



**PROSPERITY**

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**PROSPERITY RESOURCES LIMITED**

**ABN 60 103 280 235**

**DIRECTORS' REPORT**

**ANNUAL ACCOUNTS**

**AND**

**INDEPENDENT AUDIT REPORT**

**2009**

## **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 fellow Shareholders

The enclosed full year report provides details on the financial results for the year ended 30 June 2009, together with a summary of our exploration work. The last twelve months have seen incredibly tough market conditions which have put enormous pressure on the source of funds for the junior companies. This has been a common theme for all companies in the past year and your company has managed to maintain its business through cutting costs and securing loan funds to continue the search for potential world class assets. One benefit of the uncertain times has been the strength of the gold price which is one of our chosen commodities. The copper price has also staged a gradual recovery over the past six months and continues to strengthen.

Last year we announced that our strategy was to acquire projects in Asia. Indonesia is a country with several world class gold and copper mines and incredible potential for further discovery. The country has been under explored having recovered slowly from the Asian financial crisis in the late 1990s. A new Mining Law was enacted in early 2009 which provides more certainty to foreign companies about project ownership. These factors, amongst others make Indonesia an attractive country for project acquisition and exploration.

We announced the formation of our Indonesian partnership with PT Dana in October 2008. Our success in Indonesia requires the help of a strong Indonesian partner. Our geology team based in Jakarta commenced an extensive review of available projects which led to the acquisition of the Pinang-Pinang Project in Aceh Province in April 2009. This project is a porphyry style gold-copper target which was previously owned by CRA Limited and then Meekatharra Minerals/ Teck Joint Venture in the late 1990's. The project had some excellent trench results however no drilling was ever done.

Our team in Indonesia have been in the field completing ground magnetic mapping, soil sampling and further trenching and we have announced some excellent high grade gold-copper results from the completed trenches. A scout diamond drilling programme is under way to test the system and give us a better understanding of the geology.

Our Tennant Creek Project remains a key asset for the Company and a comprehensive data review is underway to design our ongoing exploration work. We are seeking expressions of interest for sale or joint venture of our Yalgoo Project and Mt Gibson Project in Western Australia.

It has been a difficult year in which our share price has suffered along with all the other exploration companies however the success to date in our Pinang-Pinang Project has seen our share price recover strongly since the end of the financial year. We will continue to work to add value to all our projects and remain focussed on acquiring further quality assets.

I wish to thank my fellow directors, staff and consultants for their work for the Company this year. I also wish to thank our loyal shareholders and hope to see you in attendance at our Annual General Meeting.



**MO MUNSHI**  
**Chairman**

## **DIRECTORS' REPORT**

The directors present their report together with the financial report of Prosperity Resources Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2009 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 14 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.

Mr Munshi is also a Director and Chairman of Paramount Mining Corporation Limited (ASX – PCP).

Other than the above, Mr Munshi has had no other Directorships in listed companies in the last 3 years.

#### **John Phillip Arbuckle B.Bus CPA**

##### **Non Executive Director**

Mr Arbuckle is an accountant with substantial experience in the mining industry in Australia and overseas. Currently, he is a Director of DNA Capital Pty Ltd which provides specialist corporate advisory services to both listed and unlisted companies. He has considerable experience in developing financial and risk management strategies for mining companies and the implementation of accounting controls and systems.

Mr Arbuckle is also a Director and Company Secretary of Alchemy Resources Limited (ASX – ALY) and Company Secretary of Rialto Energy Limited (ASX – RIA).

In the last three years, Mr Arbuckle has also served as a Director and Company Secretary of Carpathian Resources Limited (ASX – CPN) and Director of Segue Resources Limited (ASX – SEG).

#### **Sebastian Hempel ACIS, B.Sc, LL.B, Grad.Dip.AppCorpGov**

##### **Non Executive Director (appointed 21 Jul 08)**

Mr Hempel is a well regarded and accomplished corporate lawyer based in Sydney, Australia. He has over 18 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.

Mr Hempel is also a Non Executive Director of European Gas Limited (ASX – EPG).

#### **Richard (Ric) Morris Dawson BAppSc (Geol.), EMBA, MAusIMM**

##### **Executive Director (appointed 2 May 08, resigned 12 Aug 08)**

Mr Dawson is a qualified geologist with technical experience in both the mining and mineral sector and the oil and gas sector. He has amassed over 20 years corporate experience initially with a stockbroking firm and recently as a senior executive with several listed public companies.

Mr Dawson has significant experience in the resources industry in the managing, marketing and development of junior exploration companies. He also has experience in the Corporate Broking Sector which assists with the marketing of the Company. He also brings along technical skills to evaluate projects and an exposure to international markets.

Mr Dawson has had no other Directorships in listed companies in the last 3 years.

#### **Miles Richard Worsley Dip App Geol, BSc (Hons), PhD, MSEG, MAIG**

##### **Non Executive Director (resigned 31 Jul 08)**

Dr Miles Worsley holds degrees in geology from the Bendigo School of Mines and James Cook University of North Queensland (Australia) and in geophysics from the University of the Witwatersrand (South Africa). He has worked with major mining companies (RTZ, Aberfoyle, Indochina Goldfields, Ivanhoe Mines) holding senior positions with Indochina Goldfields (Exploration Manager for Indonesia) and with Ivanhoe Mines (Chief Geologist).

## **DIRECTORS' REPORT (Cont'd)**

### **Hubert (Hugh) Lennerts *FCIS FCPA FAICD MBA***

#### **Company Secretary (resigned on 30 Apr 09)**

Mr Lennerts is a Fellow of Chartered Secretaries Australia, a Fellow of the CPA's, a Fellow of the Australian Institute of Company Directors and gained his Masters of Business Administration (MBA) from UWA in 2004. He is a Course Director for the Graduate Diploma in Applied Corporate Governance for Chartered Secretaries Australia and has in excess of 36 years Company Secretarial experience.

In his 45 year career Hugh has been a Principal in a Public Accounting (tax) Practice, a Tax Accountant with KPMG, an Accountant and later CFO and Company Secretary to companies involved in industry, commerce and mining in Australia and overseas.

### **Garry Taylor *CPA FCIS GAICD***

#### **Company Secretary (appointed on 30 Apr 09)**

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

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

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

Mr Taylor is also Chief Financial Officer and Company Secretary of Paramount Mining Corporation (ASX – PCP).

### **Directors' Interests**

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

<b>Director</b>	<b>Position</b>	<b>Directors Interest in Ordinary Shares</b>	<b>Directors Interest in Unlisted Options</b>
Mohammed I Munshi	Non Executive Chairman / Managing Director	5,000,000	10,000,000
John P Arbuckle	Non Executive Director	-	2,250,000
Sebastian Hempel	Non Executive Director	240,000	1,000,000

### **Earnings Per Share**

#### **Cents**

Basic loss Per Share

1.91

### **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 four subsidiary companies, Prosperity Resources (Yalgoo) Pty Ltd, Prosperity Resources (Mt Gibson) Pty Ltd, Prosperity Resources (Tennant Creek) Pty Ltd and Prosperity Resources (Indonesia) Pty Ltd. The exploration at Mt Gibson, Yalgoo, 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 4 (2008:5).



