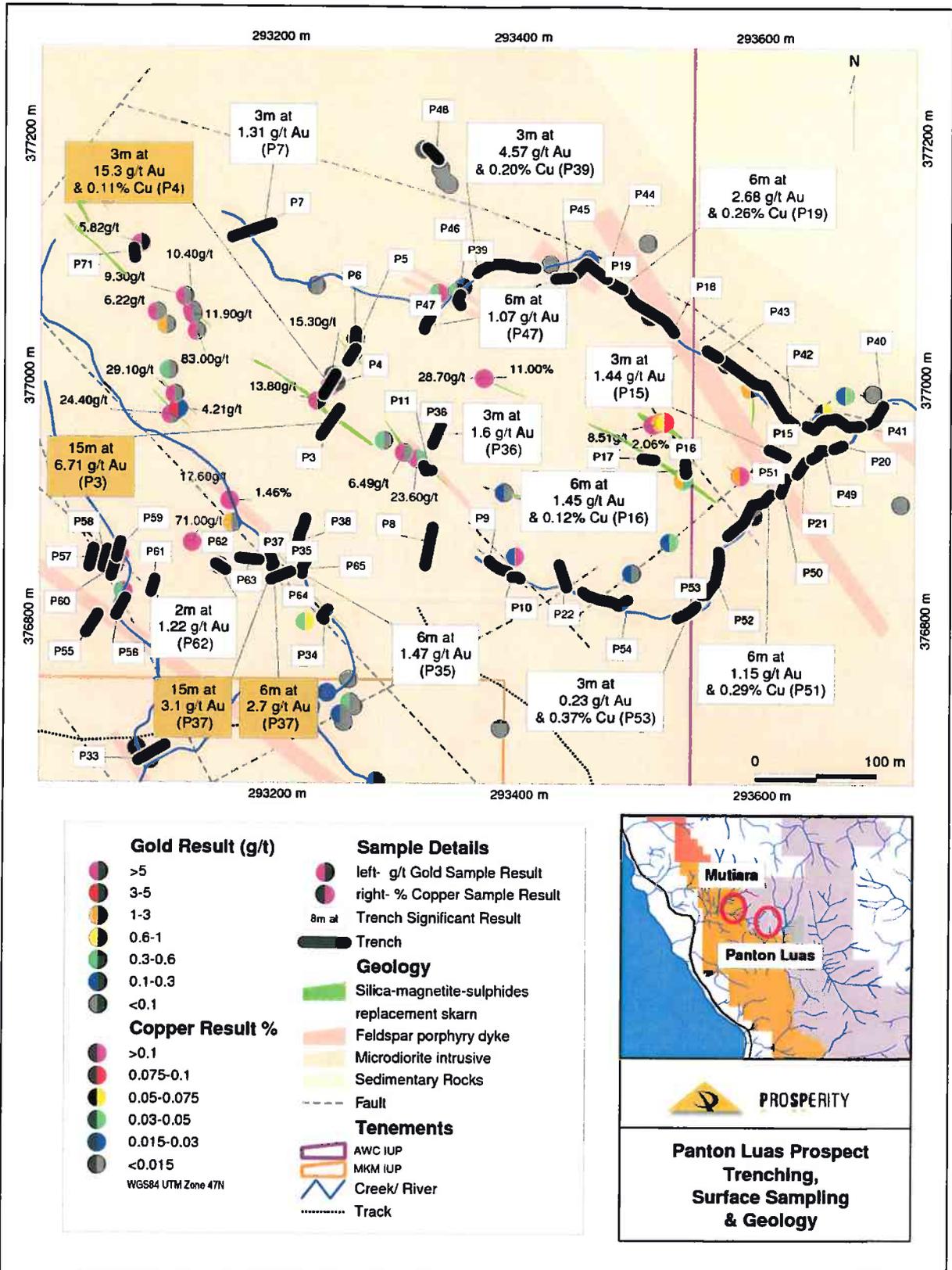
The highlights from the Panton Luas trenching results are shown in the table below and figure following.

Trench P3	<b>15 metres @ 6.71g/t gold</b>
Trench P4	<b>3 metres @ 15.3g/t gold and 0.11% copper</b>
Trench P19	<b>6 metres @ 2.68g/t gold and 0.26% copper</b>
Trench P37	<b>6 metres @ 2.70g/t gold</b>
Trench P37	<b>15 metres @ 3.10g/t gold</b>



**Panton Luas main ridge with artisanal workings**

# DIRECTORS' REPORT (Cont'd)



**Panton Luas Trench and Surface Sampling**

## DIRECTORS' REPORT (Cont'd)

### **Mutiara Prospect**

Prosperity also completed a detailed surface sampling and trenching program at the Mutiara Prospect in the MKM IUP. Skarn and microdiorite-hosted gold and copper results returned from a large number of grab rock-chip samples and trenches define a broad mineralised zone located within a west-northwest orientated structural corridor of altered microdiorite intrusive rocks. Mineralisation within this corridor is open in both directions along strike and is located approximately 1.5 kilometres north west of the Pantan Luas Prospect.

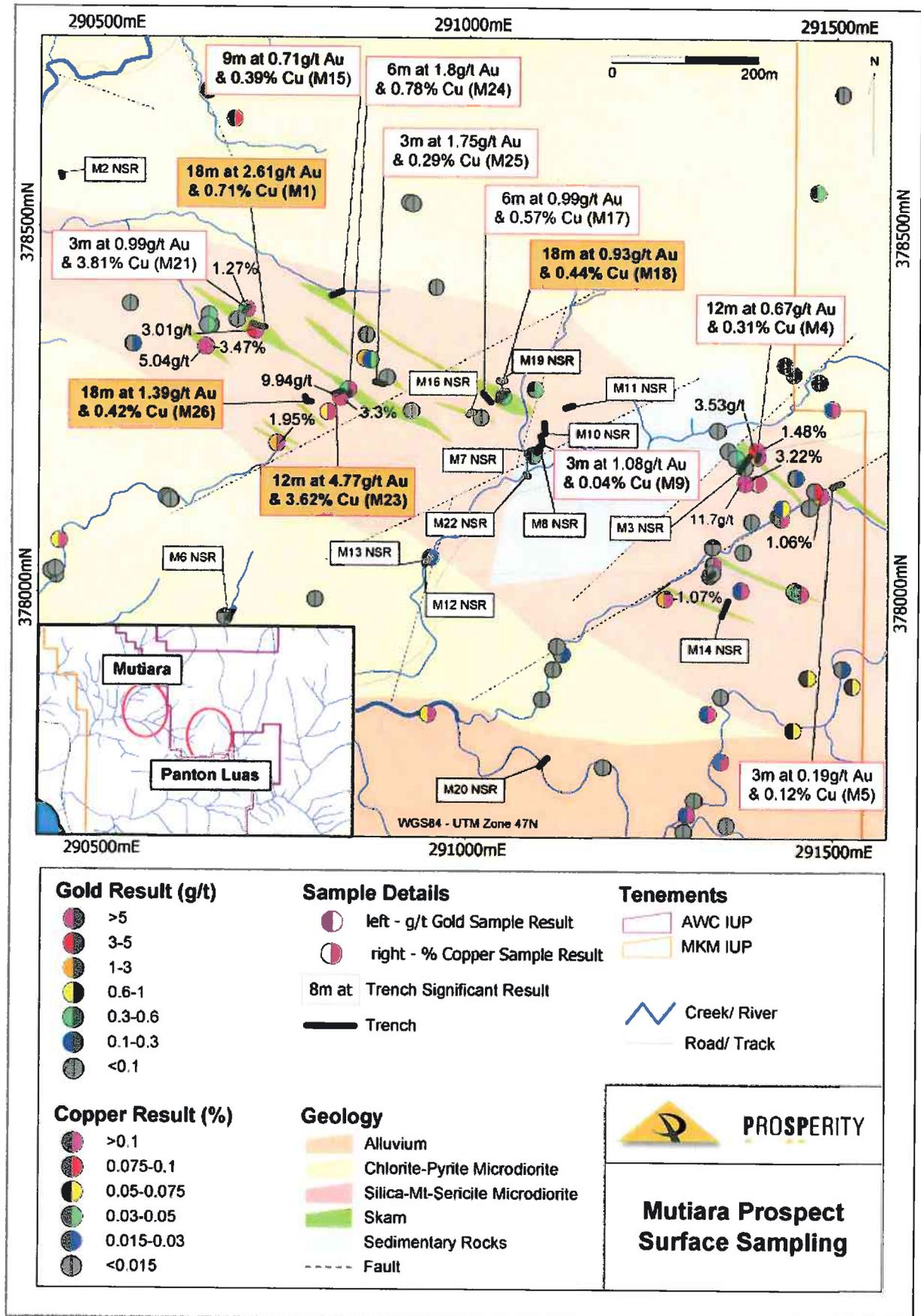
The rock chip samples produced some excellent grades including 11.7 g/t gold and 3.2% copper. The highlights from the Mutiara trenching results are as follows which are shown in the table below and the figure following.

