



PROSPERITY

PROSPERITY RESOURCES

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PROSPERITY CONCLUDES BREAKTHROUGH AGREEMENT

Prosperity Resources Limited (ASX:PSP, "Company") advises that it has entered into a breakthrough agreement to accelerate development of its 41,000 hectare gold-copper project in Aceh Province, Indonesia.

The agreement guarantees the involvement of strong and effective local partners to secure and maintain open access to all project areas, and to expedite the development of potential open-pitting operations for near-term cash flow for the benefit of shareholders and the local communities.

The active engagement of strong, effective local partners is essential to successfully advance mineral resource projects in Indonesia. Atjeh Investment Consultancy Pte Ltd is backed by prominent businessman Mr Pedro Limardo, who enjoys close and positive relations with the newly-elected Aceh regional government and business community.

The agreement allows Prosperity to shift its exploration focus to the commencement of potential open-pit mining operations. In turn, these operations will be supported by the establishment of an ore beneficiation plant, and cash flow will be generated by concentrate exports.

The agreement calls for the staged issue of shares in the Company and the project-level IUP holding companies, against key deliverables geared toward gaining and maintaining unrestricted access to the project areas, as follows:

- 10 million shares in the Company upon execution of the MOU;
- 2.5 million shares in the Company upon AIC arranging uninterrupted access to the Kuini Prospect, situated within the the Company's ATP IUP for exploration activities and preparation for open-pit mining activities;
- 2.5 million shares in the Company upon AIC arranging uninterrupted access to the Mutiara Prospect, situated within the MKM IUP for exploration activities and preparation for open-pit mining activities;
- 2.5 million shares in the Company upon AIC arranging uninterrupted access to the Air Pinang Prospect, situated within the AMN IUP for exploration activities and preparation for open-pit mining activities;
- 2.5 million shares in the Company upon AIC arranging uninterrupted access to the Pelumat Prospect, situated within the BAM IUP for exploration activities and preparation for open-pit mining activities;

- 5 million shares in the Company upon commencement of open pit mining activities by a newly-established open-pit mining subsidiary (Open-Pit Mining Company) at any two of the Prospects referred to above;
- 5 million shares in the Company upon commencement of processing ore from the open pit mining activities described above;
- AIC will be granted unlisted options to purchase up to 20 million shares in the Company as follows:
 - Tranche 1: 10 million unlisted options to be granted on 1 July 2012 at 10 cents per share in Company, expiring 30 June 2013;
 - Tranche 2: subject to the exercise in full of the Tranche 1 options, 10 million unlisted options to be granted on 1 July 2013 at a 15% discount from the then market price, expiring 30 June 2014;
- Allocate a total of 10% shares in each of the Company's subsidiaries MMU, MKM, BAM, ATP, AWC and AMN and issue them to AIC as soon as the open-pit mining activities have been carried out in two of the Prospects mentioned above;
- Allocate a total of 20% equity in an Indonesian-registered Open-Pit Mining Company as soon as the Open-Pit Mining Company starts its open-pit mining activities in any of the areas;
- Allocate an initial 20% equity in a proposed listed Open-Pit Mining Company, which will take ownership of 100% of the shares in the Indonesian-registered Open-Pit Mining Company.
- Subject to all of the conditions mentioned above being met, 10 million shares in the Company will be issued to AIC on the successful listing of an Open-Pit Mining Company.

As highlighted above, shareholder value will be unlocked by spinning out this open-pit operation (including beneficiation and exports) and listing it on a regional stock exchange, subject to shareholder and regulatory approvals.

The agreement also sets a course for local project ownership, as mandated by Indonesian mining legislation.

The expectation is that this agreement represents just the first step in a long and fruitful relationship between two partners with common interests in acquiring, developing and exploiting additional mineral resources and other projects throughout the substantially under-explored Aceh province.

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