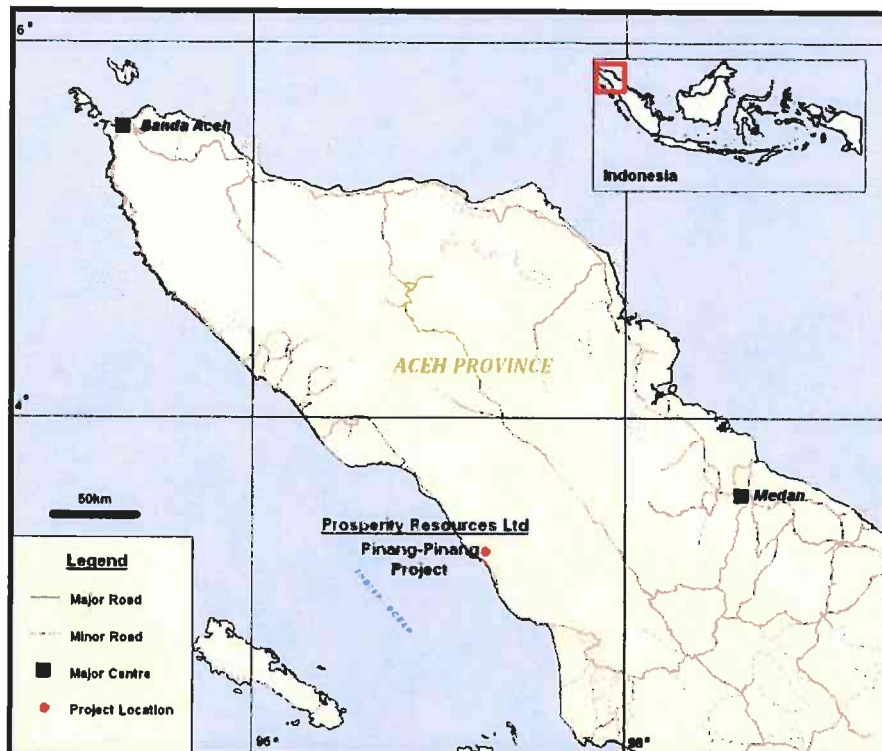
## DIRECTORS' REPORT (Cont'd)

### EXPLORATION

#### INDONESIA

##### Pinang –Pinang Project

Prosperity reached agreement to secure the Pinang- Pinang Project from PT Multi Mineral Utama, an Indonesian company in April 2009. The Pinang-Pinang Project is located in the Aceh province and is easily accessible, 20 kilometres south-southeast of the town of Tapaktuan and five kilometres inland from the Indian Ocean.



Pinang-Pinang location

The project was explored by CRA Limited and Meekatharra Minerals /Teck Exploration Limited in the 1990s with excellent trench results. The financial crisis in Asia combined with the low gold price in the late 1990s meant the project was left without further exploration.

The license geology forms part of a Late Jurassic to early Cretaceous age andesite-volcanic dominated island arc. Mid to late Tertiary island arc-related magmatism led to the emplacement of diorite and granodiorite intrusives along the belt. Previous work identified: broad intervals of breccia, stockwork quartz vein-hosted and disseminated gold-copper mineralisation in largely intrusive host-rocks, intrusive-hosted gold-copper mineralisation spatially and temporally-related to secondary magnetite alteration which often associates with a magnetite- and gold-rich porphyry systems at depth.



Siliceous Stockwork and Alteration



Ground Magnetic Crew at Pinang-Pinang

## DIRECTORS' REPORT (Cont'd)

### **EXPLORATION (Continued)**

Prosperity started field work on the Pinang –Pinang project in April 2009 completing a ground magnetic survey and soil sampling over a two by two kilometre grid, complemented by mapping work over an extended area.

The original target area containing the historic trenches is called the Pala Prospect and the mapping work discovered a new prospect eight hundred metres to the northwest called Nilam. The geochemical soil survey has defined a 'bulls-eye' of coincident gold, copper and molybdenum in soil anomaly with coincident magnetic high over 350 metres x 150 metres at the main Pala Prospect with a second body of mineralisation recently delineated from soil sampling and mapping occurring between some 300 to 900 metres to the north to north-northwest at the Nilam Prospect. The anomaly remains open off the north western edge of the soil grid within a well-defined structural corridor.

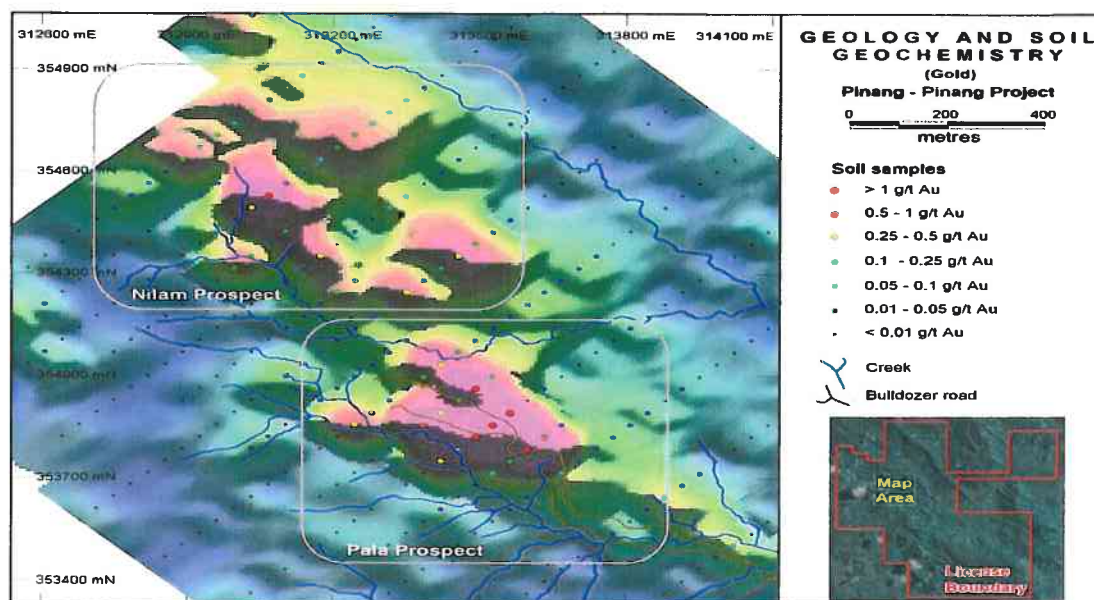


**Auger soils sampling at Pinang-Pinang**

Soil sampling at Pala has defined a + 1g/t gold soil anomaly with gold values up to 10.1g/t gold. A broader gold anomaly (>100 ppb gold) surrounds the +1g/t soils values and closely mimics the areas of anomalous copper and molybdenum. The Pala anomaly is contained within and/or largely restricted to intrusive andesitic porphyry and microdiorite host-rocks proximal to (or between) the replacement silica-magnetite-sulphide bodies.

Soil sampling and mapping at the Nilam prospect has reported soil values up to 5.18g/t gold. This anomaly also has strong coincident copper and molybdenum anomalism.

Prosperity is continuing its work on this exciting project with trench and channel sampling including the re-opening and extension of the historic trenches, digging new trenches, channel sampling and additional soil sampling over a larger grid area of the 2,000 hectare exploitation KP.



