



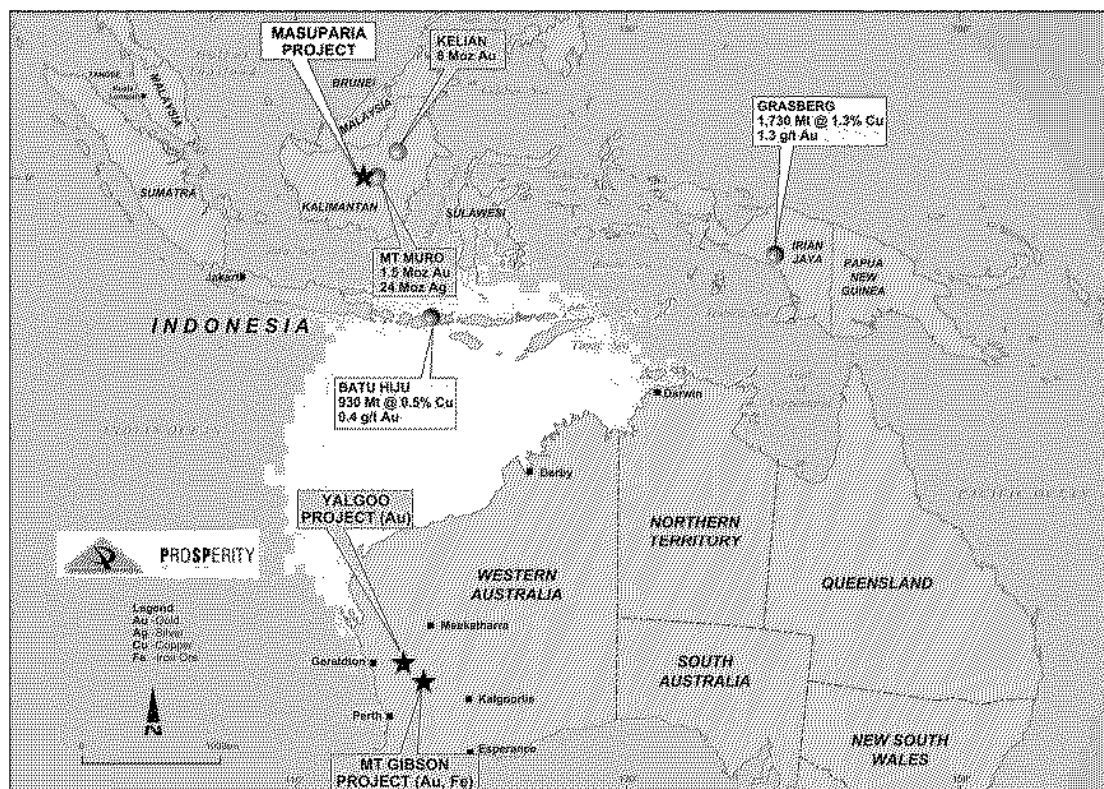
**PROSPERITY**

## QUARTERLY REPORT

DECEMBER 2006

### Highlights

- Deep drilling continues on the Masuparia copper gold project, Indonesia following new 3D modelling of existing geophysical data
- Further target generation work completed at Mt Gibson in preparation for new field season work, whilst plans to explore the iron ore potential continue
- Ongoing investigations into the nature and extent of mineralisation within the Yalgoo Project area.
- Discussions continue with prospective third party interests in Yalgoo North project





