



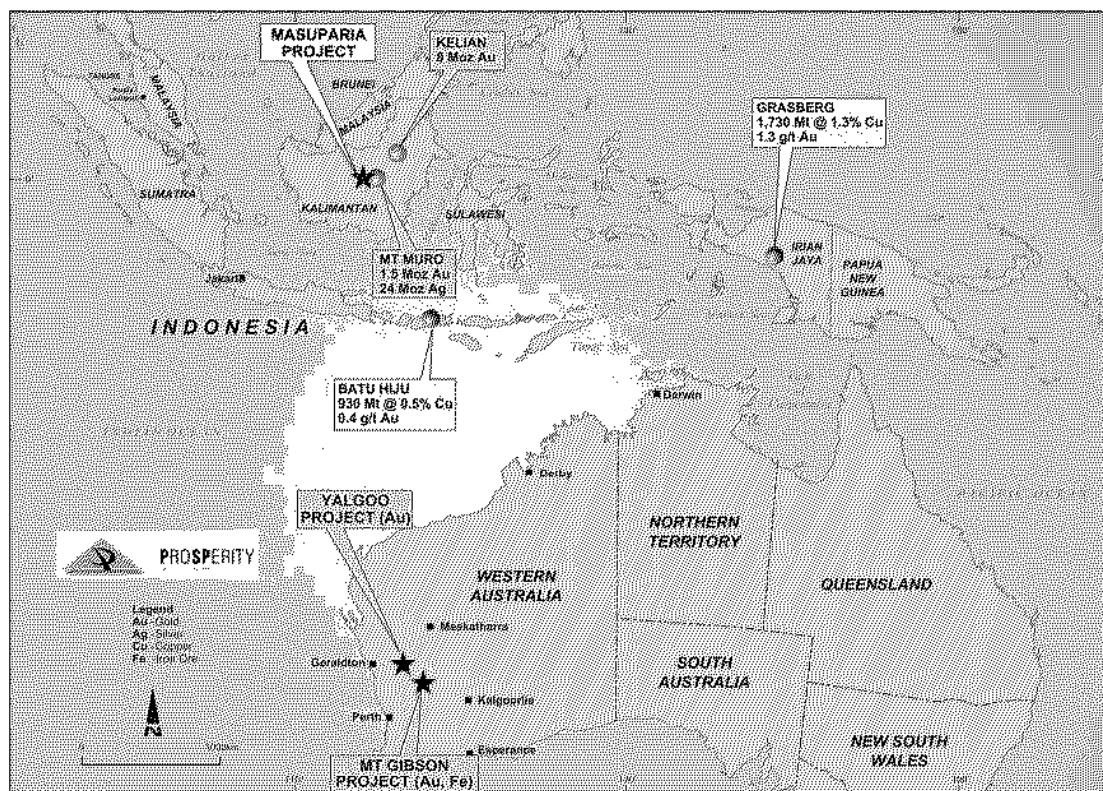
PROSPERITY

QUARTERLY REPORT

MARCH 2007

Highlights

- Further target generation work completed at Mt Gibson in preparation for new field season work, whilst plans to explore the iron ore potential continue
- Target generation highlights 17km of iron formation to test for haematite and magnetite from three prospects
- Discussions finalised with third party interests in selling Yalgoo North Project for \$2.0m