**Contoured gold soil geochemistry at Pala and Nilam Prospects**

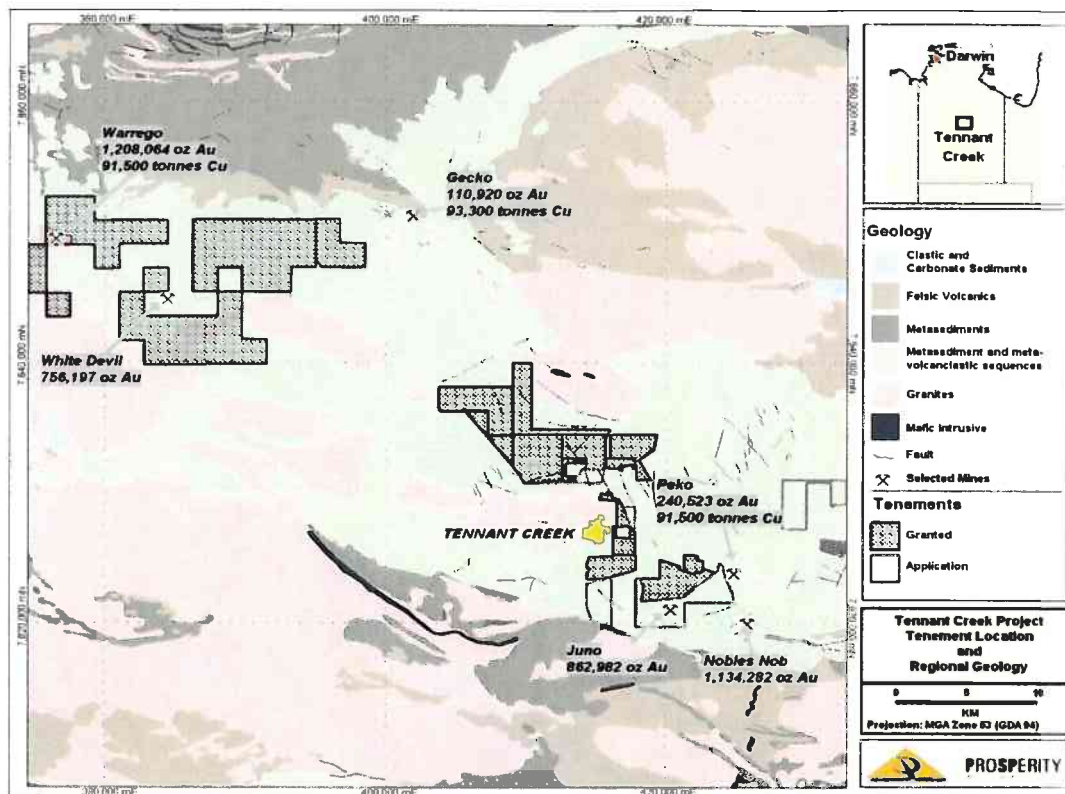


## DIRECTORS' REPORT (Cont'd)

### AUSTRALIA

#### **Tennant Creek**

Prosperity holds over 220 square kilometres of tenure in the prospective Tennant Creek region which was acquired by the purchase of Bungarra Resources Ltd in February 2008.



Exploration work completed in the first half of the year consisted of a first pass RC and diamond drilling programme of 28 holes for 6482 metres. The aim of the drilling programme was to evaluate the geological nature of the electromagnetic (EM) targets and to test the priority targets for iron oxide copper gold (IOCG) style mineralisation at depth. A summary of the significant results is presented in the table below.

The data from this programme combined with all available historic data from the Tennant Creek region is being reviewed with a view to plan further exploration.

Tenement	DrillHole_ID	Northing GDA94	Easting GDA94	EOH	Significant Assay Results
23738	PTCRC17	7833396	416822	105	*4m @ 0.11 g/t Au from 24m 1m @ 0.70 g/t Au from 69m
23890	PTCRC9	7825557	416397	253	1m @ 0.42g/t Au from 82m *3m @ 0.15g/t Au from 115m
23890	PTCRC10	7825551	416496	205	*5m @ 0.11g/t Au and 0.92% Cu from 87m including 1m @ 0.53g/t Au, 4.47% Cu
23890	PTCRC11	7825548	416446	301	2m @ 0.26g/t Au, 0.5% Cu from 122m
23918	PTCRC20	7833302	416817	73	2m @ 0.12g/t Au from 50m 4m @ 2.64g/t Au and 1.00% Cu from 131m
23846	PTCRC2	7849596	394516	301	Including 2m @ 1.75% Cu from 133m 3m @ 0.77 g/t Au from 183m
23846	PTCRC15	7849630	394517	301	*4m @ 0.01 g/t Au, 0.36% Cu from 140m

In May 2009 the Central Land Council notified Prosperity that it had refused to consent to the granting of exploration license applications ELA23187, ELA23832 and ELA23896. These applications are on Aboriginal Freehold Land and the provisions of the Aboriginal Land Rights (Northern Territory) Act 1976 give the Traditional Owners the right to refuse the granting of the applications. The applications will now be in a moratorium for five years unless the Traditional Owners decide to restart the process at an earlier date.

The Tennant Creek project is an important part of the assets of Prosperity and exploration work will continue next year.



## **DIRECTORS' REPORT (Cont'd)**

### **AUSTRALIA**

#### **Mount Gibson**

Prosperity is earning 80% interest in tenements E59/1102, E59/903, E59/878 and E59/853 as part of a joint venture with Mawson West Limited. Field mapping and a small programme of ground magnetic and a comprehensive review of the previous work was completed in early 2009.



**Hematite rich lateritic float**



**Example of BIF from Woolshed Project**

Hematite Fe-ore which occurs as mesas has been located in the Warriedar area and as more extensive channel and sheet wash deposits in the Mt Gibson area. There may be scope for larger tonnage accumulation of secondary hematite Fe-ore in an extensive fluvial delta outwash fan in the Warriedar area however this has not been drill tested. The scope for magnetite bearing BIF units also requires drill testing. Further drilling work is also required in the Woolshed area to follow up results from last year's programme.

Prosperity is seeking expressions of interest for the sale of the Mt Gibson project as announced in April 2009.

#### **Yalgoo**

Prosperity completed a comprehensive review of the Yalgoo project during the year and decided to relinquish a significant number of tenements that were considered less prospective. The tenement package remains significant with 140 square kilometres of tenure. The core value of the project was maintained with Resource Inventory of approximately 2.218 Mt @ 1.98 g/t Au for a total of 141,187 ounces of gold contained in the Melville, City of Melbourne, Brilliant, Lady Lydia South and Emerald Reward projects.

Prosperity strategic focus is on metals projects in Indonesia and is seeking expressions of interest for the sale of the Yalgoo project.

## **DIRECTORS' REPORT (Cont'd)**

### **Review of Financial Condition**

In view of the current economic situation, the Group is considering all options to raise capital to meet our exploration commitments.

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

### **Capital Structure**

During the year, 28,300,000 shares were issued taking the issued capital to 205,075,373 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.

### **Post Balance Sheet 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 80,050,000 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>
20,000,000	10 cents each	31 Dec 09
250,000	30 cents each	31 Dec 09
4,000,000	5 cents each	28 Feb 10
10,000,000	5 cents each	31 Mar 10
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
1,200,000	5 cents each	28 Feb 13
1,000,000	10 cents each	28 Feb 13

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

## **DIRECTORS' REPORT (Cont'd)**

### **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 \$11,880 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 – appointed 21 Jul 08        |
| R M Dawson      | Executive Director – resigned 12 Aug 08             |
| M R Worsley     | Non-Executive Director – resigned 31 Jul 08         |
| (ii) Executives |   |
| S Delaney       | Chief Financial Officer                             |
| H Lennerts      | Company Secretary – resigned 30 Apr 09              |
| G Taylor        | Company Secretary – appointed 30 Apr 09             |
| P L'Herpinier   | Exploration Manager – resigned 5 Sep 08             |

### **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.

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.

## DIRECTORS' REPORT (Cont'd)

### **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.

### **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 2009 and 2008**

Directors	Short-Term			Post Employment	Termination Benefits	Share-based Payments	Total	Value of options as portion of remuneration %
	Salary & Fees \$	Cash Bonu s \$	Non Monetary \$	Super-annuation \$	\$	Options \$	\$	
M I Munshi								
2009	95,000	-	^242,396*	-	-	1,000	338,396	0.30
2008	90,871	-	43,990*	-	-	97,000	231,861	41.84
J P Arbuckle								
2009	30,000	-	2,396*	-	-	725	33,121	2.19
2008	28,749	-	3,990*	-	-	-	32,739	-
J S Hempel								
2009	28,214	-	2,196*	2,539	-	-	32,949	-
R M Dawson (resigned on 12 Aug 08)								
2009	19,827	-	2,393*	3,876	-	-	26,096	-
2008	185,303	-	24,289*	16,062	-	-	225,654	-
G J Artmont (resigned 1 Nov 07)								
2009	-	-	-	-	-	-	-	-
2008	30,572	-	1,330*	-	-	-	31,902	-
M R Worsley (resigned 31 Jul 08)								
2009	6,531	-	200*	-	-	-	6,731	-
2008	45,475	-	2,660*	-	-	-	48,135	-
Executives								
S Delaney								
2009	224,899	-	2,396*	19,440	-	7,854	254,589	3.08
2008	140,760	-	15,429*	11,922	-	24,963	193,074	12.93
H Lennerts (resigned 30 Apr 09)								
2009	30,000	-	1,997*	-	-	-	31,997	-
2008	36,600	-	3,990*	-	-	2,900	43,490	6.67
R M Dawson (terminated 15 Dec 08)								
2009	48,131	-	5,613	4,332	44,000	-	102,076	-
2008	-	-	-	-	-	-	-	-
P L'Herpiniere (resigned 5 Sep 08)								
2009	43,846	-	-	3,946	-	-	47,792	-
2008	68,890	-	-	5,521	-	26,400	100,811	26.19
Totals								
2009	526,448	-	259,587	34,133	44,000	9,579	873,747	
2008	627,220	-	95,678	33,505	-	151,263	907,666	



## DIRECTORS' REPORT (Cont'd)

^ This amount includes \$80,000 due to Mr Munshi as at 30 June 2009 and will be repaid with the issue of shares at the next annual general meeting.