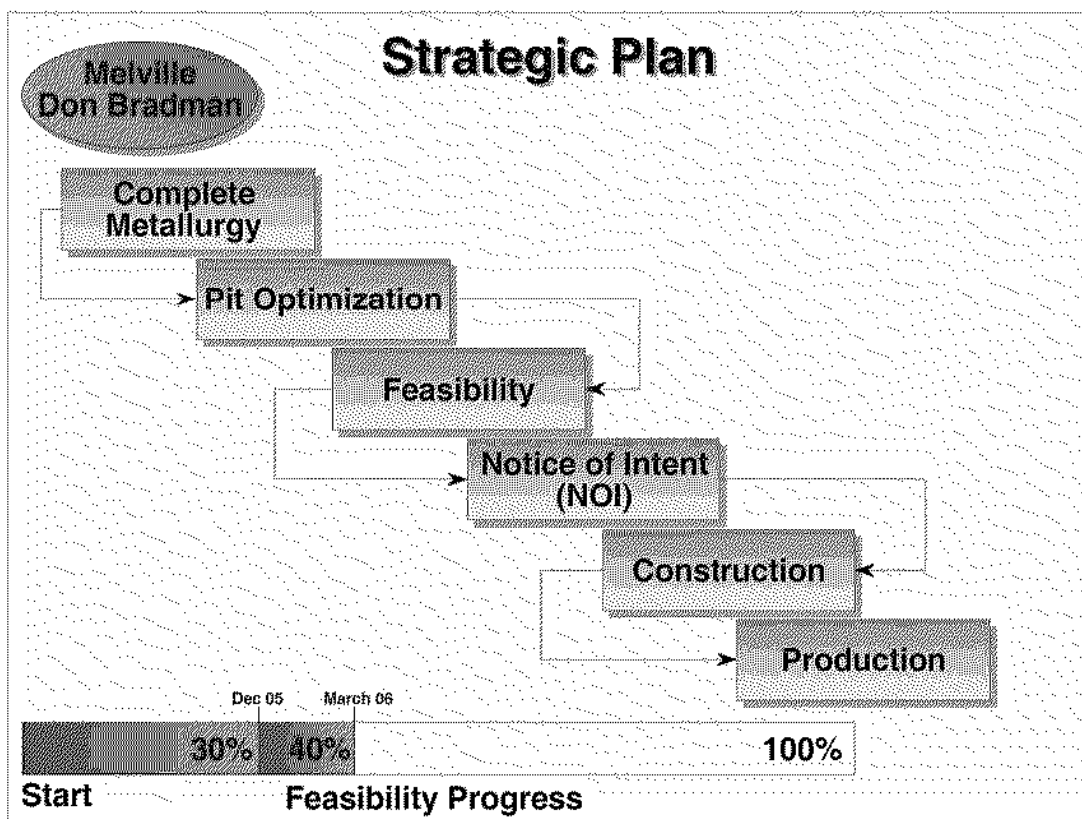
## Development

### Yalgoo North Project

#### Melville Deposit

M59/329 Melville Joint Venture (PSP 75%, PLA 25% carried)

Prosperity continues to evaluate gold production possibilities at the Melville Deposit. Discussions are under way with possible third party interests to assist in the development at Yalgoo North Project.



## Exploration

### Yalgoo North Project

M59/329 Melville Joint Venture (PSP 75%, PLA 25% Carried)

Whilst previous exploration has centred upon the gold deposit of Melville (currently standing at Inferred Resources of approximately 2,000,000 tonnes @ 2g/t for 120,000 ounces\*), recent





exploration has taken a more regional focus, and a recent field visit to the project area has seen the collection of rock samples primarily for petrographic analysis.

Results not yet received. Whilst plans to develop the resource remain active, the company has focused its exploration activity upon areas away from the main Melville deposit seeking to develop critical mass in resources to enable a decision to proceed to mining to be more effective.

The company continues to advance the project with detailed geological and petrographic studies to be completed by post graduate students at Curtin University. The study is focused upon the age relationship of the mineralisation and genetic models for development of the City of Melbourne, the Brilliant open pit, Lady Lydia South, Victoria United, and Noongal historical workings. Preliminary results should be due out during 2007.