Trench M1	<b>18 metres @ 2.61g/t gold and 0.71% copper</b>
Trench M23	<b>12 metres @ 4.77g/t gold and 3.62% copper</b>
Trench M24	<b>6 metres @ 1.80g/t gold and 0.73% copper</b>
Trench M25	<b>3 metres @ 1.75g/t gold and 0.29% copper</b>
Trench M26	<b>18 metres @ 1.39g/t gold and 0.42% copper</b>



**Mutiara artisanal workings in gold/copper skarn**

# DIRECTORS' REPORT (Cont'd)



Mutiara gold/copper surface results

## DIRECTORS' REPORT (Cont'd)

### Jelatang Prospect

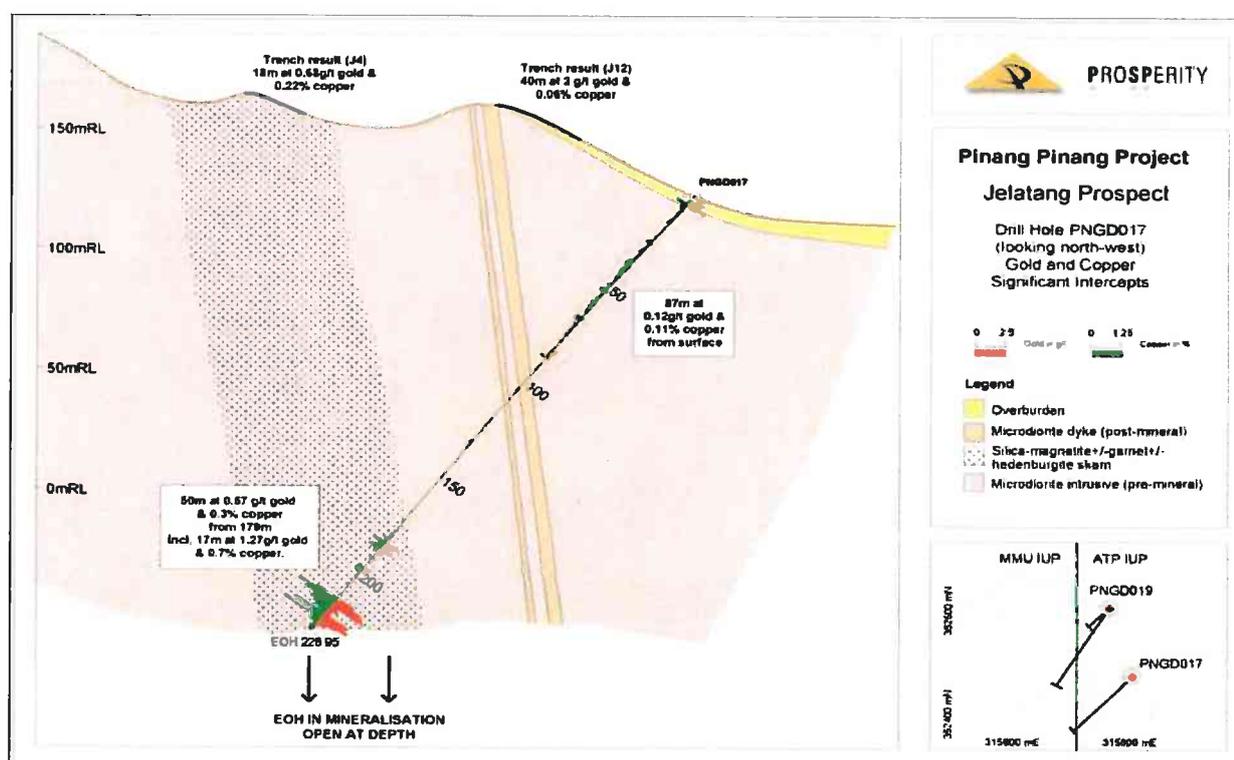
Prosperity completed two diamond drill holes in June 2010 at the promising Jelatang project. The hole depth was limited by the capacity of the man portable rig and the first hold PNGD017 finished in mineralisation.

The drill holes, designed as an initial test of the down dip extension of the largest and most coherent domain of surface geochemistry and ground magnetic response, both intersected long intervals of anomalous mineralisation, along with shorter intervals of higher grade replacement skarn mineralisation.

The holes, numbers PNGD 017 and PNGD 019, confirm surface domains of disseminated and stockwork-controlled pyrite-chalcopyrite mineralisation and genetically-related replacement endoskarn within a vertically extensive microdiorite intrusive complex. Widespread, pervasive porphyry-style alteration, including hydrothermal magnetite, along with the disseminated-style of gold and copper mineralisation spatially associated with more restricted zones of higher grade, proximal replacement endoskarn suggest mineralisation intersected to date may be associated with a large porphyry system at depth.

Results from the two scout diamond core holes are as follows:

Drill Hole	From (m)	Interval (m)	Au (g/t)	Cu %
PNGD 017	179	50	0.57	0.30
<i>Including</i>	212	17	1.27	0.70
PNGD 019	113	56	0.18	0.16
<i>Including</i>	155	14	0.55	0.40



**Cross Section - Jelatang diamond hole PNGD 017, interpreted geology with gold & copper results**

### Pala Prospect

The Pala Prospect was the first exploration target in the Aceh Project and produced outstanding soil and trench results released during the first half of the financial year. The initial work at Pala, a scout diamond drilling program in September 2009, aimed to test the down-dip and along strike continuity and tenor of multiple, steeply dipping to sub-vertical, partially oxidised silica-magnetite-sulphide replacement alteration zones and domains of surrounding porphyry-style veining and gold-copper ±molybdenum mineralisation.

## DIRECTORS' REPORT (Cont'd)

The Company announced encouraging results from the initial scout drilling program at Pala in February 2010. The sixteen shallow diamond drill holes intersected broad intervals (greater than 100 metres) of porphyry-related veinlet-hosted gold-copper mineralisation, with five of the sixteen holes intersecting shorter intervals of richer, breccia-hosted endoskarn. The significant results from the Pala drilling are summarised in the following table:

Drill Hole	From (m)	Interval (m)	Au (g/t)	Cu %
PNGD 003	4	22	1.12	0.30
<i>Including</i>	6	9	1.68	0.54
PNGD 005	0	66	0.52	0.18
<i>Including</i>	32	22	1.12	0.40
PNGD 008	123	44	0.37	0.11
PNGD 013	44	16	0.41	0.18
<i>Including</i>	45	4	1.20	0.67
PNGD 015	53	8	2.12	0.18
PNGD 016	152	34	0.40	0.13
<i>Including</i>	152	7	1.13	0.35

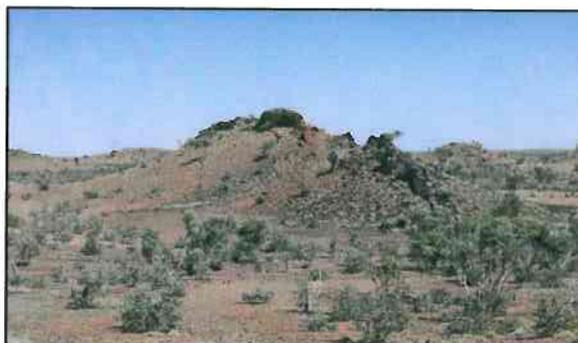
The assemblages, high pyrite to chalcopyrite sulphide ratios, and the predominating style of veinlet and fracture hosted mineralisation (over a disseminated style) suggests only the very top of a potentially large and vertically extensive porphyry system has been drill tested to date.

### AUSTRALIA

#### TENNANT CREEK PROJECT

Prosperity holds over 220 square kilometres of tenure in the prospective Tennant Creek Goldfields of the Northern Territory. The Tennant Creek Goldfield has produced approximately 5Moz Au and 345,000t Cu over an 80 year mining history.

During the year Mr Tim Hronsky, a geologist with over twenty years experience in mineral exploration and the mining industry, completed a detailed review of the historical and more recent exploration data available for the Company's land package. The aim of the review was to generate an exploration strategy and select priority targets. Mr Hronsky was a founding director of Emmerson Resources Ltd and part of the team that led the company to their ASX listing in 2007. He has extensive knowledge of the Tennant Creek Mineral Field.



**Prospective ironstone hill at Tennant Creek**

#### MOUNT GIBSON AND YALGOO PROJECTS

Prosperity's strategic focus is on copper gold exploration in Indonesia and Tennant Creek and is seeking expressions of interest for the sale of the Mount Gibson multi-commodity and Yalgoo gold projects.

## DIRECTORS' REPORT (Cont'd)

### **Review of Financial Condition**

The Group has cash and cash equivalent of \$537,315 as at 30 June 2010. Subsequent to yearend, the Group raised \$3.2m from a share placement and exercise of options by strategic partner.

The Group has a cash position adequate to meet its current commitments.