\* These amounts include a pro-rata allocation of \$2,396 (2008 - \$3,990) of the cost of Directors and Officer's Insurance

(\$11,880 (2008 - \$22,944) in total) as is now required to be disclosed under Australian accounting standards.

### Compensation of Options Granted and Vested During the Year Ended 30 June 2009 and 2008

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>Name</b>							
<b>DIRECTORS</b>							
M I Munshi	2,000,000	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	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	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>	
Year ended 30 June 08	Granted No.	Granted Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry date	Vested	
						No.	%
<b>Name</b>							
<b>DIRECTORS</b>							
M I Munshi	2,000,000	18 Sep 07	0.029	0.12	31 Mar 12	2,000,000	100
	1,000,000	18 Sep 07	0.019	0.20	31 Mar 12	1,000,000	100
	1,000,000	18 Sep 07	0.012	0.30	31 Mar 12	1,000,000	100
	1,000,000	18 Sep 07	0.008	0.40	31 Mar 12	1,000,000	100
<b>EXECUTIVES</b>							
H Lennerts	100,000	18 Oct 07	0.029	0.15	31 Dec 12	100,000	100
S Delaney	500,000	18 Oct 07	0.032	0.12	31 Oct 12	500,000	100
	500,000	18 Oct 07	0.027	0.15	31 Oct 12	-	-
P L'Herpinere	400,000	10 Mar 08	0.066	0.15	31 Oct 12	-	-
	200,000**	10 Mar 08	0.057	0.20	31 Mar 12	-	-
	200,000**	10 Mar 08	0.050	0.30	31 Mar 12	-	-
	200,000**	10 Mar 08	0.044	0.40	31 Mar 12	-	-
<b>Total</b>	<b>7,100,000</b>					<b>5,600,000</b>	

\* Options expired as at 30 June 2009.

\*\* Options forfeited upon resignation. Therefore no expense was recognised with respect to these options as at 30 June

## DIRECTORS' REPORT (Cont'd)

### Options Granted as Part of Remuneration:

Year ended 30 June 09	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 %
Name				
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
Year ended 30 June 08	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 %
Name				
M I Munshi	97,000	-	-	41.84
H Lennerts	2,900	-	-	6.67
S Delaney	24,963	-	-	12.93
P L'Herpinere	26,400	-	-	26.19

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

### 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		8	8
J P Arbuckle	9 Sept 06		8	8
J S Hempel	21 Jul 08		7	7
R M Dawson	2 Jan 03	12 Aug 08	1	1
M R Worsley	1 Nov 07	31 Jul 08	1	1

### Results

The operating loss after income tax of the consolidated entity for the financial year was \$3,622,806 (2008: \$4,074,477).

### 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 50.

# **DIRECTORS' REPORT (Cont'd)**

## **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 2009.

### **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
- 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;

## **DIRECTORS' REPORT (Cont'd)**

- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Corporate Governance Charter.

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

### **Trading Policy**

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

### **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 and 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).



## DIRECTORS' REPORT (Cont'd)

	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
<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

## **DIRECTORS' REPORT (Cont'd)**

### **Principle 8 Remunerate fairly and responsibly**

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

Signed in accordance with a resolution of the directors.



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

Dated at Perth this 29th day of September 2009

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**INCOME STATEMENT**  
For the year ended 30 June 2009

	NOTE	Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
Revenue	3	169,526	411,704	169,526	411,704
<b>Total revenue</b>		<b>169,526</b>	<b>411,704</b>	<b>169,526</b>	<b>411,704</b>
<b>Expenses</b>					
Occupancy expenses		(142,159)	(124,856)	(142,159)	(124,856)
Administrative expenses	4	(1,156,137)	(1,003,948)	(1,156,137)	(1,003,948)
Share based payment expenses		(44,231)	(151,263)	(44,231)	(151,263)
Depreciation	4	(39,696)	(35,587)	(39,696)	(35,587)
Exploration expenditure written off	4	(2,410,109)	(3,170,527)	(402,728)	-
Provision for subsidiaries loan write offs	4	-	-	(2,007,381)	(3,170,527)
<b>Loss before related income tax</b>		<b>(3,622,806)</b>	<b>(4,074,477)</b>	<b>(3,622,806)</b>	<b>(4,074,477)</b>
Income tax	5	-	-	-	-
<b>Net loss attributable to members of the Company</b>	16	<b>(3,622,806)</b>	<b>(4,074,477)</b>	<b>(3,622,806)</b>	<b>(4,074,477)</b>
<b>Basic loss per share (cents)</b>	25	<b>(1.91)</b>	<b>(3.01)</b>		

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

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**BALANCE SHEET**

As at 30 June 2009

	NOTE	Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	26(a)	285,358	1,939,532	285,357	1,939,531
Trade and other receivables	6	46,018	137,707	46,018	137,707
Prepayments		27,398	33,934	27,398	33,934
Other financial assets	7	-	3,300	-	3,300
<b>TOTAL CURRENT ASSETS</b>		<b>358,774</b>	<b>2,114,473</b>	<b>358,773</b>	<b>2,114,472</b>
<b>NON-CURRENT ASSETS</b>					
Other receivables	6	71,301	70,525	71,301	70,525
Property, plant and equipment	9	222,740	225,521	222,740	225,521
Other financial assets	7	-	-	6,609,221	6,117,745
Capitalised mineral exploration and evaluation expenditure	10	6,609,220	6,117,745	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,903,261</b>	<b>6,413,791</b>	<b>6,903,262</b>	<b>6,413,791</b>
<b>TOTAL ASSETS</b>		<b>7,262,035</b>	<b>8,528,264</b>	<b>7,262,035</b>	<b>8,528,263</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	487,530	494,623	487,530	494,622
Provisions	12	46,581	61,386	46,581	61,386
Borrowings	13	854,244	-	854,244	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,388,355</b>	<b>556,009</b>	<b>1,388,355</b>	<b>556,008</b>
<b>TOTAL LIABILITIES</b>		<b>1,388,355</b>	<b>556,009</b>	<b>1,388,355</b>	<b>556,008</b>
<b>NET ASSETS</b>		<b>5,873,680</b>	<b>7,972,255</b>	<b>5,873,680</b>	<b>7,972,255</b>
<b>EQUITY</b>					
Issued capital	14(a)	20,211,332	18,831,332	20,211,332	18,831,332
Reserves	15	874,841	730,610	874,841	730,610
Accumulated losses	16	(15,212,493)	(11,589,687)	(15,212,493)	(11,589,687)
<b>TOTAL EQUITY</b>		<b>5,873,680</b>	<b>7,972,255</b>	<b>5,873,680</b>	<b>7,972,255</b>

*The above balance sheet is to be read in conjunction with the notes to the financial statements.*