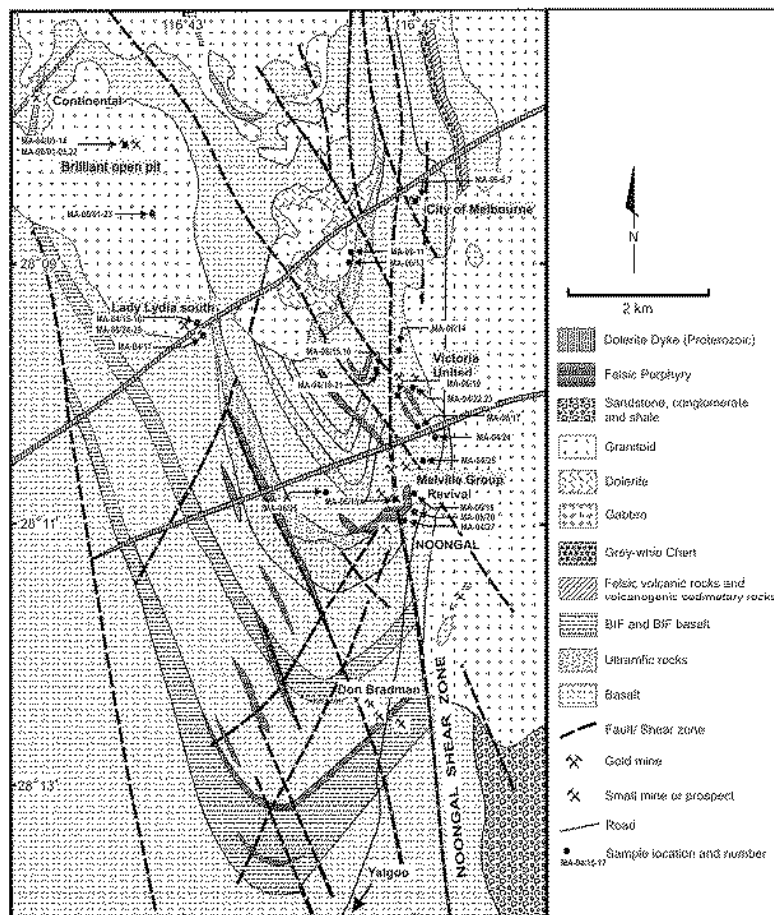


Fig. 1. Geological map of Noongal after Watkins and Hickman(1990), showing selected mine workings. The samples of the present study were collected from the mine workings shown in grey.

\* the resources are reported in accordance with the Joint Ore Reserves Committee guidelines for reporting of resources and reserves 2004



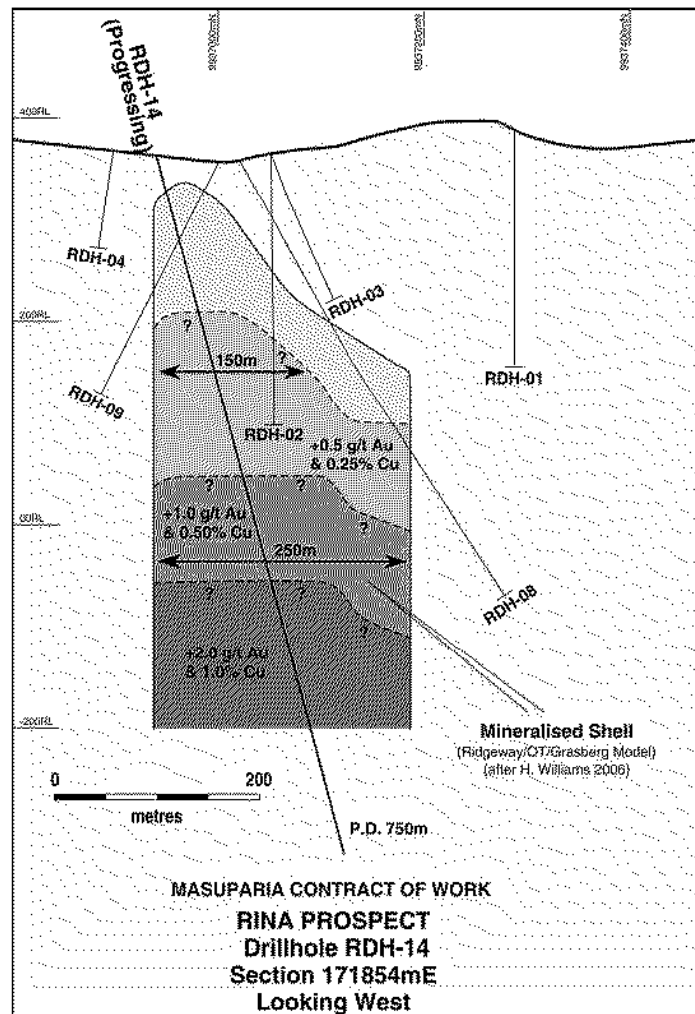


**Masuparia 'Contract of Work' Project – Central Kalimantan, Indonesia**  
**(PSP 10% Golden Arrow Resources Ltd, option to claw back to 20%)**

**Rina – Rina North copper-gold porphyry Prospect**

The operators of the Masuparia Project have commenced deep diamond drilling within the Rina and Rina North prospects. Two holes have been commissioned and each is planned to reach a depth of approx 750 metres. The decision to drill follows recent revaluation of the existing geophysical data which suggests that both the previous drilling by Prosperity and their predecessor Phelps Dodge may have skimmed the margins of a more cylindrical body which may have significant vertical extent.

To date there is evidence of upper level zonation of both copper and gold with increasing grade with depth.