### **Capital Structure**

During the year, 56,350,000 shares were issued taking the issued capital to 261,425,373 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 45,200,000 unlisted options with details as follows:

<b><i>Number of Options Granted</i></b>	<b><i>Exercise Price</i></b>	<b><i>Expiry Date</i></b>
250,000	40 cents each	31 Dec 10
32,000,000	5 cents each	28 Feb 11
3,500,000	10 cents each	28 Feb 11
250,000	50 cents each	31 Dec 11
1,500,000	15 cents each	28 Feb 12
2,000,000	12 cents each	31 Mar 12
1,000,000	20 cents each	31 Mar 12
1,000,000	30 cents each	31 Mar 12
1,000,000	40 cents each	31 Mar 12
500,000	12 cents each	31 Oct 12
500,000	15 cents each	31 Oct 12
100,000	15 cents each	31 Dec 12
600,000	5 cents each	28 Feb 13
1,000,000	10 cents each	28 Feb 13

## DIRECTORS' REPORT (Cont'd)

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

<i>Directors</i>	<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
M I Munshi	2,000,000	10 cents each	28 Feb 11
	1,000,000	15 cents each	28 Feb 12
	2,000,000	12 cents each	31 Mar 12
	1,000,000	20 cents each	31 Mar 12
	1,000,000	30 cents each	31 Mar 12
J P Arbuckle	1,000,000	40 cents each	31 Mar 12
	250,000	40 cents each	31 Dec 10
	500,000	10 cents each	28 Feb 11
	250,000	50 cents each	31 Dec 11
J S Hempel	500,000	15 cents each	28 Feb 12
	500,000	10 cents each	28 Feb 11
	500,000	10 cents each	28 Feb 11

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 M I Munshi, Mr J P Arbuckle, Mr J S Hempel and Mr S Delaney against all liabilities incurred by the officers as an Executive Officer of the Company (and subsidiaries) and all legal expenses incurred by the officers as an Executive Officer of the Company (and subsidiaries).

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

The indemnity does not extend to any liability:

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

### **Insurance of Officers**

Since the end of the previous financial year the Company has paid insurance premiums of \$13,700 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 to 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 (including the five highest executives of the Company and the Group)**

#### (i) Directors

M I Munshi	Non-Executive Chairman and Acting Managing Director
J P Arbuckle	Non-Executive Director
J S Hempel	Non-Executive Director

#### (ii) Executives

S Delaney	Chief Financial Officer
G Taylor	Company Secretary

### **Remuneration Committee**

The remuneration committee of the board of directors of the Company is responsible for determining the reviewing remuneration arrangements for the directors and executives.

## DIRECTORS' REPORT (Cont'd)

The remuneration committee 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.

### Acting 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 is currently drafting an agreement for Mr Munshi's services as Acting Managing Director. At the date of this report, the agreement has not come into effect.

### 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.

### Executive

The Company has entered into an Employment Contract with Mr S Delaney pursuant to which Mr Delaney is engaged by the Company as Chief Financial Officer with effect from 8 Oct 2007.

Under the Contract, the Company is to pay Mr Delaney a salary of \$216,000 per annum (exclusive of statutory superannuation). The Contract may be terminated by giving either party two months' notice. Mr S Delaney provides consultancy services to a Group of Companies related to Mr M I Munshi, and back charges the time spent.

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:

### Compensation of Directors and Executives for the Year Ended 30 June 2010 and 2009

Directors	Short-Term			Post Employment	Termination Benefits	Share-based Payments	Total	Value of options as portion of remuneration %
	Salary & Fees \$	Cash Bonus \$	Non Monetary \$	Super-annuation \$	\$	Options \$	\$	
<b>M I Munshi</b>								
2010	95,000	-	^242,740*	-	-	-	337,740	-
2009	95,000	-	^242,396*	-	-	1,000	338,396	0.30
<b>J P Arbuckle</b>								
2010	30,000	-	2,740*	-	-	352	33,092	1.06
2009	30,000	-	2,396*	-	-	725	33,121	2.19
<b>J S Hempel</b>								
2010	30,000	-	2,740*	2,700	-	-	35,440	-
2009	28,214	-	2,196*	2,539	-	-	32,949	-
<b>R M Dawson (resigned on 12 Aug 08)</b>								
2010	-	-	-	-	-	-	-	-
2009	19,827	-	2,393*	3,876	-	-	26,096	-
<b>M R Worsley (resigned 31 Jul 08)</b>								
2010	-	-	-	-	-	-	-	-
2009	6,531	-	200*	-	-	-	6,731	-
<b>Executives</b>								
<b>S Delaney</b>								
2010	251,183	-	2,740*	21,060	-	683	275,666	0.25
2009	242,899	-	2,396*	21,060	-	7,854	274,209	2.86

## DIRECTORS' REPORT (Cont'd)

H Lennerts (resigned 30 Apr 09)								
2010	-	-	-	-	-	-	-	-
2009	30,000	-	1,997*	-	-	-	31,997	-
R M Dawson (terminated 15 Dec 08)								
2010	-	-	-	-	-	-	-	-
2009	48,131	-	5,613	4,332	44,000	-	102,076	-
P L'Herpinere (resigned 5 Sep 08)								
2010	-	-	-	-	-	-	-	-
2009	43,846	-	-	3,946	-	-	47,792	-
Totals								
2010	406,183	-	250,960	23,760	-	1,035	681,938	-
2009	544,448	-	259,587	35,753	44,000	9,579	893,367	-

^ This amount includes \$180,000 (2009 - \$80,000) due to Mr Munshi as at 30 June 2010 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 \$2,740 (2009 - \$2,396) of the cost of Directors and Officer's Insurance (\$13,700 (2009 - \$11,880) in total) as is now required to be disclosed under the Australian Accounting Standards.

### Options Granted and Vested During the Year Ended 30 June 2010 and 2009

Year ended 30 June 10	Granted No.	Granted Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry date	Vested	
						No.	%
<b>DIRECTOR</b>							
J P Arbuckle	250,000	27 Nov 08	0.001	0.40	31 Dec 10	250,000	100
<b>EXECUTIVE</b>							
S Delaney	500,000	31 Mar 09	0.003	0.10	28 Feb 13	500,000	100
	750,000					750,000	
Year ended 30 June 09	Granted No.	Granted Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry date	Vested	
						No.	%
<b>DIRECTORS</b>							
M I Munshi	2,000,000 <sup>^</sup>	6 Mar 09	-	0.05	28 Feb 10	2,000,000	100
	2,000,000	6 Mar 09	-	0.10	28 Feb 11	2,000,000	100
	1,000,000	6 Mar 09	0.001	0.15	28 Feb 12	1,000,000	100
J P Arbuckle	750,000*	27 Nov 08	-	0.15	31 Dec 08	750,000	100
	250,000**	27 Nov 08	-	0.30	31 Dec 09	250,000	100
	250,000	27 Nov 08	0.001	0.40	31 Dec 10	-	-
	250,000	27 Nov 08	0.002	0.50	31 Dec 11	-	-
	1,000,000 <sup>^</sup>	6 Mar 09	-	0.05	28 Feb 10	1,000,000	100
	500,000	6 Mar 09	-	0.10	28 Feb 11	500,000	100
	500,000	6 Mar 09	0.001	0.15	28 Feb 12	500,000	100
J S Hempel	500,000 <sup>^</sup>	6 Mar 09	-	0.05	28 Feb 10	500,000	100
	500,000	6 Mar 09	-	0.10	28 Feb 11	500,000	100
<b>EXECUTIVES</b>							
S Delaney	500,000	31 Mar 09	0.005	0.05	28 Feb 13	500,000	100
	500,000	31 Mar 09	0.003	0.10	28 Feb 13	-	-
S Mews	100,000	31 Mar 09	0.005	0.05	28 Feb 13	100,000	100
L Liew	100,000	31 Mar 09	0.005	0.05	28 Feb 13	100,000	100
<b>Total</b>	<b>10,700,000</b>					<b>9,700,000</b>	

\* Options expired as at 30 June 2009.

\*\* Options expired as at 30 June 2010.

<sup>^</sup> Options exercised during the year ended 30 June 2010.

## DIRECTORS' REPORT (Cont'd)

### Options Granted as Part of Remuneration

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
<b>30 June 2010</b>				
M I Munshi	-	200,000	-	-
J P Arbuckle	352	100,000	-	1.06
J S Hempel	-	50,000	-	-
S Delaney	683	-	-	0.25
<b>30 June 2009</b>				
M I Munshi	1,000	-	-	0.30
J P Arbuckle	725	-	-	2.19
J S Hempel	-	-	-	-
S Delaney	7,854	-	-	3.08
S Mews	500	-	-	0.72
L Liew	500	-	-	0.70

Assumptions used to value the options are disclosed in Note 17.

### Shares issued on exercise of options

Date of exercise	Shares issued No.	Paid per share \$	Unpaid per share \$
24 Feb 2010	3,500,000	0.05	-

### 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	
	<i>Appointed</i>	<i>Resigned</i>	<i>Held</i>	<i>Attended</i>
M I Munshi	6 Mar 07		2	2
J P Arbuckle	9 Sept 06		2	2
J S Hempel	21 Jul 08		2	2

### Results

The total comprehensive loss of the consolidated entity for the financial year was \$5,279,667 (2009: \$3,622,806).