**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**CASH FLOW STATEMENT**  
For the year ended 30 June 2009

	<b>NOTE</b>	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>The Company 2009 \$</b>	<b>The Company 2008 \$</b>
<b>Cash flows from operating activities</b>					
Interest received		51,373	211,212	51,373	211,212
Other income received		168,042	116,213	168,042	116,213
Cash payments in the course of operations		(804,822)	(1,062,796)	(804,822)	(1,062,796)
<b>Net cash used in operating activities</b>	26(b)	<b>(585,407)</b>	<b>(735,371)</b>	<b>(585,407)</b>	<b>(735,371)</b>
<b>Cash flows from investing activities</b>					
Payments for exploration and evaluation		(2,871,584)	(2,684,966)	-	-
Loans to controlled entities		-	-	(2,871,584)	(2,684,966)
Payments for property, plant & equipment		(68,927)	(231,706)	(68,927)	(231,706)
Proceeds from disposal of held for trading investments		-	20,723	-	20,723
Cash inflow on acquisition of subsidiary		-	1	-	-
Proceeds from disposal of PPE		17,500	-	17,500	-
<b>Net cash used in investing activities</b>		<b>(2,923,011)</b>	<b>(2,895,948)</b>	<b>(2,923,011)</b>	<b>(2,895,949)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		1,000,000	2,800,000	1,000,000	2,800,000
Proceeds from borrowings		854,244	-	854,244	-
<b>Net cash provided by financing activities</b>		<b>1,854,244</b>	<b>2,800,000</b>	<b>1,854,244</b>	<b>2,800,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,654,174)</b>	<b>(831,319)</b>	<b>(1,654,174)</b>	<b>(831,320)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,939,532</b>	<b>2,770,851</b>	<b>1,939,531</b>	<b>2,770,851</b>
<b>Cash and cash equivalents at the end of the year</b>	26(a)	<b>285,358</b>	<b>1,939,532</b>	<b>285,357</b>	<b>1,939,531</b>

*The above cash flow statement 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 2009

**CONSOLIDATED**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2007</b>	<b>10,531,332</b>	<b>(7,515,210)</b>	<b>579,346</b>	<b>3,595,468</b>
Loss for the year	-	(4,074,477)	-	(4,074,477)
Issue of shares	8,300,000	-	-	8,300,000
Share based payments	-	-	151,264	151,264
<b>As at 30 June 2008</b>	<b>18,831,332</b>	<b>(11,589,687)</b>	<b>730,610</b>	<b>7,972,255</b>
<b>As at 1 July 2008</b>	<b>18,831,332</b>	<b>(11,589,687)</b>	<b>730,610</b>	<b>7,972,255</b>
Loss for the year	-	(3,622,806)	-	(3,622,806)
Issue of shares	1,380,000	-	-	1,380,000
Share based payments	-	-	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>5,873,680</b>

**COMPANY**

	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at 1 July 2007</b>	<b>10,531,332</b>	<b>(7,515,210)</b>	<b>579,346</b>	<b>3,595,468</b>
Loss for the year	-	(4,074,477)	-	(4,074,477)
Issue of shares	8,300,000	-	-	8,300,000
Share based payments	-	-	151,264	151,264
<b>As at 30 June 2008</b>	<b>18,831,332</b>	<b>(11,589,687)</b>	<b>730,610</b>	<b>7,972,255</b>
<b>As at 1 July 2008</b>	<b>18,831,332</b>	<b>(11,589,687)</b>	<b>730,610</b>	<b>7,972,255</b>
Loss for the year	-	(3,622,806)	-	(3,622,806)
Issue of shares	1,380,000	-	-	1,380,000
Share based payments	-	-	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>5,873,680</b>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

**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 report includes the financial statements of Prosperity Resources Limited as an individual entity (The Company) and the consolidated entity of Prosperity Resources Limited and its subsidiaries (The Group). 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 report 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 report 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, revised and amended 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 are as follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 Si 139 and interpretations 9 & 1071 (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 1361 (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application, in this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired, based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

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

AASB 8: Operating Segments and AASB 2007.3: Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of at borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

AASB 2008-1: Amendments to Australian Accounting Standard — Share based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) 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 2006-8: Amendments to Australian Accounting Standards — Eligible Hedged items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.



**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

**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 income statement 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.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority'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 balance sheet.

**(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 income statement 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 2009**

**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 income statement.

**(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 income statement 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 balance sheet 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 2009**

**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 income statement, 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 2009**

**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 balance sheet date.

Deferred tax is accounted for using the balance sheet 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 income statement 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 2009**

**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 income statement, 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 income statement.

*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 balance sheet. These differences are recognised in the income statement 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 balance sheet 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) Comparative Figures**

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



**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

**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 2009**

<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>The Company 2009 \$</b>	<b>The Company 2008 \$</b>
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**3. REVENUE FROM NON-OPERATING ACTIVITIES**

Interest received	39,861	224,426	39,861	224,426
Net (loss) / gains from held for trading investments	(3,300)	17,878	(3,300)	17,878
Other income	132,965	169,400	132,965	169,400
	<b>169,526</b>	<b>411,704</b>	<b>169,526</b>	<b>411,704</b>

**4. EXPENSES**

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

Auditor's remuneration	22,224	35,761	22,224	35,761
Wages and salaries	423,394	269,998	423,394	269,998
Contributions to employee superannuation plans	55,076	38,674	55,076	38,674
Provision for employee entitlements	(14,805)	29,151	(14,805)	29,151
Depreciation	39,696	35,587	39,696	35,587
Provisions for subsidiaries loans write off	-	-	2,007,381	3,170,527
Mineral exploration and evaluation expenditure written off	2,410,109	3,170,527	402,728	-
Borrowing cost	250,000	-	250,000	-

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
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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	3,622,806	4,074,477	3,622,806	4,074,477
Prima facie tax benefit at 30%	(1,086,842)	(1,222,343)	(1,086,842)	(1,222,343)
Tax effect of differences:				
Income	(3,551)	(3,231)	(3,551)	(3,231)
Legal and entertainment costs	(1,524)	5,684	(1,524)	5,684
Provision for non-recovery of loan to controlled entity	-	-	602,214	951,158
Capitalised exploration costs	147,443	(1,204,331)	147,443	-
Investment impairment	(6,353)	(3,520)	(6,353)	(3,520)
Provisions	(33,919)	21,173	(33,919)	21,173
Capital Raising Costs	15,613	(31,650)	15,613	(31,650)
Share Based Payment	(13,269)	45,559	(13,269)	45,559
Foreign Exchange Differences	10,491	-	10,491	-
Borrowing Expenses	(30,568)	-	(30,568)	-
Future income tax benefits not brought to account	1,002,479	2,392,659	400,265	237,170
Income tax expense attributable to ordinary activities	-	-	-	-

**(b) Unrecognised temporary differences**  
**Deferred tax asset (at 30%)**

On income tax account				
Capital Raising Costs	13,884	29,425	13,884	29,425
Provisions	75,377	41,459	75,377	41,459
Carry forward tax losses	6,229,287	5,058,202	6,229,287	5,058,202
	6,318,548	5,129,086	6,318,548	5,129,086
On capital account				
Carry forward tax losses	-	-	-	-
	6,318,548	5,129,086	6,318,548	5,129,086
Deferred tax liabilities (at 30%)				
Capital exploration costs	(1,982,766)	(1,835,323)	(1,982,766)	(1,835,323)

**PROSPERITY RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
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**6. TRADE AND OTHER RECEIVABLES**

**Current**

GST Recoverable	27,909	72,685	27,909	72,685
Debtors	18,109	65,022	18,109	65,022
	<b>46,018</b>	<b>137,707</b>	<b>46,018</b>	<b>137,707</b>

**Past Due but Not Impaired**

As at 30 June 2009, trade receivable of nil (2008 - \$2,602) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

UP TO 3 MONTHS	-	2,602	-	2,602
3 TO 6 MONTHS	-	-	-	-
	<b>-</b>	<b>2,602</b>	<b>-</b>	<b>2,602</b>

**Non Current**

Deposit Paid	71,301	70,525	71,301	70,525
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**7. OTHER FINANCIAL ASSETS**

**Current**

Securities in listed company classified as held for trading	-	3,300	-	3,300
	<b>-</b>	<b>3,300</b>	<b>-</b>	<b>3,300</b>

**Listed securities**

The fair value of listed securities has been determined directly by reference to published price quotations in an active market.