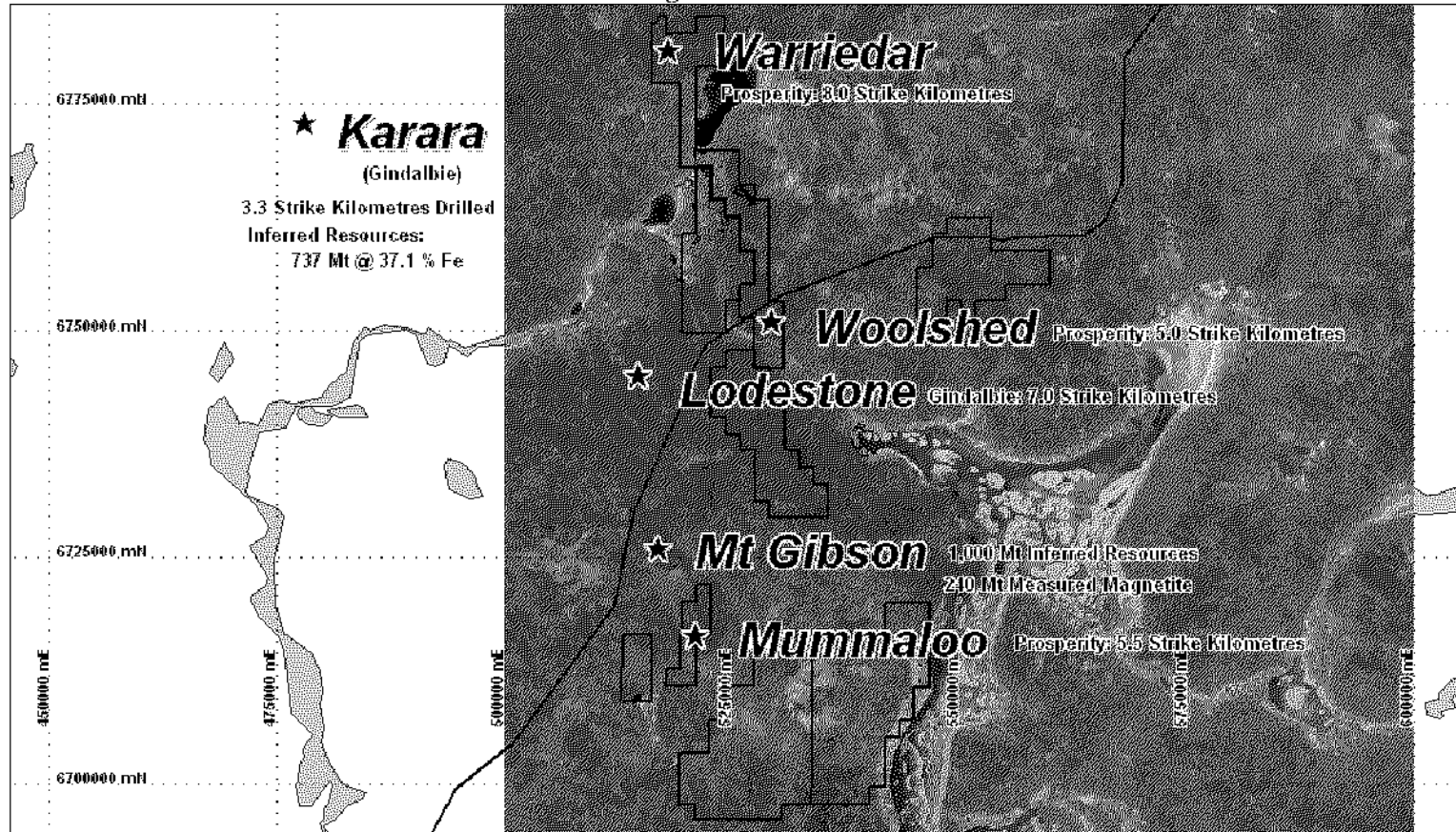
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Exploration