### 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**  
Acting Managing Director

Dated at Perth this 30th day of September 2010

## **CORPORATE GOVERNANCE STATEMENT**

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2<sup>nd</sup> 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 2010.

### **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 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
- o Mr Sebastian Hempel

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.

## CORPORATE GOVERNANCE STATEMENT (Continued)

### 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.

### 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.

### 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 MD 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 MD 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 Managing Director 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 remuneration committee is chaired by an independent director. It has two members and does not consist of a majority of independent directors. This structure is considered appropriate having regard for the size of the board and the Company.

The committee did not meet during the year.

#### Other Information

The following checklist summarises the Company's compliance with the Recommendations, explanations regarding compliance with the Principles and Recommendations is disclosed in this Corporate Governance Statement and further information is available on the company's website at [www.prosperity.net.au](http://www.prosperity.net.au).

	Requirement	Comply Yes/No
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
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

**CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>Principle 2</b>	<b>Structure the board to add value</b>	
Rec 2.1	A majority of the board should be independent directors.	Yes
Rec 2.2	The chair should be an independent director.	No
Rec 2.3	The roles of chair and Managing Director should not be exercised by the same individual.	No
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
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>	
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity;</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders;</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes
Rec 3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
Rec 3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
Rec 4.1	The board should establish an audit committee.	No
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors;</li> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent chair; who is not chair of the board;</li> <li>• has at least three members.</li> </ul>	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
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
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
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
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
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
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 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.	Yes
Rec 7.3	The board should disclose whether it has received assurance from the Managing Director (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
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
Rec 8.1	The board should establish a remuneration committee	Yes
Rec 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
Rec 8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2010

	NOTE	Consolidated 2010 \$	Consolidated 2009 \$
Revenue	3	312,134	169,526
<b>Total revenue</b>		<b>312,134</b>	<b>169,526</b>
<b>Expenses</b>			
Occupancy expenses		(62,540)	(142,159)
Administrative expenses		(874,234)	(906,137)
Share based payment expenses		(1,129,332)	(44,231)
Borrowing costs	4	(1,599,000)	(250,000)
Depreciation	4	(39,123)	(39,696)
Exploration expenditure written off	4	(2,475,576)	(2,410,109)
<b>Loss before income tax</b>		<b>(5,867,671)</b>	<b>(3,622,806)</b>
Income tax refund / (expense)	5	604,210	-
<b>Loss after income tax</b>		<b>(5,263,461)</b>	<b>(3,622,806)</b>
<b>Other Comprehensive Income</b>			
Currency translation differences		(16,206)	-
Income tax on items of other comprehensive income		-	-
<b>Comprehensive loss for the year</b>		<b>(5,279,667)</b>	<b>(3,622,806)</b>
Loss for the year attributable to:			
Shareholders of Prosperity Resources Ltd	16	(5,235,970)	(3,622,806)
Non-controlling interest		(27,491)	-
<b>Loss for the year</b>		<b>(5,263,461)</b>	<b>(3,622,806)</b>
<b>Total Comprehensive loss for the year attributable to:</b>			
Shareholders of Prosperity Resources Ltd		(5,250,565)	(3,622,806)
Non-controlling interest		(29,102)	-
<b>Total Comprehensive loss for the year</b>		<b>(5,279,667)</b>	<b>(3,622,806)</b>
Basic loss per share (cents)	25	(2.26)	(1.91)

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES****STATEMENT OF FINANCIAL POSITION**

As at 30 June 2010

	NOTE	Consolidated 2010 \$	Consolidated 2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	26(a)	537,315	285,358
Trade and other receivables	6	57,134	46,018
Prepayments		25,270	27,398
<b>TOTAL CURRENT ASSETS</b>		<b>619,719</b>	<b>358,774</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	6	190,612	71,301
Property, plant and equipment	9	217,362	222,740
Capitalised mineral exploration and evaluation expenditure	10	7,147,565	6,609,220
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,555,539</b>	<b>6,903,261</b>
<b>TOTAL ASSETS</b>		<b>8,175,258</b>	<b>7,262,035</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	609,229	487,530
Provisions	12	79,350	46,581
Borrowings	13	1,001,540	854,244
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,690,119</b>	<b>1,388,355</b>
<b>TOTAL LIABILITIES</b>		<b>1,690,119</b>	<b>1,388,355</b>
<b>NET ASSETS</b>		<b>6,485,139</b>	<b>5,873,680</b>
<b>EQUITY</b>			
Issued capital	14(a)	24,923,577	20,211,332
Reserves	15	1,995,578	874,841
Accumulated losses	16	(20,448,463)	(15,212,493)
<b>Total equity attributed to equity holders of the Company</b>		<b>6,470,692</b>	<b>5,873,680</b>
Non-controlling interest		14,447	-
<b>TOTAL EQUITY</b>		<b>6,485,139</b>	<b>5,873,680</b>

*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 2010

	NOTE	Consolidated 2010 \$	Consolidated 2009 \$
<b>Cash flows from operating activities</b>			
Interest received		37,424	51,373
Other income received		886,338	168,042
Cash payments in the course of operations		(918,023)	(804,822)
<b>Net cash used in operating activities</b>	26(b)	<b>5,739</b>	<b>(585,407)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(2,873,921)	(2,871,584)
Payments for property, plant & equipment		(33,846)	(68,927)
Proceeds from disposal of PPE		-	17,500
<b>Net cash used in investing activities</b>		<b>(2,907,767)</b>	<b>(2,923,011)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		3,005,000	1,000,000
Proceeds from borrowings		602,113	854,244
Repayment of borrowings		(500,000)	-
Cost of issue of shares		(25,755)	-
<b>Net cash provided by financing activities</b>		<b>3,081,358</b>	<b>1,854,244</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>179,330</b>	<b>(1,654,174)</b>
<b>Net foreign exchange differences</b>		<b>72,627</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>285,358</b>	<b>1,939,532</b>
<b>Cash and cash equivalents at the end of the year</b>	26(a)	<b>537,315</b>	<b>285,358</b>

*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 2010

<b>CONSOLIDATED</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Share Option Reserves</b>	<b>Foreign Currency Translation Reserve</b>	<b>Total</b>	<b>Non- Controlling Interest</b>	<b>Total Equity</b>
	\$	\$	\$	\$	\$	\$	\$
<b>As at 1 July 2008</b>	18,831,332	(11,589,687)	730,610	-	7,972,255	-	7,972,255
Loss for the year	-	(3,622,806)	-	-	(3,622,806)	-	(3,622,806)
Other comprehensive income							
Currency translation differences	-	-	-	-	-		
Total other comprehensive loss	-	-	-	-	-		
Total comprehensive loss for the year	-	-	-	-	-		
Transactions with owner recorded directly into equity							
Issue of shares	1,380,000	-	-	-	1,380,000	-	1,380,000
Share based payment	-	-	144,231	-	144,231	-	144,231
<b>As at 30 June 2009</b>	<b>20,211,332</b>	<b>(15,212,493)</b>	<b>874,841</b>	<b>-</b>	<b>5,873,680</b>	<b>-</b>	<b>5,873,680</b>
<b>As at 1 July 2009</b>	<b>20,211,332</b>	<b>(15,212,493)</b>	<b>874,841</b>	<b>-</b>	<b>5,873,680</b>	<b>-</b>	<b>5,873,680</b>
<b>Total comprehensive loss for the year</b>							
Loss for the year	-	(5,235,970)	-	-	(5,235,970)	(27,491)	(5,263,461)
Other comprehensive income							
Currency translation differences	-	-	-	(14,595)	(14,595)	(1,611)	(16,206)
Total other comprehensive loss	-	-	-	(14,595)	(14,595)	(1,611)	(16,206)
Total comprehensive loss for the year	-	(5,235,970)	-	(14,595)	(5,250,565)	(29,102)	(5,279,667)
Transactions with owner recorded directly into equity							
Issue of shares	4,712,245	-	-	-	4,712,245	-	4,712,245
Share based payment	-	-	1,135,332	-	1,135,332	-	1,135,332
Equity investment- Non-controlling interest	-	-	-	-	-	43,549	43,549
<b>As at 30 June 2010</b>	<b>24,923,577</b>	<b>(20,448,463)</b>	<b>2,010,173</b>	<b>(14,595)</b>	<b>6,470,692</b>	<b>14,447</b>	<b>6,485,139</b>

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**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.

The Company plans to raise capital in the near future to enable it to continue its exploration activities. It is considered that the Company should achieve sufficient funds from capital raising and sale of non-core investments to enable it to meet its obligation. If the Company 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.

**(b) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The 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; and
- reclassifying financial assets 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.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2010

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Basis of Consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities (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 Note 18.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(e) Trade and Other Receivables**

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

**(f) Investment and Other Financial Assets**

*Classification*

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

*Financial assets at fair value through profit and loss*

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

*Loans and receivables*

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

*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.