**Non Current**

Shares in non controlled entities, at cost	550,000	550,000	550,000	550,000
Less: Provision for impairment	(550,000)	(550,000)	(550,000)	(550,000)
Loans to controlled entities	-	-	11,365,389	7,242,194
Less: Provision for non-recovery	-	-	(9,256,169)	(5,624,449)
	-	-	2,109,220	1,617,745
Investment in subsidiary	-	-	4,500,001	4,500,000
Total	-	-	<b>6,609,221</b>	<b>6,117,745</b>

The loans to controlled entities are non-interest bearing, unsecured and repayable upon demand.

An allowance for impairment is recognised when the net assets of the controlled entity (excluding the loan payable to the Company) falls below the carrying value of the loan. An allowance for impairment is reversed when the net assets of the controlled entity (excluding the loan payable to the Company) exceed the carrying value of the loan. An impairment loss of \$2,007,381 (2008 - \$3,170,527) has been recognised by the Company in the income statement in the current year.

**PROSPERITY RESOURCES AND ITS CONTROLLED ENTITIES**  
**NOTES FOR THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

**8. CONSOLIDATED ENTITIES**

	Country of Incorporation	Equity Interest %		Investment \$	
		2009	2008	2009	2008
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	-	1	-

\* On 21 May 2009 the Company registered a wholly owned subsidiary, Prosperity Resources (Indonesia) Pty Ltd ("PSP Indo") to hold interest in our metal projects in Indonesia. PSP Indo is a proprietary company limited by shares and registered in Western Australia, Australia. PSP Indo has one ordinary share issued at \$1.

Prosperity Resources Limited is the ultimate Australian parent entity.

Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
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**9. PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment				
At cost	88,654	122,818	88,654	122,818
Accumulated depreciation	(47,207)	(36,994)	(47,207)	(36,994)
	41,447	85,824	41,447	85,824
Building				
At cost	75,825	75,825	75,825	75,825
Accumulated depreciation	(12,609)	(5,026)	(12,609)	(5,026)
	63,216	70,799	63,216	70,799
Land				
At cost	62,680	62,680	62,680	62,680
Accumulated depreciation	-	-	-	-
	62,680	62,680	62,680	62,680
Motor Vehicles				
At cost	132,523	72,523	132,523	72,523
Accumulated depreciation	(77,126)	(66,305)	(77,126)	(66,305)
	55,397	6,218	55,397	6,218
Total net book value	222,740	225,521	222,740	225,521

**Reconciliation**

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

Carrying amount at beginning of year	225,521	29,402	225,521	29,402
Additions	68,927	231,706	68,927	231,706
Disposals	(32,012)	-	(32,012)	-
Depreciation	(39,696)	(35,587)	(39,696)	(35,587)
Carrying amount at end of year	222,740	225,521	222,740	225,521



**PROSPERITY RESOURCES AND ITS CONTROLLED ENTITIES**  
**NOTES FOR THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
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**10. CAPITALISED MINERAL  
EXPLORATION AND EVALUATION  
EXPENDITURE**

**In the exploration and evaluation phase**

Balance at start of year	6,117,745	2,103,308	-	-
Add: Expenditure incurred during the year	2,901,584	6,566,350	-	-
Exploration expenditure relating to acquisition	-	618,614	-	-
Less: Expenditure written off during the year	(2,410,109)	(3,170,527)	-	-
Total amount capitalised at end of year	<b>6,609,220</b>	<b>6,117,745</b>	<b>-</b>	<b>-</b>

**11. TRADE AND OTHER PAYABLES**

**Current**

*Unsecured*

Trade creditors	184,532	341,382	184,532	341,382
Amounts owed to Directors and/or Director-related entities	87,917	59,346	87,917	59,346
<i>Accruals</i>				
Audit fee	15,000	17,083	15,000	17,083
General	189,676	53,768	189,676	53,767
<i>Other Creditors</i>				
PAYG withholding tax	10,405	17,086	10,405	17,086
Superannuation payable	-	5,958	-	5,958
	<b>487,530</b>	<b>494,623</b>	<b>487,530</b>	<b>494,622</b>

**12. PROVISIONS**

**Current**

Employee entitlements	<b>46,581</b>	<b>61,386</b>	<b>46,581</b>	<b>61,386</b>
Number of employees at year end	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>

**13. BORROWINGS**

Related parties*	354,244	-	354,244	-
Third parties^	500,000	-	500,000	-
	<b>854,244</b>	<b>-</b>	<b>854,244</b>	<b>-</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 in full on the 31 December 2009.

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

**14. CONTRIBUTED EQUITY**

(a) Ordinary Shares 205,075,373 (2008: 176,775,373)	20,211,332	18,831,332	20,211,332	18,831,332
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	Number of Shares 2009	Number of Shares 2008	Total \$ 2009	Total \$ 2008
(b) Share Movements during the year				
Balance at the beginning of the year	176,775,373	93,775,373	18,831,332	10,531,332
Issue Oct 07 at 10 cents	-	38,000,000	-	3,800,000
Issue Feb 08 at 10 cents	-	45,000,000	-	4,500,000
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	-
Less:				
Capital Raising Costs	-	-	-	-
	<b>205,075,373</b>	<b>176,775,373</b>	<b>20,211,332</b>	<b>18,831,332</b>

(c) Options

**Listed Options**

There were no listed options on issue.

**Unlisted Options**

The unlisted options as at 30 June 2009 are as follows:

Number of Options	Exercise Price	Expiry Date
250,000	30 cents	31 Dec 09
4,000,000	5 cents	28 Feb 10
10,000,000	5 cents	31 Mar 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
700,000	5 cents	28 Feb 13
500,000*	5 cents	28 Feb 13
1,000,000*	10 cents	28 Feb 13
<b>60,050,000</b>		

\* Vesting condition to be met

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30<sup>th</sup> June 2009

**14. CONTRIBUTED EQUITY (Continued)**

**(c) Unlisted Option Movements during the year**

**OPTIONS**

Balance at the beginning of the year	37,100,000
Issued during the year	74,800,000
Expired during the year	<u>(51,850,000)</u>
Balance at the end of the year	<u><u>60,050,000</u></u>

**(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. Option Reserves**

Movements during the year:

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>The Company 2009 \$</b>	<b>The Company 2008 \$</b>
Opening balance	730,610	579,346	730,610	579,346
Share based payments	144,231	151,264	144,231	151,264
Closing balance	<u><b>874,841</b></u>	<u><b>730,610</b></u>	<u><b>874,841</b></u>	<u><b>730,610</b></u>

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

**16. ACCUMULATED LOSSES**

Accumulated losses at the beginning Of the year	(11,589,687)	(7,515,210)	(11,589,687)	(7,515,210)
Net loss attributable to members of the parent Company	(3,622,806)	(4,074,477)	(3,622,806)	(4,074,477)
Accumulated losses at the end of the year	<u><b>(15,212,493)</b></u>	<u><b>(11,589,687)</b></u>	<u><b>(15,212,493)</b></u>	<u><b>(11,589,687)</b></u>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

**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:

	<b>2009 No</b>	<b>2009 WAEP</b>	<b>2008 No</b>	<b>2008 WAEP</b>
Outstanding at the beginning of the year	7,100,000	0.22	-	-
Granted during the year	10,700,000	0.11	7,100,000	0.22
Expired during the year	(1,750,000)	(0.20)	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	<b>16,050,000</b>	<b>0.15</b>	<b>7,100,000</b>	<b>0.22</b>
Exercisable at the end of the year	<b>15,050,000</b>	<b>0.14</b>	<b>5,600,000</b>	<b>0.21</b>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is between 0.5 and 3.67 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 \$0.009.