Mt Gibson and Warriedar Locations with other regional occurrences



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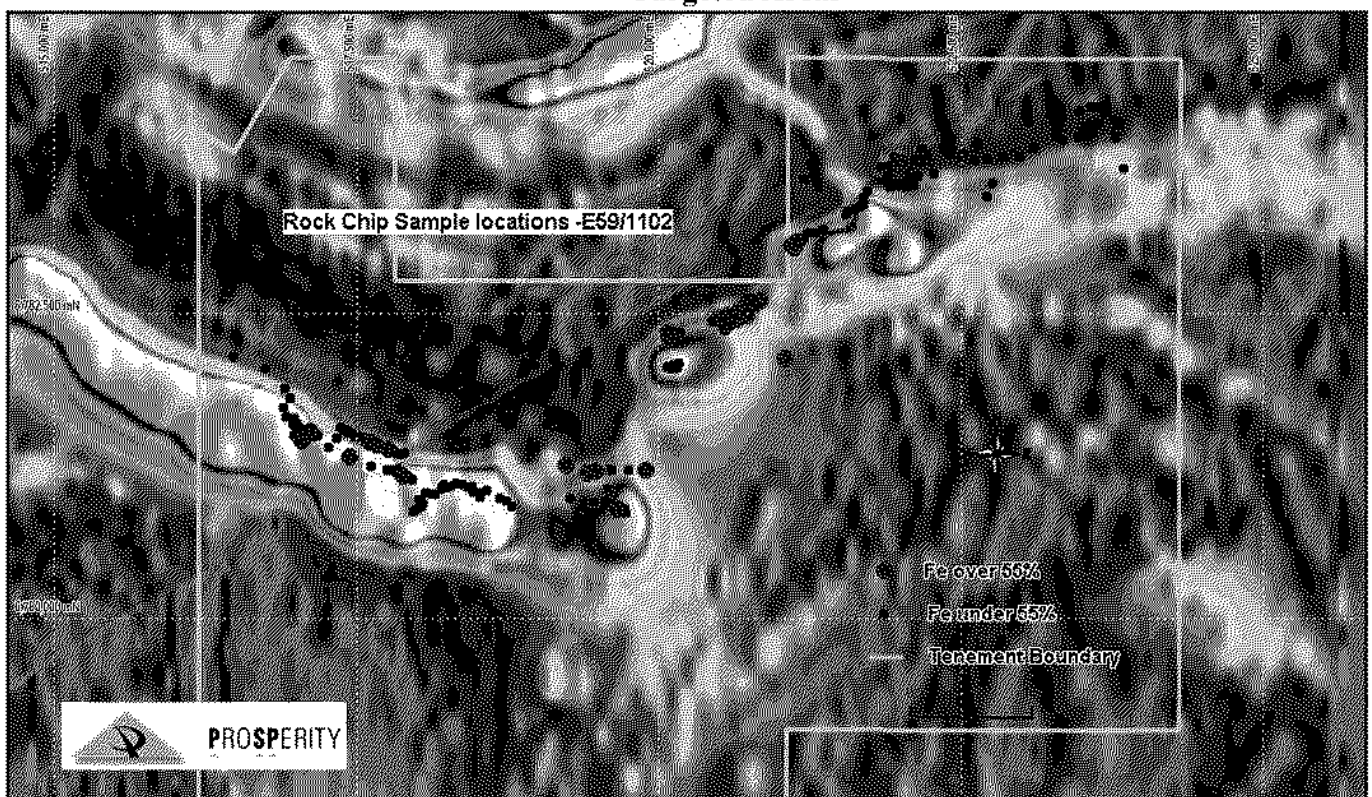
Mt Gibson Projects

Warriedar Area

EL59/1102 (PSP earning 60%, MWE 40%)

A reconnaissance trip to the area to determine the potential for iron ore in the strongly magnetic banded iron formations in two distinct areas was successful and has returned encouraging iron analysis of up to **62.8% Fe** and will result in a more detailed rock chip sampling and geological mapping programme early this quarter.

Targeted Areas



For more detailed results, visit the website www.prosperity.net.au and follow the link www.prosperity.net.au/news/docs/070426_warriedar.pdf

Woolshed Prospect

EL59/1102 (PSP earning 60%, MWE 40%)

A field trip is to be completed by the company with future mapping and geochemical sampling to enabled future target generation.