## **PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2010**

#### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(f) Investment and Other Financial Assets**

###### *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.

##### **(g) Exploration and Evaluation Costs**

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

- such costs are expected to be recouped through the successful development and exploitation of the area of interest or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in/or in relation to the area of interest continuing.

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

##### **(h) Property, plant and equipment**

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

###### *Land and building*

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

###### *Plant and equipment*

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

###### *Depreciation*

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

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

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Leases**

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

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

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

**(j) Acquisition of Assets**

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

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

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

**(k) Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

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

**(l) Trade and Other Payables**

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

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Employee Benefits**

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

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

*Share-based payments*

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and

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

**(n) Issued Capital**

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

**(o) Revenue Recognition**

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

**(p) Income Tax**

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

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Foreign Currency Transactions and Balances**

*Functional and presentation currency*

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

*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transactions. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

*Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

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

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

**(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

**(s) Earnings Per Share (EPS)**

*Basic earnings per share*

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

*Diluted earnings per share*

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(t) Segment Reporting**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources. The Group's primary and only segment is exploration and evaluation of mineral resources.

During the year ended 30 June 2010, the consolidated entity operated in the following Geographical Segments: Australia and Indonesia (2009: Australia and Indonesia).

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(u) Borrowing Costs**

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

**(v) Comparative Figures**

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

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

- Note 5 - Income Tax
- Note 10 - Mineral Exploration and Evaluation Expenditure
- Note 12 - Provisions
- Note 27 - Financial Instruments

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

Consolidated 2010 \$	Consolidated 2009 \$
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**3. REVENUE FROM NON-OPERATING ACTIVITIES**

Interest received	37,424	39,861
Net (loss) from held for trading investments	-	(3,300)
Net gain from held for sale investments	130,352	-
Other income	144,358	132,965
	<b>312,134</b>	<b>169,526</b>

**4. EXPENSES**

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

Auditor's remuneration	31,126	22,224
Wages and salaries	480,356	423,394
Contributions to employee superannuation plans	38,153	55,076
Provision for employee entitlements	32,769	(14,805)
Depreciation	39,123	39,696
Mineral exploration and evaluation expenditure written off	2,475,576	2,410,109
Borrowing cost	1,599,000	250,000

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2010

Consolidated 2010 \$	Consolidated 2009 \$
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**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	5,235,970	3,622,806
Prima facie tax benefit at 30%	(1,570,791)	(1,086,842)
Tax effect of differences:		
Income	(332)	(3,551)
Legal and entertainment costs	(153)	(1,524)
Provision for non-recovery of loan to controlled entity	-	-
Capitalised exploration costs	161,504	147,443
Investment impairment	165,990	(6,353)
Provisions	(3,982)	(33,919)
Capital Raising Costs	11,336	15,613
Share Based Payment	(338,800)	(13,269)
Foreign Exchange Differences	21,490	10,491
Borrowing Expenses	(288,241)	(30,568)
Research and Development	-	(261,163)
Future income tax benefits not brought to account	1,841,979	1,263,642
Income tax expense attributable to ordinary activities	-	-
<b>(b) Unrecognised temporary differences Deferred tax asset (at 30%)</b>		
On income tax account		
Capital Raising Costs	10,323	13,884
Provisions	79,359	75,377
Carry forward tax losses	7,253,755	6,229,287
	7,343,437	6,318,548
On capital account		
Carry forward tax losses	125,895	-
	7,469,332	6,318,548
<b>Deferred tax liabilities (at 30%)</b>		
Capital exploration costs	(2,144,270)	(1,982,766)

- (c) During the year, the Company received \$604,210 for research and development tax concession for tax years 2008 and 2009. This amount is recognised as an income tax refund.

**PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

	<b>Consolidated 2010 \$</b>	<b>Consolidated 2009 \$</b>
<b>6. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
GST Recoverable	10,692	27,909
Other Debtors	46,442	18,109
	<b>57,134</b>	<b>46,018</b>
<b>Past Due but Not Impaired</b>		
As at 30 June 2010, trade receivable of nil (2009 – nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:		
UP TO 3 MONTHS	-	-
3 TO 6 MONTHS	-	-
	-	-
<b>Non Current</b>		
Deposit Paid	151,830	71,301
Other Receivables	38,782	-
	<b>190,612</b>	<b>71,301</b>

**7. OTHER FINANCIAL ASSETS**

**Non Current**

Shares in non controlled entities, at cost	-	550,000
Less: Provision for impairment	-	(550,000)
Total	-	-

**8. CONSOLIDATED ENTITIES**

	Country of Incorporation	Direct Equity Interest %		Investment A\$	
		2010	2009	2010	2009
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
Prospindo Singapore Pte Ltd – (1)	Singapore	100	-	1	-
PT Prospindo – (2)	Indonesia	90	-	112,671	-
PT Prosperity Surya Persada – (3)	Indonesia	81	-	105,102	-
PT Aspirasi Widya Chandra – (4)	Indonesia	83.7	-	117,032	-
PT Arus Tirta Power – (4)	Indonesia	83.7	-	69,337	-
PT Aneka Mining Nasional – (4)	Indonesia	83.7	-	70,584	-
PT Multi Mineral Utama – (5)	Indonesia	41.31	-	27,766	-

**PROSPERITY RESOURCES AND ITS CONTROLLED ENTITIES**  
**NOTES FOR THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**8. CONSOLIDATED ENTITIES (Continued)**

(1) Prospindo Singapore Pte Ltd was incorporated on 19 April 2010 and wholly owned by Prosperity Resources (Indonesia) Pty Ltd. Prospindo Singapore Pte Ltd has 1 share on issue at S\$1.

(2) 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 90% owned by Prosperity Resources (Indonesia) Pty Ltd.

(3) 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.

(4) We acquired a 93% equity stake in each of PT Aspirasi Widya Chandra, PT Arus Tirta Power and PT Aneka Mining Nasional through PT Prospindo.

(5) We acquired a 51% equity interest in PT Multi Mineral Utama (PT MMU) through the expenditure of USD500,000 in subsidiary, PT PSP.

Prosperity Resources Limited is the ultimate Australian parent entity.

Consolidated 2010 \$	Consolidated 2009 \$
----------------------------	----------------------------

**9. PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment		
At cost	96,486	88,654
Accumulated depreciation	(63,456)	(47,207)
	33,030	41,447
Building		
At cost	75,825	75,825
Accumulated depreciation	(20,192)	(12,609)
	55,633	63,216
Land		
At cost	62,680	62,680
Accumulated depreciation	-	-
	62,680	62,680
Motor Vehicles		
At cost	132,523	132,523
Accumulated depreciation	(89,126)	(77,126)
	43,397	55,397
Furniture and fixtures		
At cost	26,015	-
Accumulated depreciation	(3,393)	-
	22,622	-
Total net book value	<b>217,362</b>	<b>222,740</b>

**Reconciliation**

Reconciliation of the carrying amount for property, plant and equipment is set out below

Carrying amount at beginning of year	222,740	225,521
Additions	33,846	68,927
Disposals	-	(32,012)
Depreciation	(39,123)	(39,696)
Foreign currency translation	(101)	-
Carrying amount at end of year	<b>217,362</b>	<b>222,740</b>

**PROSPERITY RESOURCES AND ITS CONTROLLED ENTITIES**  
**NOTES FOR THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2010

Consolidated 2010 \$	Consolidated 2009 \$
----------------------------	----------------------------

**10. CAPITALISED MINERAL  
EXPLORATION AND EVALUATION  
EXPENDITURE**

**In the exploration and evaluation phase**

Balance at start of year	6,609,220	6,117,745
Add: Expenditure incurred during the year	3,013,921	2,901,584
Less: Expenditure written off during the year	(2,475,576)	(2,410,109)
 Total amount capitalised at end of year	<b>7,147,565</b>	<b>6,609,220</b>

**11. TRADE AND OTHER PAYABLES**

**Current**

*Unsecured*

Trade creditors	97,597	184,532
Amounts owed to Directors and/or Director-related entities	187,917	87,917
 <i>Accruals</i>		
Audit fee	15,000	15,000
General	215,008	189,676
 <i>Other Creditors</i>		
Other Taxes	93,707	10,405
	<b>609,229</b>	<b>487,530</b>

**12. PROVISIONS**

**Current**

Employee entitlements	79,350	46,581
 Number of employees at year end	<b>33</b>	<b>4</b>

**13. BORROWINGS**

Related parties*	350,196	354,244
Third parties^	651,344	500,000
	<b>1,001,540</b>	<b>854,244</b>

\* Loans from related parties are unsecured, non-interest bearing and repayable upon demand.