The fair value of the equity-settled share options granted under the Plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

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

<b>Fair Value Per Option</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Grant date	27 Nov 08	6 Mar 09	12 Mar 09
Number of options	750,000	8,000,000	1,200,000
Expiry date	31 Dec 09 to 31 Dec 11	28 Feb 10 to 28 Feb 12	28 Feb 13
Exercise price	0.30 - 0.50	0.05 - 0.15	0.05 - 0.10
Price of shares on grant date	0.045	0.015	0.02
Estimated volatility	70%	70%	70%
Risk-free interest rate	5.25%	3.25%	3.25%
Divided yield	-	-	-
Non listed status discount	20%	20%	20%

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 expenses in the year was \$144,231 (2008 - \$151,263).

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

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 2009 was \$1,252,296 (2008 - \$920,394).			
<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 2009 was \$153,205 (2008 - \$153,205).			

19. **KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Directors**

***Managing Director***

M I Munshi

***Non - Executive Directors***

J P Arbuckle

J S Hempel (appointed 21 Jul 2008)

**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**

S Delaney

G Taylor (appointed 30 Apr 09)

**Position**

Chief Financial Officer

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 2009

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

**Compensation for Key Management**

	<b>Consolidated 2009</b>	<b>Consolidated 2008</b>	<b>The Company 2009</b>	<b>The Company 2008</b>
Short term benefits	786,035	722,898	786,035	722,898
Post employment benefits	34,133	33,505	34,133	33,505
Long term benefits	-	-	-	-
Termination benefits	44,000	-	44,000	-
Share-based payment	9,579	151,263	9,579	151,263
<b>Total Compensation</b>	<b>873,747</b>	<b>907,666</b>	<b>873,747</b>	<b>907,666</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.

<b>Year ended 30 June 2009</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Balance at date of resignation</b>	<b>Other net changes during the year</b>	<b>Balance at the end of the year</b>
<b>Directors</b>					
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'Herpinier	-	-	-	-	-

<b>Year ended 30 June 2008</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Balance at date of resignation</b>	<b>Other net changes during the year</b>	<b>Balance at the end of the year</b>
<b>Directors</b>					
M I Munshi	-	-	-	-	-
J P Arbuckle	-	-	-	-	-
R M Dawson	3,690,297	-	-	180,000	3,870,297
G J Artmont	-	-	-	-	-
M R Worsley	-	-	-	1,800,000	1,800,000
<b>Other Key Management Personnel</b>					
S Delaney	-	-	-	-	-
H Lennerts	-	-	-	-	-
P L'Herpinier	-	-	-	-	-

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

**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 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'Herpinier	1,000,000	-	-	(1,000,000)	-	-	-

Year ended 30 June 08							
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	5,000,000
J P Arbuckle	-	-	-		-	-	-
R M Dawson	3,307,500	-	-		(307,500)	3,000,000	3,000,000
G J Artmont	-	-	-		-	-	-
M R Worsley	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>							
S Delaney	-	1,000,000	-	-	-	1,000,000	500,000
H Lennerts	-	100,000	-	-	-	100,000	100,000
P L'Herpinier	-	1,000,000	-	-	-	1,000,000	-

**20. AUDITOR'S REMUNERATION**

Audit services	22,224	35,761	22,224	35,761
	22,224	35,761	22,224	35,761

**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
<i>Consolidated Subsidiaries</i>	<b>2009</b>	<b>2008</b>	
Prosperity Resource (Yalgoo) Pty Ltd	5,172,481	4,655,441	-
Prosperity Resources (Mt Gibson) Pty Ltd	1,941,861	1,565,796	-
Prosperity Resources (Tennant Creek) Pty Ltd	2,269,783	1,020,957	-
Prosperity Resources (Indonesia) Pty Ltd	356,924	-	-

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

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

The following transactions have occurred with related parties:

	Consolidated 2009 \$	Consolidated 2008 \$	The Company 2009 \$	The Company 2008 \$
Sales from consultancy services provided to:				
Gobi Coal and Energy Limited	53,934	40,799	53,934	40,799
Omega Gold Investment Limited	31,100	27,242	31,100	27,242
Zaraiya Holdings Limited	20,400	31,885	20,400	31,885
Batu Mining Limited	22,956	-	22,956	-
Iliria Mining Corporation	10,600	-	10,600	-
Consultancy services provided by:				
Gobi Coal and Energy Limited	13,131	85,929	13,131	85,929
Greenwich Legal	25,792	-	25,792	-
R & K Global Finance Ltd	335,000	130,871	335,000	130,871

The following transactions are balances outstanding with related parties:

Trade receivables:				
Gobi Coal and Energy Limited	3,815	32,770	3,815	32,770
Omega Gold Investment Limited	4,400	8,371	4,400	8,371
Zaraiya Holdings Limited	1,200	9,281	1,200	9,281
Iliria Mining Corporation	4,000	-	4,000	-
Trade payables:				
Gobi Coal and Energy Limited	-	26,721	-	26,721
R & K Global Finance Ltd	87,917	40,000	87,917	40,000
Loan payables:				
Suri Management LLC	354,244	-	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 \$1,359,031 (2008: \$2,009,925). 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 2009

**24. SEGMENT INFORMATION**

Business and geographical segments:

The operations and assets of Prosperity Resources Limited and its controlled entities are predominantly employed in exploration activities relating to minerals in Australia and Indonesia.

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

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

**Consolidated  
2009  
\$**

**Consolidated  
2008  
\$**

(3,622,806)

(4,074,477)

**Number of Shares**

**Number of Shares**

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

189,404,608

135,357,340

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 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>The Company 2009 \$</b>	<b>The Company 2008 \$</b>
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**26. NOTES TO THE CASH FLOW STATEMENT**

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

Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	185,358	239,532	185,357	239,531
Deposits at call	100,000	1,700,000	100,000	1,700,000
	<b>285,358</b>	<b>1,939,532</b>	<b>285,357</b>	<b>1,939,531</b>

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

Loss from operating activities after income tax	(3,622,806)	(4,074,477)	(3,622,806)	(4,074,477)
<i>Adjustments for:</i>				
Depreciation	39,696	35,587	39,696	35,587
Provision for subsidiary loan write offs	-	-	2,410,109	3,170,527
Net loss / (gain) on investment	3,300	(17,878)	3,300	(17,878)
Exploration expenditure written off	2,410,109	3,170,527	-	-
Provision for employee entitlements	(14,805)	29,151	(14,805)	29,151
Share based payments expenses	494,231	151,263	494,231	151,263
Disposal of PPE	14,512	-	14,512	-
<i>Changes in operating assets and liabilities</i>				
(Decrease) / increase in creditors	(7,093)	131,758	(7,093)	131,758
(Increase) / decrease in prepayments	6,536	(6,240)	6,536	(6,240)
(Increase) / decrease in receivables	90,913	(155,064)	90,913	(155,064)
Net cash outflows used in operating Activities	<b>(585,407)</b>	<b>(735,371)</b>	<b>(585,407)</b>	<b>(735,371)</b>

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

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

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

The Company issued 5,000,000 shares at a deemed price of \$0.04 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 instruments:

	<b>Consolidated 2009 \$</b>	<b>Consolidated 2008 \$</b>	<b>Parent Entity 2009 \$</b>	<b>Parent Entity 2008 \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	285,358	1,939,532	285,357	1,939,531
Trade and other receivables	117,319	208,232	117,319	208,232
Other financial assets	-	3,300	6,609,221	6,121,045
	<b>402,677</b>	<b>2,151,064</b>	<b>7,011,897</b>	<b>8,268,808</b>
<b>Financial liabilities</b>				
Trade and other payables	487,530	494,623	487,530	494,622
Borrowings	854,244	-	854,244	-
	<b>1,341,774</b>	<b>494,623</b>	<b>1,341,774</b>	<b>494,622</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.

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

	<b>30 June 2009 USD \$</b>	<b>30 June 2008 USD \$</b>
<b>Cash and Cash equivalents</b>	79,966	11,468
<b>Loan payable</b>	285,000	-

*Group and Parent Entity 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.