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### **Mt Gibson Projects**

#### **Woolshed Prospect**

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

A regional review field trip completed by the company has enabled target generation for mapping and geochemical sampling to be undertaken late January to early February 2007

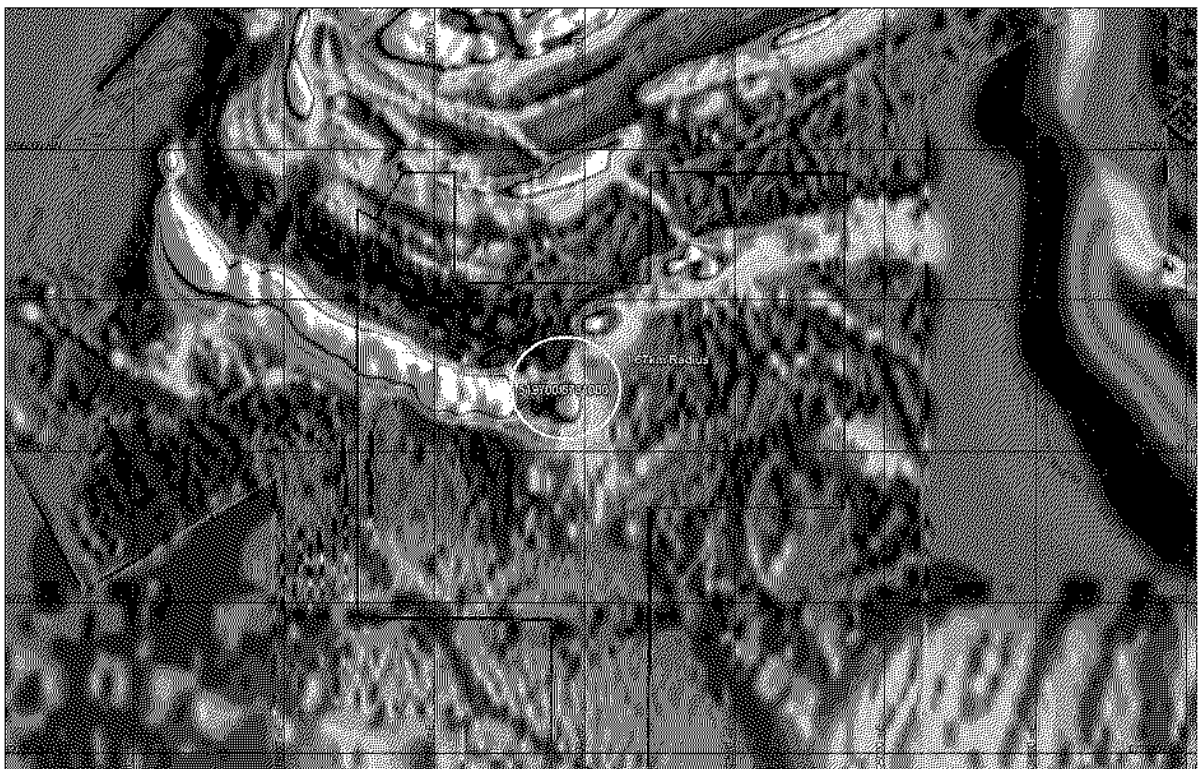
#### **Warriedar Area**

**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 will result in a rock chip sampling and geological mapping programme early this quarter.

Also the potential for base metals in this area was also investigated and field observations determined that a rock chip programme and geological mapping be conducted in parts of the area this quarter. The services of Mr Jack Halberg, an exploration geologist with over 30 years experience, has been obtained for this task.