^ Loans from third parties are secured by a fixed charge over the Group's interest in a cooperation agreement with a partner to explore minerals in Indonesia, non-interest bearing and repayable by 31 March 2011.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**14. CONTRIBUTED EQUITY**

(a) Ordinary Shares 261,425,373  
(2009: 205,075,373)

Consolidated 2010 \$	Consolidated 2009 \$
----------------------------	----------------------------

24,923,577      20,211,332

(b) Share Movements during the year

	Number of Shares 2010	Number of Shares 2009	Total 2010 \$	Total 2009 \$
Balance at the beginning of the year	205,075,373	176,775,373	20,211,332	18,831,332
Issue Jul 08 at 10 cents		300,000		30,000
Issue Nov 08 at 5 cents		3,000,000		150,000
Issue Jan 09 at 5 cents		20,000,000		1,000,000
Issue Mar 09 at 4 cents		5,000,000		200,000
Issue Aug 09 at 6.2 cents	2,000,000	-	124,000	-
Issue Oct 09 at 15 cents	8,700,000	-	1,305,000	-
Issue Nov 09 at 3 cents	4,650,000	-	140,000	-
Issue Dec 09 at 7.2 cents	12,000,000	-	869,000	-
Issue Dec 09 at 10 cents	10,000,000	-	1,000,000	-
Issue Jan 10 at 10 cents	10,000,000	-	500,000	-
Issue Feb 10 at 5 cents	4,000,000	-	200,000	-
Issue Jun 10 at 12 cents	5,000,000	-	600,000	-
Less:				
Capital Raising Costs		-	(25,755)	-

**261,425,373      205,075,373      24,923,577      20,211,332**

(c) Options

**Listed Options**

There were no listed options on issue.

**Unlisted Options**

The unlisted options as at 30 June 2010 are as follows:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
10,000,000 <sup>^</sup>	10 cents	31 Aug 10
15,000,000 <sup>^</sup>	2 cents	30 Sep 10
250,000	40 cents	31 Dec 10
32,000,000	5 cents	28 Feb 11
3,500,000	10 cents	28 Feb 11
250,000*	50 cents	31 Dec 11
1,500,000	15 cents	28 Feb 12
2,000,000	12 cents	31 Mar 12
1,000,000	20 cents	31 Mar 12
1,000,000	30 cents	31 Mar 12
1,000,000	40 cents	31 Mar 12
500,000	12 cents	31 Oct 12
500,000	15 cents	31 Oct 12
100,000	15 cents	31 Dec 12
1,200,000 <sup>^</sup>	5 cents	28 Feb 13
500,000	10 cents	28 Feb 13
500,000*	10 cents	28 Feb 13
<b>70,800,000</b>		

\* Vesting condition to be met

<sup>^</sup> 25,600,000 options were exercised after 30 June 2010.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30<sup>th</sup> June 2010

**14. CONTRIBUTED EQUITY (Continued)**

<b>(c) Unlisted Option Movements during the year</b>	<b>Options Number</b>	<b>Total \$</b>
Balance at the beginning of the year	60,050,000	874,841
Issued Jul 10, exercisable at 10 cents before 31 Dec 09	20,000,000	-
Issued Dec 09, exercisable at 2 cents before 30 Sep 10	10,000,000	350,000
Issued Jan 10, exercisable at 2 cents before 30 Sep 10	5,000,000	380,000
Issued Jul 10, exercisable at 10 cents before 31 Aug 10	10,000,000	402,193
Exercised during the year	(24,000,000)	-
Expired during the year	(10,250,000)	-
Prior year issues now recognised as share based payment	-	3,139
	<hr/>	<hr/>
Balance at the end of the year	<b>70,800,000</b>	<b>2,010,173</b>

**(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.

**15. RESERVES**

**(a) Option Reserves**

Movements during the year:

	<b>Consolidated 2010 \$</b>	<b>Consolidated 2009 \$</b>
Opening balance	874,841	730,610
Share based payments	1,135,332	144,231
	<hr/>	<hr/>
Closing balance	<b>2,010,173</b>	<b>874,841</b>

If the options are not exercised, the option reserve will be subject to capital gains tax.

**(b) Foreign Exchange Translation Reserve**

Movement during the year:

Opening balance	-	-
Translation movement during the year	(14,595)	-
	<hr/>	<hr/>
Closing balance	<b>(14,595)</b>	<b>-</b>

**16. ACCUMULATED LOSSES**

Accumulated losses at the beginning Of the year	(15,212,493)	(11,589,687)
Net loss attributable to members of the parent Company	(5,235,970)	(3,622,806)
	<hr/>	<hr/>
Accumulated losses at the end of the year	<b>(20,448,463)</b>	<b>(15,212,493)</b>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**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 Oct 07 and approved in the Annual General Meeting dated 23 Nov 07. 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:

	2010 No	2010 WAEP	2009 No	2009 WAEP
Outstanding at the beginning of the year	16,050,000		7,100,000	0.22
Granted during the year	-		10,700,000	0.11
Expired during the year	(250,000)	0.30	(1,750,000)	(0.20)
Exercised during the year	(3,500,000)	0.05	-	
Lapsed during the year	-		-	
Outstanding at the end of the year	<b>12,300,000</b>	<b>0.17</b>	<b>16,050,000</b>	<b>0.15</b>
Exercisable at the end of the year	<b>12,050,000</b>	<b>0.17</b>	<b>15,050,000</b>	<b>0.14</b>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is between 0.5 and 2.67 years.

The range of exercise prices for options outstanding at the end of the year was \$0.05 - \$0.50.

The weighted average fair value of options granted during the year was nil (2009 - \$0.009).

The following table gives the assumptions made in determining the fair value of all the options issued during the year at grant date:

<b>Fair Value Per Option</b>			
	1 Aug 09	31 Dec 09	7 Jun 10
Grant date	1 Aug 09	31 Dec 09	7 Jun 10
Number of options	10,000,000	5,000,000	10,000,000
Expiry date	30 Sep 10	30 Sep 10	31 Aug 10
Exercise price	0.02	0.02	0.10
Price of shares on grant date	0.062	0.115	0.12
Estimated volatility	70%	70%	138%
Risk-free interest rate	3.75%	3.75%	4.5%
Divided yield	-	-	-
Non listed status discount	20%	20%	Nil

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Total expense recognised as share based payment expense in the year was \$1,129,332 (2009 - \$44,231).

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

18.

Joint Venture	Joint Venture Partner	Location	Consolidated Interest
<b>Paynes Find</b>	<b>Mawson West Limited</b>	<b>Mt Gibson</b>	<b>79%</b>
In respect of Paynes Find Joint Venture, Prosperity Resources Limited has earned a 79% interest through sole expenditure pursuant to Joint Venture Agreement. The Company may increase its stake to 80%, subject to additional funding. The carrying value of exploration as at 30 June 2010 was \$1,267,471 (2009 - \$1,252,296). This amount has been fully provided for.			
<b>Melville</b>	<b>Platinum Australia Ltd</b>	<b>Yalgoo</b>	<b>75%</b>
In respect of the Melville Joint Venture, Prosperity Resources has a 75% interest and Platinum Australia has a 25% carried interest through to completion of a feasibility study that forms the basis of a decision by the parties to commit to the development of a mine. Platinum Australia will repay the costs paid by Prosperity Resources Limited on Platinum Australia's behalf out of 50% of Platinum Australia's cash flow from the mining project after repayment of JV contributions. The carrying value of exploration as at 30 June 2010 was \$153,205 (2009 - \$153,205). This amount has been fully provided for.			
<b>PT MMU</b>	<b>Indonesian JV Partners</b>	<b>Aceh, Indonesia</b>	<b>51%</b>
Prosperity has earned in a 51% equity interest through sole expenditure of USD500,000 pursuant to the joint venture agreement. The Company can increase its equity interest to 80% by spending an additional USD750,000.			
<b>PT BAM / PT MKM</b>	<b>Indonesian JV Partners</b>	<b>Aceh, Indonesia</b>	<b>Earning in up to 80%</b>
Prosperity can earn up to 80% equity interest in both PT BAM and PT MKM by spending USD1,250,000 each in two tranches. The Company need to issue 10m PSP shares each to its joint venture partner in PT BAM and PT MKM for the assignment of interest in the joint venture agreements.			