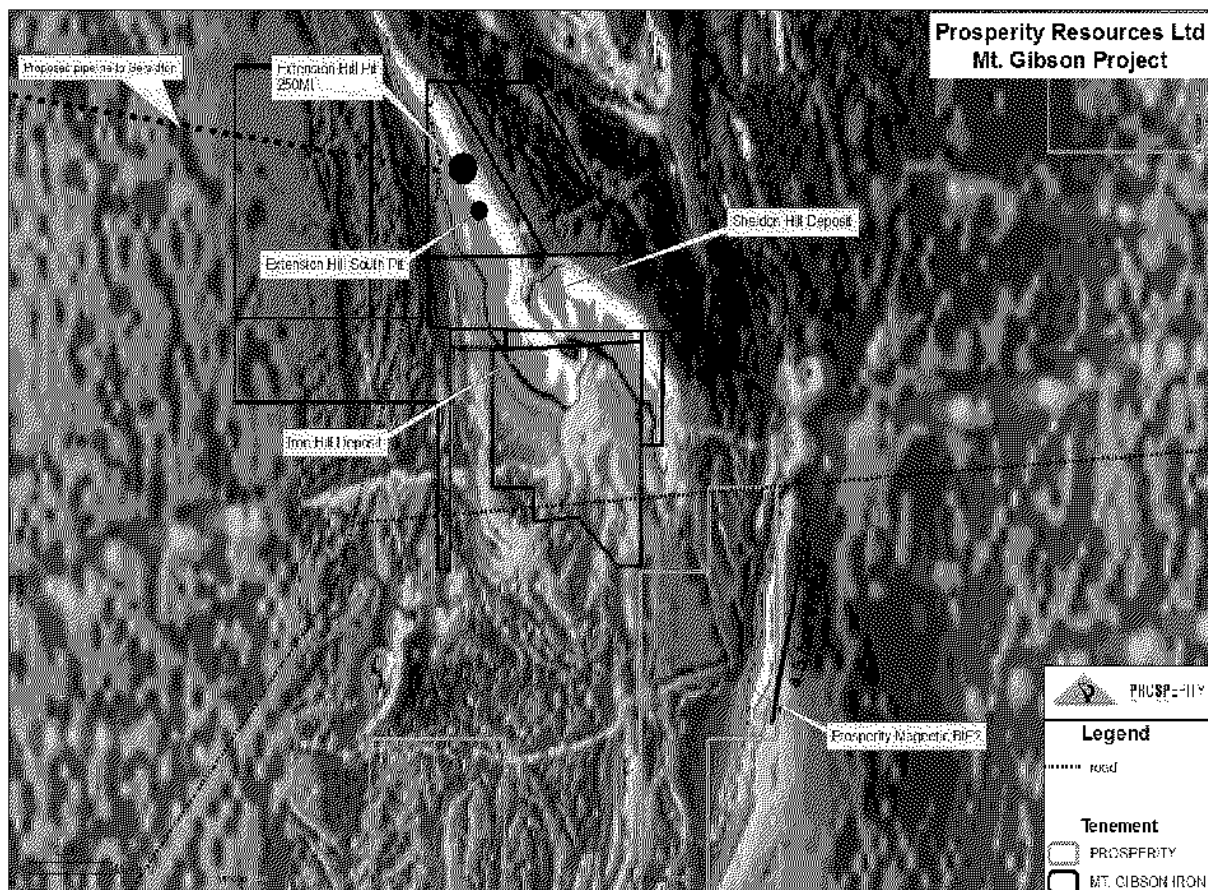
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**Mummaloo Prospect
ELA 59/1011 (PSP 100%)**

Following on from the regional mapping and rock chip sampling conducted the previous quarter, the company's geological staff are preparing drill programmes in preparation for a drilling campaign (subject to granting of ELA59/1011) in 2007. The company expects the imminent granting of licence E59/1011 now that State Deeds have been signed by the Native Title Claimants.



ELA's 59/878, 59/903, (PSP 60% earning interest MWE 40%), ELA 59/1038 (PSP 100%) ML59/275, PL59/1168,

During the quarter, the company completed an extensive literature review targeting base metal and iron exploration within and surrounding the ground held by it. As a result of this exploration strategy involving industry recognised consultants and a subsequent field visit by company staff, a target generation map has been completed. It is anticipated that geochemical



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sampling and further detailed mapping will be undertaken on the priority target areas identified from the exploration exercise to date during the coming quarter.

The company expects to further increase its exploration activity during the quarter with the imminent granting of licence E59/1038. Further, the company is aware joint venture partners, Mawson West Ltd have signed State Deeds for their tenements E59/853, 878 and 903 and are in the DoIR for granting.

Already a heritage survey has been completed over these areas and a report is due for completion early within the next quarter.

