



PROSPERITY

December 2008 Quarterly Report

HIGHLIGHTS

- **Successful Capital Raising to focus on Indonesian Projects**
- **Agreement signed with Strategic Indonesian Partner**
- **Continue to search for strategic partner for Australian Assets**
- **Focus on cost reduction**



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Capital Structure:

ASX Listed Shares: 200M
ASX Unlisted Options: 47M

ASX Code:

PSP – ordinary shares

Directors:

Mo Munshi
Chairman/Managing Director

John Arbuckle
Non-Executive Director

Sebastian Hempel
Non-Executive Director



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Capital Raising to focus on Indonesia Projects

Prosperity Resources Ltd (Prosperity) reached agreement to raise \$1,000,000 by issuing 20 million ordinary fully paid shares at 5 cents each on 23 December 2008. The Company issued 10 million shares each to Tai Xi, a strategic Chinese investor and PT Dana Mitra Utama, the Company's joint venture partner in Indonesia on 21 January 2009.

Tai Xi Coal Group is a privately owned joint-stock enterprise based in Inner Mongolia that integrates the production, processing and distribution (export) of coal and coal based products, non coal mine products and high energy carrying products. The product line up of the Group substantially consists of anthracite, flame coal, coking coal, tamped coal, silicon iron, carbon, super low-ash fine coal, high grade coal based active carbon and industrial coal. The Tai Xi Coal Group owns three coal terminals with a combined annual shipment capacity of 3 million tons, including an export of 600,000 tons and three coal washing plants with a cumulative washing capacity of 3 million tons.

PT Dana Mitra Utama is an Indonesian registered company and is a party to the Joint Venture agreement signed with Prosperity in October 2008. Mr Jopie Widjaja is a majority shareholder in Dana and has been involved as a Director and/or Commissioner in many publicly listed and private businesses in the transportation, infrastructure and banking sectors. He is also a Director of PT Infiniti Group, an operator of private trains in Jakarta and ferry transportation between Java and Sumatra. He is Chairman of the Central Board of Land Transportation Organisation of Indonesia and also a member of the Central Board of the Indonesian Indigenous Businessman Association.

Strategic Indonesian Partnership

Prosperity announced on 13 October 2008 that it had entered into a cooperation agreement with PT Dana Mitra Utama ("Dana") of Jakarta, Indonesia. The purpose of this agreement is to have a strong Indonesian partner to assist with the acquisition of quality projects in Indonesia.

The key terms of the agreement are:

- the companies will establish a local Joint Venture PT company and Dana will hold a maximum of 10% equity and the remaining 90% equity will be funded by Prosperity. The objective is for the PT Company to acquire shares of local KP Companies which hold the prospective project KPs;
- Prosperity agrees to provide appropriate financing arrangements to the KP Companies whereby Prosperity shall fund or arrange for the Pre-Operation Costs or Costs of Exploration subject to the sole discretion of Prosperity up until the stage of a Feasibility Study;



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- Prosperity will have Board control of the local Joint Venture PT Company and nominate the President Director and one other Director whilst Dana shall be entitled to nominate one Director. The President Commissioner and one Commissioner shall be nominated by Prosperity while Dana shall be entitled to nominate one Commissioner.

Prosperity has an experienced geological team based in Jakarta which is reviewing exploration prospects in conjunction with Dana.

Australian Assets

Prosperity is reviewing the results of the drilling program completed at Tennant Creek in the September 2008 quarter with a view to further refine the most prospective targets.

Prosperity continues to earn equity in the Mt Gibson iron ore project through the joint venture agreement with Mawson West Ltd. Limited work completed in the December 2008 quarter with field work due to continue in the coming quarter. Prosperity is seeking a strategic joint venture partner to invest in the Tennant Creek and Mt Gibson assets to allow the company to focus on new projects in Indonesia.

The Company is continuing negotiations to sell all or part of the Yalgoo group of tenements.

Corporate

Prosperity held its Annual General Meeting on 27 November 2008. Mr John Arbuckle and Mr Sebastian Hempel were re-elected as non executive directors. Prosperity secured an interest free \$500,000 loan from Resource Global Finance Ltd on 20 October 2008. The loan is repayable by 31 December 2009. The Company issued 3,000,000 ordinary shares and 10,000,000 options exercisable at 5 cents before 31 March 2010 to Resource Global Finance Ltd as a fee for the loan.

Since the quarter end Prosperity issued 20,000,000 ordinary fully paid shares to the Tai Xi Coal Group and PT Dana.

Prosperity continues to focus on tight cost control with staff reductions in the corporate office during the quarter.

The information in the report to which this statement is attached that relates to Mineral resources or Ore reserves is based on information compiled by Mr D. J. Holden, who is a Member of The Australian Institute of Mining and Metallurgy. Mr Holden is employed by Shackleton Capital. Mr Holden has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Mr Holden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



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