19. **KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Directors**

**Managing Director**

M I Munshi

**Non - Executive Directors**

J P Arbuckle

J S Hempel

**Other Key Management Personnel**

Prosperity Resources Limited appointed following persons with authorities and responsibilities for planning, directing and controlling the activities of the Company, directly or indirectly:

Name	Position
S Delaney	Chief Financial Officer
G Taylor	Company Secretary

**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.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**19. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)**

**Compensation for Key Management**

	Consolidated 2010	Consolidated 2009
Short term benefits	657,143	804,035
Post employment benefits	23,760	35,753
Long term benefits	-	-
Termination benefits	-	44,000
Share-based payment	1,035	9,579
<b>Total Compensation</b>	<b>681,938</b>	<b>893,367</b>

**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 2010					
Directors	Balance at the start of the year	Received during the year on the exercise of options	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
M I Munshi	5,000,000	2,000,000	-	4,650,000	11,650,000
J P Arbuckle	-	1,000,000	-	-	1,000,000
J S Hempel	240,000	500,000	-	-	740,000
<b>Other Key Management Personnel</b>					
S Delaney	-	-	-	-	-
G Taylor	-	-	-	50,000	50,000

Year ended 30 June 2009					
Directors	Balance at the start of the year	Received during the year on the exercise of options	Balance at date of resignation	Other net changes during the year	Balance at the end of the year
M I Munshi	-	-	-	5,000,000	5,000,000
J P Arbuckle	-	-	-	-	-
J S Hempel	-	-	-	240,000	240,000
R M Dawson	3,870,297	-	(3,870,297)	-	-
M R Worsley	1,800,000	-	(1,800,000)	-	-
<b>Other Key Management Personnel</b>					
S Delaney	-	-	-	-	-
H Lennerts	-	-	-	-	-
P L'Herpinere	-	-	-	-	-

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**19. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)**

**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 10							
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
M I Munshi	10,000,000	-	(2,000,000)	-	-	8,000,000	8,000,000
J P Arbuckle	2,750,000	-	(1,000,000)	-	(250,000)	1,500,000	1,250,000
J S Hempel	1,000,000	-	(500,000)	-	-	500,000	500,000
<b>Other Key Management Personnel</b>							
S Delaney	2,000,000	-	-	-	-	2,000,000	2,000,000
G Taylor	-	-	-	-	-	-	-

Year ended 30 June 09							
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
M I Munshi	5,000,000	5,000,000	-	-	-	10,000,000	10,000,000
J P Arbuckle	-	3,500,000	-	-	(750,000)	2,750,000	2,250,000
J S Hempel	-	1,000,000	-	-	-	1,000,000	1,000,000
R M Dawson	3,000,000	-	-	(3,000,000)	-	-	-
M R Worsley	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>							
S Delaney	1,000,000	1,000,000	-	-	-	2,000,000	1,500,000
H Lennerts	100,000	-	-	(100,000)	-	-	-
P L'Herpinere	1,000,000	-	-	(1,000,000)	-	-	-

**20. AUDITOR'S REMUNERATION**

Audit services	31,126	22,224
	<u>31,126</u>	<u>22,224</u>

**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	
	2010	2009	2010	2009
<i>Consolidated Subsidiaries</i>				
Prosperity Resource (Yalgoo) Pty Ltd	5,505,744	5,172,481	-	-
Prosperity Resources (Mt Gibson) Pty Ltd	2,043,724	1,941,861	-	-
Prosperity Resources ( Tennant Creek) Pty Ltd	2,498,730	2,269,783	-	-
Prosperity Resources ( Indonesia) Pty Ltd	-	356,924	-	-
PT Prospindo	3,039,701	-	-	-
Prospindo Singapore Pte Ltd	1,629	-	-	-

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**21. RELATED PARTY TRANSACTIONS (Continued)**

The following transactions have occurred with related parties:

	<b>Consolidated 2010 \$</b>	<b>Consolidated 2009 \$</b>
<b>Sales from consultancy services provided to:</b>		
Gobi Coal and Energy Limited	90,952	53,934
Omega Gold Investment Limited	11,200	31,100
Zaraiya Holdings Limited	2,800	20,400
Batu Mining Limited	-	22,956
Iliria Mining Corporation	15,335	10,600
Ottoman Resources Ltd	24,213	-
Bumbat Consolidated Ltd	5,000	-
<b>Consultancy and other services provided by:</b>		
Gobi Coal and Energy Limited	-	13,131
Greenwich Legal	2,945	25,792
R & K Global Finance Ltd	335,000	335,000
DNA Capital	10,000	-
Maybach Consulting Pty Ltd	20,000	-
Paramount Mining Corporation Ltd	27,334	2,013

The following transactions are balances outstanding with related parties:

<b>Trade receivables:</b>		
Gobi Coal and Energy Limited	7,000	3,815
Omega Gold Investment Limited	-	4,400
Zaraiya Holdings Limited	-	1,200
Iliria Mining Corporation	-	4,000
Bumbat Consolidated Ltd	5,000	-
PT Paramindo Energi	27,105	-
<b>Trade payables:</b>		
R & K Global Finance Ltd	187,917	87,917
Maybach Consulting Pty Ltd	2,750	-
Paramount Mining Corporation Ltd	4,532	2,013
<b>Loan payables:</b>		
Suri Management LLC	350,196	354,244

**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.

*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 \$2,004,311 (2009: \$1,359,031). 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.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**24. SEGMENT INFORMATION**

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 Indonesia with particular emphasis on strategic and precious metals.

<b>30 June 2010</b>	<b>Australia</b>	<b>Indonesia</b>	<b>Unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue	311,942	192	-	312,134
Expenses	<u>(5,296,023)</u>	<u>(279,572)</u>	<u>-</u>	<u>(5,575,595)</u>
Segment Results	<u>(4,984,081)</u>	<u>(279,380)</u>	<u>-</u>	<u>(5,263,461)</u>
Assets	5,251,179	2,924,079	-	8,175,258
Liabilities	<u>(1,561,370)</u>	<u>(128,749)</u>	<u>-</u>	<u>(1,690,119)</u>
<b>30 June 2009</b>	<b>Australia</b>	<b>Indonesia</b>	<b>Unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Revenue	169,526	-	-	169,526
Expenses	<u>(3,792,332)</u>	<u>-</u>	<u>-</u>	<u>(3,792,332)</u>
Segment Results	<u>(3,622,806)</u>	<u>-</u>	<u>-</u>	<u>(3,622,806)</u>
Assets	7,262,035	-	-	7,262,035
Liabilities	<u>(1,388,355)</u>	<u>-</u>	<u>-</u>	<u>(1,388,355)</u>

**25. EARNINGS / (LOSS) PER SHARE**

<b>Consolidated 2010</b>	<b>Consolidated 2009</b>
\$	\$

The following reflects the loss and share data used in the calculations of basic and diluted earnings/(loss) per share:

Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share

(5,263,461)	(3,622,806)
-------------	-------------

<b>Number of Shares</b>	<b>Number of Shares</b>
-------------------------	-------------------------

Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:

232,940,031	189,404,608
-------------	-------------

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

<b>Consolidated 2010</b>	<b>Consolidated 2009</b>
\$	\$

**26. NOTES TO THE CASH FLOW STATEMENT**

**(a) Reconciliation of Cash and Cash equivalents**

Cash at bank	234,265	184,855
Cash on hand	536	502
Deposits at call	<u>302,514</u>	<u>100,000</u>
	<b>537,315</b>	<b>285,357</b>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**26. NOTES TO THE CASH FLOW STATEMENT (Continued)**

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

Loss from operating activities after income tax	(5,263,461)	(3,622,806)
Adjustments for:		
Depreciation	39,123	39,696
Net loss / (gain) on investment	-	3,300
Exploration expenditure written off	2,475,576	2,410,109
Provision for employee entitlements	32,769	(14,805)
Share based payment expenses	1,129,332	244,231
Borrowing costs	1,599,000	250,000
Disposal of PPE	-	14,512
 Change in operating assets and liabilities		
(Decrease) / increase in creditors	121,698	(7,093)
(Increase) / decrease in prepayments	2,129	6,536
(Increase) / decrease in receivables	(130,427)	90,913
 Net cash outflows used in Operating Activities	<b>5,739</b>	<b>(585,407)</b>

**(c) Non-cash Investing and Financing Activities**

The Company issued 4,650,000 shares at a deemed price of \$0.03 each for the services rendered by Mr Munshi for his role as the managing director of the Company.

**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:

	<b>Consolidated 2010 \$</b>	<b>Consolidated 2009 \$</b>
<b>Financial assets</b>		
Cash and cash equivalents	537,315	285,358
Trade and other receivables (current and non-current)	247,746	117,319
	<b>785,061</b>	<b>402,677</b>
 <b>Financial liabilities</b>		
Trade and other payables	609,229	487,530
Borrowings	1,001,540	854,244
	<b>1,610,769</b>	<b>1,341,774</b>

**(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. All foreign exploration costs have been fully written off. Exploration expenditure commitments for foreign 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.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**27. FINANCIAL INSTRUMENTS (Continued)**

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

	30 June 2010 USD \$	30 June 2009 USD \$
<b>Cash and Cash equivalents</b>	115,109	79,966
<b>Loan payable</b>	800,000	285,000

*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 2010 <i>Weighted Average</i> Interest Rate %	Balance \$	30 June 2009 <i>Weighted Average</i> Interest Rate %	Balance \$
<b>Financial Assets</b>				
Cash at Bank	0.86	234,265	2.00	184,856
Cash in Hand	-	536	-	502
Term Deposits	4.66	302,514	5.58	100,000
Deposit paid	4.40	72,069	4.03	71,301
		<b>609,384</b>		<b>356,659</b>

*Group Sensitivity*

At 30 June 2010, 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 \$6,094 lower/higher (2009 – \$3,567 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.