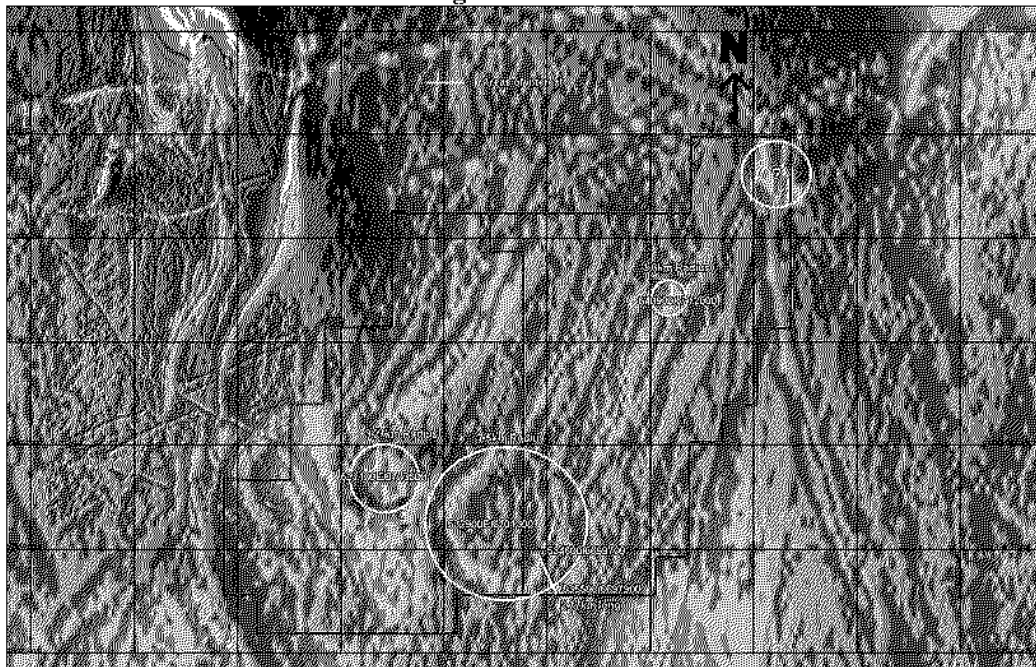
A low level Environmental Report has been prepared by ATA Environmental to allow for Programme of Work (PoW) approval from DoIR once drilling targets are identified.

Imminent granting of these tenements is expected this coming quarter now that State Deeds have been signed by the Native Title Claimants

EL 59/1159-1160 (PSP 100%)

The circled areas below have been highlighted a number of potential targets due to the strong magnetic anomalies in a granitic terrain. They may indicate a carbonatite due to the ring complex signature. A field investigation has identified there is no outcrop on the surface and a first pass aircore programme has been organised for the start of the next quarter to coincide with the field work at Warriedar.

Targeted Areas



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Payne's Find Project

ELA 59/853 (PSP 60% earning interest MWE 40%)

Native title negotiations have been completed and there are expectations for the granting of this tenement now that State Deeds have been signed by the Native Title Claimants. Access to a new aeromagnetic survey over this tenement will provide a fresh geophysical interpretation and target generation.

Masuparia 'Contract of Work' Project – Central Kalimantan, Indonesia
(PSP 10% Golden Arrow Resources Ltd, option to claw back to 20%)

Rina copper-gold porphyry Prospect

The operators of the Masuparia Project have completed deep diamond drilling within the Rina prospect.

The first of two deep diamond drill holes, RDH-14 has been completed at **862.8 metres**, testing the Rina prospect for large high grade porphyry copper-gold mineralisation.

The drill hole intersected continuous mineralisation from surface and within it, three wide zones of stronger mineralisation occur. These represent a network of veins from a large igneous mass of rock that shows increasing width and grade of mineralisation with depth.