### **Targeted Areas**



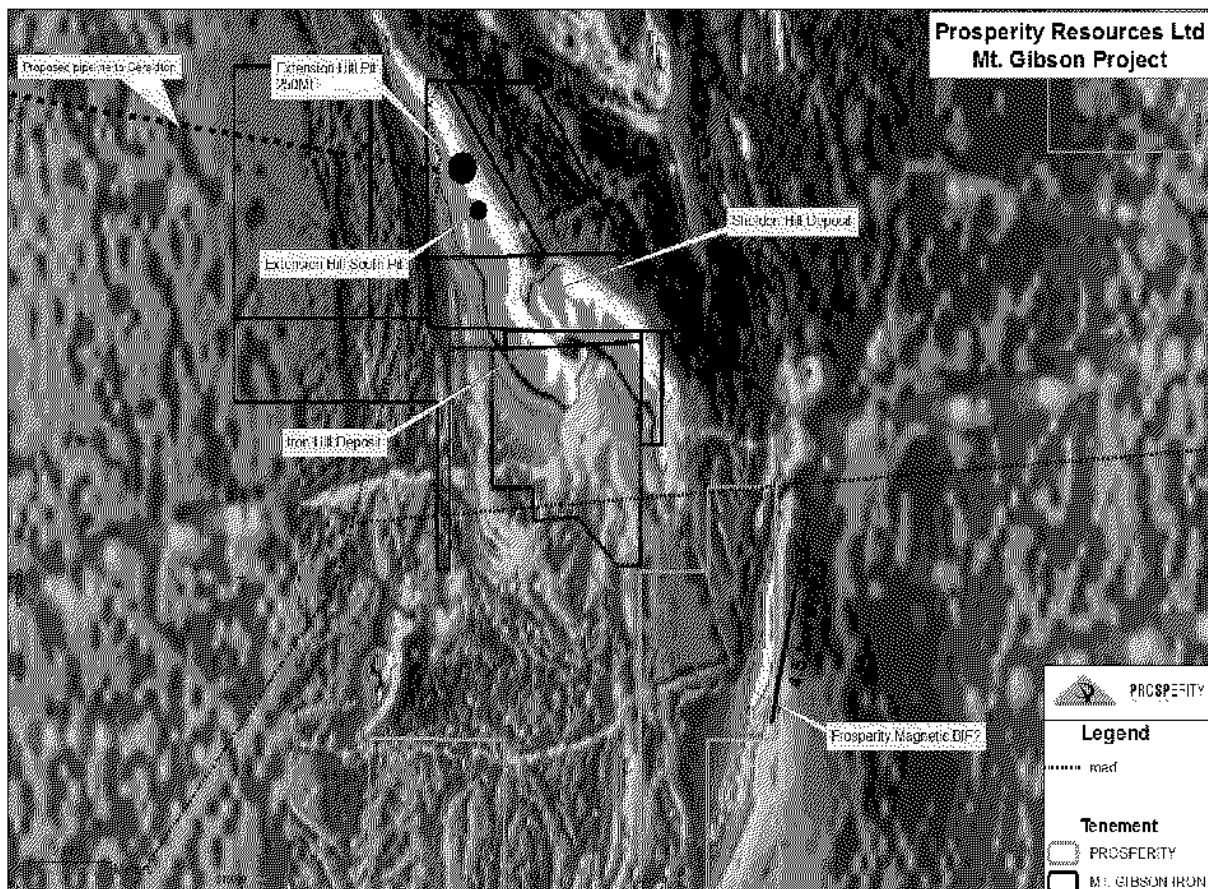
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**Mummaloo Prospect  
ELA 59/1011 (PSP 100%)**

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) early in 2007. The company expects the imminent granting of licence E59/1011.



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

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



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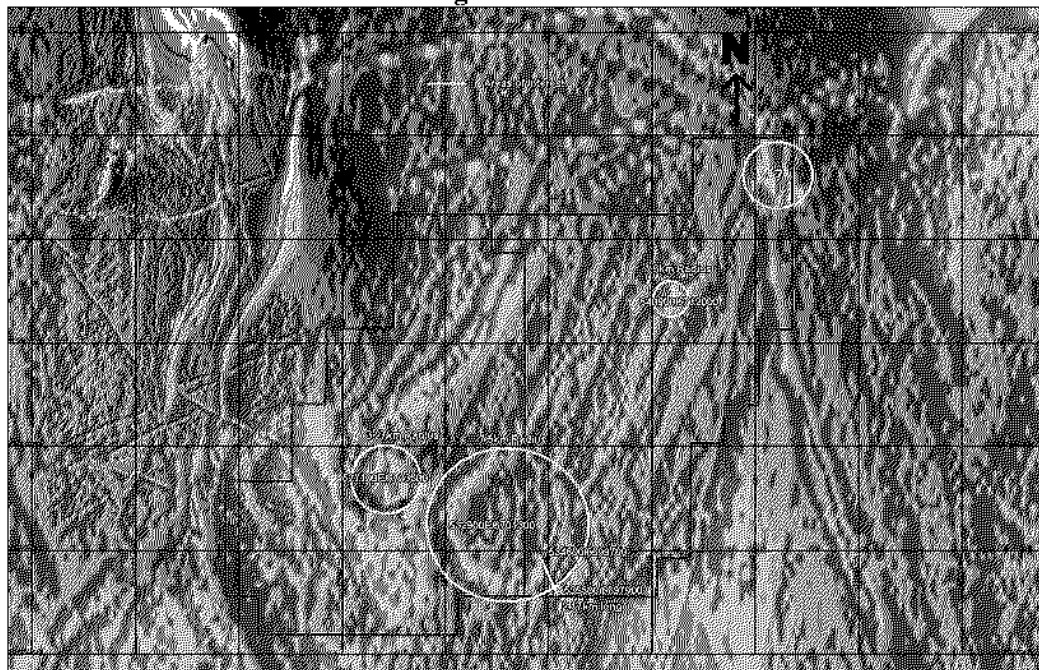
The company expects to further increase its exploration activity during the quarter with the imminent granting of licence E59/1038. Further, the company is anticipating joint venture partners, Mawson West Ltd will also fast track their tenements negotiations for E59/853, 878 and 903 and are in the processing of finalising Native Title agreements prior to granting. Already a heritage survey has commenced over these areas and is due for completion early within the next quarter.