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

	Consolidated 2010 \$	Consolidated 2009 \$
<b>Trade Receivables</b>		
<i>Counterparties without external credit rating</i>		
Group 1 *	-	-
Group 2 **	46,442	18,109
Group 3 ***	-	-
<b>Total Trade Receivables</b>	46,442	18,109
<b>Cash at Bank &amp; Short-Term Deposits</b>		
<i>Counterparties with external credit rating (Moody's) B</i>	536,779	284,856
<i>Counterparties without external credit rating</i>	-	-
	536,779	284,856

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**27. FINANCIAL INSTRUMENTS (Continued)**

\* 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**

Subject to obtaining from the tenements indicated resources of 300,000oz of gold equivalent, the Company will issue 20,000,000 options at an exercise price of \$0.15 each to Bungarra Resources Limited on or before 31 July 2012. The Company will issue an additional 10,000,000 options at an exercise price of \$0.20 each to Bungarra Resources Limited on or before 31 July 2012 should a decision to mine any of the tenements be made by management. At the end of 30 June 2010, the Company has not issued any options and does not consider the issue of options to be highly probable.

On 16 June 2009, the Company entered into a Loan Agreement with Resource Global Finance Limited for USD500,000. This loan is secured by a charge on the Group's interest in a Cooperation Agreement with a partner to explore minerals in Indonesia. The loan is repayable on 31 March 2011 as disclosed in Note 29.

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

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

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

Other than the above, there were no other known material contingent liabilities.

**29. SUBSEQUENT EVENTS**

Subsequent to year end, the Company successfully negotiated an extension of a USD500,000 loan facility from 30 June 2010 to 31 March 2011. The fee to secure the facility extension is the issue of 1,000,000 fully paid ordinary shares and 1,000,000 unlisted options exercisable at 10 cents each on or before 20 June 2011.

In September 2010, the Company raised \$3.2m from a share placement and exercise of options from a strategic partner to advance our projects in Indonesia.

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 2010**

	<b>Parent 2010 \$</b>	<b>Parent 2009 \$</b>
Total current assets	485,744	358,773
Total non-current assets	7,414,627	6,903,262
<b>Total Assets</b>	<b>7,900,371</b>	<b>7,262,035</b>
Total current liabilities	1,561,366	1,388,355
Total non-current liabilities	-	-
<b>Total Liabilities</b>	<b>1,561,366</b>	<b>1,388,355</b>
<b>Net Assets</b>	<b>6,339,005</b>	<b>5,873,680</b>
<b>Equity</b>		
Issued capital	24,923,577	20,211,332
Reserves	2,010,173	874,841
Accumulated losses	(20,594,745)	(15,212,493)
<b>Total Equity</b>	<b>6,339,005</b>	<b>5,873,680</b>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2010**

**30. PARENT ENTITY (Continued)**

Loss for the year	5,382,252	3,622,806
Other comprehensive income	-	-
Total Comprehensive Loss for the year	<u>5,382,252</u>	<u>3,622,806</u>

**(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.

## **PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

### **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 21 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 2010 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 Acting Managing Director and Chief Financial Officer 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 2010



**M I Munshi**  
**Acting Managing Director**

## **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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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*.

*Auditor's 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

*Emphasis of Matter Regarding Going Concern and Carrying Values of Non-current Assets*

Without qualification 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 2010 the consolidated entity had negative working capital of \$1,070,400 and had incurred a loss for the year of \$5,263,461. The ability of the consolidated entity to continue as a going concern is subject to the successful recapitalisation of the Group. In the event that the Board is not successful in recapitalising the Group and in raising further funds, the consolidated entity may not be able to continue as a going concern.

The recoverability of the Group's carrying value of capitalised exploration costs (\$7,147,565) 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.

**Report on the Remuneration Report**

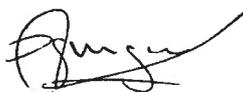
We have audited the remuneration report included in pages 14 to 17 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Auditor's opinion*

In our opinion the remuneration report of Prosperity Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL  
(An Authorised Audit Company)**

*Stantons International*



**Keith Lingard**  
Director

West Perth, Western Australia  
30 September 2010

# Stantons International

ABN 141 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

30 September 2010

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

Dear Directors

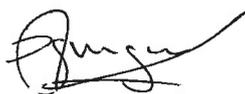
**RE: PROSPERITY RESOURCES LIMITED**

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

As Audit Director for the audit of the financial statements of Prosperity Resources Limited for the year ended 30 June 2010, 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**  
(Authorised Audit Company)



**Keith Lingard**  
Director

## PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES

### ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 20 September 2010.

#### Number of Shares

301,839,179 Ordinary Shares (PSP)

#### Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	9
1,001 – 5,000	34
5,001 – 10,000	74
10,001 – 100,000	265
More than 100,000	124
<b>Totals</b>	<b>506</b>

#### Holders of Non Marketable Parcels

There were 7 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
PRUFROCK PARTNERS LIMITED	41,199,000	13.65
ANZ NOMINEES LIMITED <CASH INCOME A/C>	40,005,730	13.25
RESOURCE GLOBAL FINANCE LTD	37,000,000	12.26
DER LA NOBLE CORPORATION LIMITED	30,350,000	10.06
INNER MONGOLIA TAI XI MEI GROUP CO LTD	20,000,000	6.63
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	15,097,658	5.00

#### 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.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES****ASX ADDITIONAL INFORMATION****Twenty Largest Shareholders**

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

<b>Rank</b>	<b>Name</b>	<b>Units</b>	<b>% of Issued Capital</b>
1	PRUFROCK PARTNERS LIMITED	41,199,000	13.65
2	ANZ NOMINEES LIMITED <CASH INCOME A/C>	40,005,730	13.25
3	RESOURCE GLOBAL FINANCE LTD	37,000,000	12.26
4	DER LA NOBLE CORPORATION LIMITED	30,350,000	10.06
5	INNER MONGOLIA TAI XI MEI GROUP CO LTD	20,000,000	6.63
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	15,097,658	5.00
7	UBS NOMINEES PTY LTD	10,300,000	3.41
8	GRAVITY LIMITED	10,055,000	3.33
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,542,817	3.16
10	BOOM SECURITIES (HK) LTD	7,467,000	2.47
11	CITICORP NOMINEES PTY LIMITED	4,237,026	1.40
12	MR PETER ROBERT OTTON + MRS CAROLE ANNE OTTON <OTTON SUPER FUND A/C>	3,900,000	1.29
13	REGALINE HOLDINGS INC	3,375,000	1.12
14	BASE ASIA PACIFIC LIMITED	2,400,000	0.80
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,298,600	0.76
16	ASHABIA PTY LTD (SUPERANNUATION FUND A/C>	2,000,000	0.66
17	SINO CHINA TRADING LIMITED	2,000,000	0.66
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,981,264	0.66
19	ESTATE LATE MILES RICHARD WORSLEY	1,800,000	0.60
20	MR HUGH KNOWLAND BABBAGE	1,550,000	0.51

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**SUMMARY OF TENEMENTS**

(as at 21 September 2010)

<b>Project</b>	<b>Lease</b>	<b>Equity</b>	<b>Joint Venture</b>	<b>Operator</b>
Located in Australia:				
Mt Gibson	E 59/0878	75%	Mawson West Ltd	Prosperity Resources
Mt Gibson	E 59/0903	75%	Mawson West Ltd	Prosperity Resources
Mt Gibson	E 59/1102	75%	Mawson West Ltd	Prosperity Resources
Paynes Find	E 59/0853	75%	Mawson West Ltd	Prosperity Resources
Tennant Creek	E 23738	100%	-	Prosperity Resources
Tennant Creek	E 23818	100%	-	Prosperity Resources
Tennant Creek	E 23819	100%	-	Prosperity Resources
Tennant Creek	E 23828	100%	-	Prosperity Resources
Tennant Creek	E 23846	100%	-	Prosperity Resources
Tennant Creek	E 23873	100%	-	Prosperity Resources
Tennant Creek	E 23890	100%	-	Prosperity Resources
Tennant Creek	E 23895	100%	-	Prosperity Resources
Tennant Creek	E 23918	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 East	M 59/0525	*	*	Ferrowest
Yalgoo East	M 59/0634	*	*	Ferrowest
Yalgoo East	M 59/0635	*	*	Ferrowest
Yalgoo East	M 59/0636	*	*	Ferrowest
Yalgoo East	M 59/0637	*	*	Ferrowest
Yalgoo North	M 59/0428	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0429	75%	Platinum Australia	Prosperity Resources
Yalgoo North	E 59/1112	100%	-	Prosperity Resources
Yalgoo North	M 59/0282	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0283	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0284	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0285	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0322	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0323	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0324	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0329	75%	Platinum Australia	Prosperity Resources
Yalgoo North	M 59/0407	100%	-	Prosperity Resources
Yalgoo North	M 59/0408	75%	Platinum Australia	Prosperity Resources
Yalgoo North	P 59/1677	100%	-	Prosperity Resources
Yalgoo North	P 59/1678	100%	-	Prosperity Resources
Yalgoo West	M 59/057	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	-	51%	-	Prosperity Resources
PT AWC	-	93%	-	Prosperity Resources
PT ATP	-	93%	-	Prosperity Resources
PT AMN	-	93%	-	Prosperity Resources

E - Exploration Licence  
M - Mining Lease  
P - Prospecting

\* Prosperity retains certain mineral rights to portions of these tenements.