Significant new analytical results are:

159 metres at 0.27% copper and 0.25g/t gold from 544m
*including 104 metres at 0.30% copper and 0.27g/t gold from 544m
(+1g/t gold equivalent or +0.40% copper equivalent)*

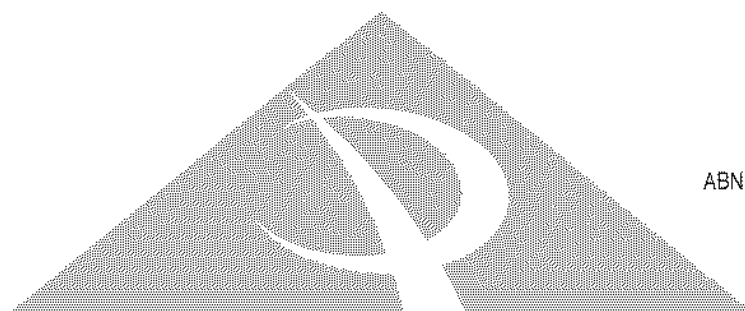
21 metres at 0.20 % copper and 0.28g/t gold from 764m
including 7 metres at 0.26% copper and 0.50g/t gold from 771m

The second hole RDH-15 been completed at **643 metres**, testing the Rina prospect for large high grade porphyry copper-gold mineralisation.

The drill hole intersected continuous mineralisation from surface and within it, one wide zone of stronger mineralisation occur.

Significant new analytical results are:

233 metres at 0.21% copper and 0.33g/t gold from 250m
*including 25 metres at 0.30% copper and 0.49g/t gold from 278m
(+1.24g/t gold equivalent or +0.30% copper equivalent)*
and 11 meters at 0.25% copper and 0.37g/t gold from 329m
and 18 metres at 0.25 % copper and 0.64g/t gold from 373m





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General

Other Projects

During the quarter, the company has continued to evaluate other opportunities in and outside Australia. Of the opportunities under assessment, the company is currently actively pursuing one with the expectation that further due diligence may be conducted on the project in the coming months.

For detail of the companies projects, visit our website www.prosperity.net.au/projects/reports.html

Corporate

Yalgoo North Project

Negotiations have been finalised on an option to sell the Yalgoo North Project on the following terms to Ausorex Pty Ltd or nominee ("Ausorex") on the following terms:

- Payment of a **\$50,000** non-refundable option fee for an Option to Purchase the Yalgoo Gold Project; expiry 3 months after signing of Option Agreement, with a right of extension for a further 3 months by payments of \$20,000, \$30,000 and \$50,000 for each additional month.
- If the option is exercised, Ausorex will purchase a 90% interest in Prosperity's equity in the Yalgoo Gold Project including the Melville Deposit, City of Melbourne Mine, and Brilliant Mine. The consideration for this transaction will be:
 - **\$1,250,000** in cash paid as follows:
 - \$750,000 paid on Ausorex's nominated entity being admitted to the official list of the Australian Securities Exchange ("ASX");and
 - \$500,000 on the first anniversary of the Listing Date of the nominated entity.
 - **\$700,000** worth of ordinary fully paid shares (based on a maximum price of 20 cents per share) in the nominated listed entity or \$700,000 cash paid (at the election of Ausorex), within 10 business days of exercise of the Option.
 - Prosperity will retain a **10% is free carried interest** until first bankable feasibility and thereafter a contributing interest.
 - subject to meeting all ASX regulatory requirements



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Appointment of Director

On the 7 March 2007, the Board of Prosperity agreed to appoint Mr Mo Munshi as a non-executive Chairman of the Company.

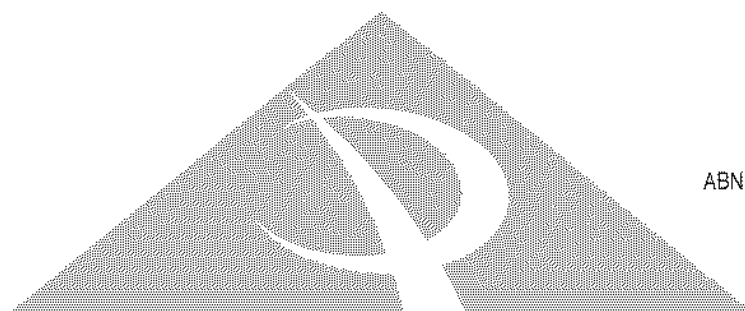
Mr Munshi is a geologist with an extensive mining engineering background with over 20 years experience, in exploration, development, production and both technical and corporate management, in the global mining industry.

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.

Over the last 12 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.

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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