**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2009

**27. FINANCIAL INSTRUMENTS**  
**(a) Market Risk (Continued)**

*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:

	<b>30 June 2009</b>	<b>Balance</b>	<b>30 June 2008</b>	<b>Balance</b>
	<b>Weighted Average</b>		<b>Weighted Average</b>	
	<b>Interest Rate %</b>	<b>\$</b>	<b>Interest Rate %</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash at Bank	2.00	184,856	4.06	239,031
Cash in Hand	-	502	-	501
Term Deposits	5.58	100,000	7.4	1,700,000
Deposit paid	4.03	71,301	5.22	70,525
		<b>356,659</b>		<b>2,010,057</b>

*Group Sensitivity*

At 30 June 2009, 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 \$3,567 lower/higher (2008 – \$20,101 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

*Parent Entity Sensitivity*

The parent entity's main interest rate risk arises from cash equivalents with variable interest rates. At 30 June 2009, if the interest rate had changed by 1% pa from the year end rates with all other variables held constant, post tax losses would have been \$3,567 lower/higher (2008 – \$20,101 lower/higher) 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:

	<b>Consolidated</b>	<b>Consolidated</b>	<b>The Company</b>	<b>The Company</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Trade Receivables</b>				
<i>Counterparties without external credit rating</i>				
Group 1	-	-	-	-
Group 2	18,109	53,187	18,109	53,187
Group 3	-	-	-	-
<b>Total Trade Receivables</b>	<b>18,109</b>	<b>53,187</b>	<b>18,109</b>	<b>53,187</b>
<b>Cash at Bank &amp; Short-Term Deposits</b>				
<i>Counterparties with external credit rating (Moody's) B</i>	284,856	1,939,031	284,856	1,939,031
<i>Counterparties without external credit rating</i>	-	-	-	-
	<b>284,856</b>	<b>1,939,031</b>	<b>284,856</b>	<b>1,939,031</b>

**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.**

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

**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 2009, the Company has not issued any options and does not consider the issue of options to be highly probable.

The Company has extended the repayment date of the \$500,000 loan from Resource Global Finance Limited from 30 June 2009 to 31 December 2009 and will need to issue 2,000,000 shares before 31 December 2009. The Company has the option to further extend the repayment date to 30 June 2010 with the issue of another 5,000,000 options.

On 16 June 2009, the Company entered into another Loan Agreement with Resource Global Finance Limited for US\$500,000. This loan is secured by a second charge on the Group's interest in a Cooperation Agreement with a partner to explore minerals in Indonesia. The loan is repayable in full on 30 June 2010. The Company needs to issue 5,000,000 shares and 10,000,000 options as a fee for the first US\$250,000 drawn down and an additional 5,000,000 options for the second US\$250,000 draw down. At the date of this report, the Company has drawn down US\$220,000.

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

**29. SUBSEQUENT EVENTS**

Subsequent to year end, 20,000,000 options were reissued to strategic investors to replace those options that lapsed on 30 June 2009. These options are exercisable at \$0.10 each, on or before 31 December 2009.

The Company entered into a Sale and Purchase Agreement to dispose of the investment in Masuparia for the sum of US\$112,500. This investment has been fully written down at 30 June 2009. As the sale proceeds are received after 30 June 2009, they will be reported in the 31 December 2009 half year report.

On 10 July 2009, PSP Indonesia Pty Ltd incorporated a subsidiary called PT Prospindo in Jakarta, Indonesia with a 90% interest. PT Prospindo will act as our investment vehicle to hold our Indonesian mining assets.

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.

## **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 19 to 46 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 Company and consolidated entity as at 30 June 2009 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.

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

Signed at Perth this 29th day of September 2009



**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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) compliance 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 2.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 11 to 14 of the directors' report for the year ended 30 June 2009. 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 International Limited for the year ended 30 June 2009 complies with section 300 A of the *Corporations Act 2001*.

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

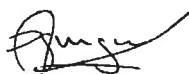
Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. At 30 June 2009 the consolidated entity had negative working capital of \$1,029,581 and had incurred a loss for the year of \$3,622,806. 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 (\$6,609,220) is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the assets, the consolidated entity may not be able to continue as a going concern and the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

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

*Stantons International*



**Keith Lingard**  
Director

West Perth, Western Australia  
29 September 2009



# Stantons International

ABN 41 103 088 697

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

29 September 2009

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

Dear Directors

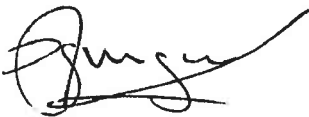
**RE: PROSPERITY RESOURCES LIMITED**

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 2009, 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 21 September 2009.

#### **Number of Shares**

207,075,373 Ordinary Shares (PSP)

#### **Distribution of Equity Securities**

Analysis of numbers of shareholders by size of holding:

<b>Distribution</b>	<b>Number of Shareholders</b>
1 – 1,000	9
1,001 – 5,000	36
5,001 – 10,000	87
10,001 – 100,000	290
More than 100,000	133
<b>Totals</b>	<b>555</b>

#### **Holders of Non Marketable Parcels**

There were 28 holders of less than a marketable parcel of ordinary shares.

#### **Substantial Shareholders**

The following shareholders are recorded in the register of Substantial Shareholders

	<b>Number</b>	<b>Percentage</b>
PRUFROCK PARTNERS LIMITED	41,199,000	19.90
SURINA INVESTMENTS LIMITED	22,443,534	10.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,834,238	7.65
DER LA NOBLE CORPORATION LTD	11,250,000	5.43

#### **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:

Rank	Name	Units	% of Issued Capital
1	PRUFROCK PARTNERS LIMITED	41,199,000	19.90
2	SURINA INVESTMENTS LIMITED	22,443,534	10.84
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,834,238	7.65
4	DER LA NOBLE CORPORATION LTD	11,250,000	5.43
5	INNER MONGOLIA TAI XI MEI GROUP CO LTD	10,000,000	4.83
6	GRAVITY LIMITED	9,675,000	4.67
7	UBS NOMINEES PTY LTD	9,100,000	4.39
8	R & K GLOBAL FINANCE LTD	5,000,000	2.41
9	MR PETER ROBERT OTTON MRS CAROLE ANNE OTTON OTTON SUPER FUND A/C	3,900,000	1.88
10	ANZ NOMINEES LIMITED CASH INCOME A/C	3,828,177	1.85
11	REGALINE HOLDINGS INC	3,375,000	1.63
12	RESOURCE GLOBAL FINANCE LTD	3,000,000	1.45
13	CITICORP NOMINEES PTY LIMITED	2,946,972	1.42
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,663,390	1.29
15	BASE ASIA PACIFIC LIMITED	2,400,000	1.16
16	ASHABIA PTY LTD (SUPERANNUATION FUND A/C)	2,300,000	1.11
17	SINO CHINA TRADING LIMITED	2,000,000	0.97
18	MR MILES RICHARD WORSLEY	1,800,000	0.87
19	NATIONAL NOMINEES LIMITED	1,680,441	0.81
20	DAVSLAV PTY LTD	1,507,601	0.73

**PROSPERITY RESOURCES LIMITED & ITS CONTROLLED ENTITIES**

**SUMMARY OF TENEMENTS**

(as at 30 September 2009)

<b>Project</b>	<b>Lease</b>	<b>Equity</b>	<b>Joint Venture</b>	<b>Operator</b>
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 59/1011	100%	-	Prosperity Resources
Mt Gibson	E 59/1038	100%	-	Prosperity Resources
Mt Gibson	E 59/1102	75%	Mawson West Ltd	Prosperity Resources
Mt Gibson	E 59/1404	100%	-	Prosperity Resources
Mt Gibson	M 59/0275	100%	-	Prosperity Resources
Mt Gibson	P 59/1816	100%	-	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

E - Exploration Licence  
M - Mining Lease  
P - Prospecting

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