A low level Environmental Report is currently being prepared by ATA Environmental to allow for Ground Disturbance Approval Application (GDAA) approval from DoIR once drilling targets are identified.

#### **EL 59/1159-1160 (PSP 100%)**

The circled areas below have been highlighted as 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 been organised for the start of the quarter to coincide with the field work at Warriedar.

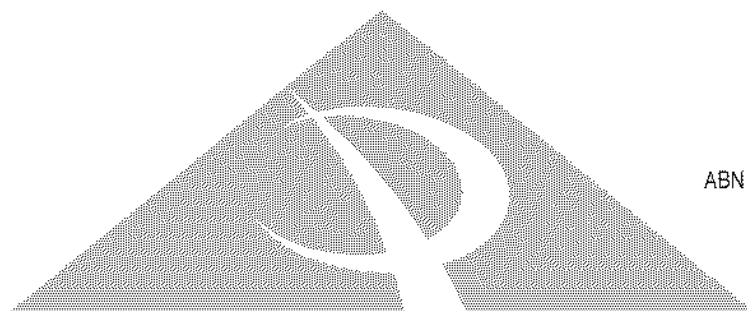
#### **Targeted Areas**



#### **Payne's Find Project**

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

Native title negotiations have been completed and expectations for the granting of this tenement in the coming quarter. No technical work has been completed on these tenements this quarter.



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## **General**

### **Other Projects**

During the quarter, the company has continued to evaluate other opportunities outside Australia and has developed a focus on the SE Asian region. 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](http://www.prosperity.net.au/projects/reports.html)

## **Corporate**

### **Annual General Meeting**

The 2006 Annual General Meeting (AGM) was held on the 13 November 2006 at the Chifley Hotel in Perth at 10am. All resolutions before shareholders were passed.

### **Appointments and Resignations of Directors**

On the 23 October 2006, the Board of Prosperity agreed to appoint Mr Laurie Whitehouse as a non- executive director of the Company, Mr Whitehouse has a strong technical background and brings a wealth of copper gold porphyry experience to the Board of Prosperity Resources Ltd. The Board also accepted the resignations of Mr Robert Jones and Mr Malcolm Smartt as Directors.

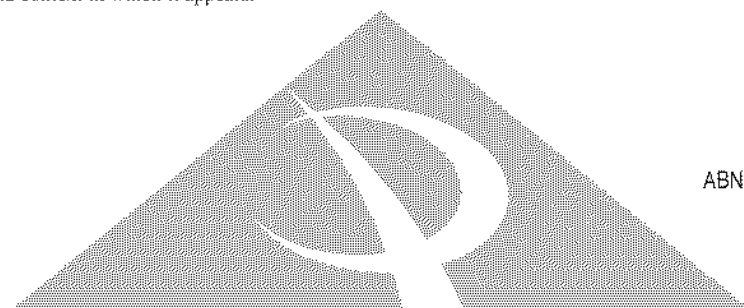
On the 8 November 2006, the Board of Prosperity agreed to appoint Mr Gary Artmont as a non- executive director of the Company, Mr Artmont has a strong technical background and will bring a wealth of international project management experience to the Board of Prosperity Resources Ltd.

The Company is in the process of interviewing a potential new Chairman, upon receipt of his consent to act and approval of the Board, a release will be made to the ASX.

### **Capital Raising**

On the 28 December 2006, the Company issued 9,650,000 ordinary fully paid shares at 6.5 cents per share and 350,000 ordinary fully paid shares at 7 cents per share to Corporations Act 2000 s708 exempt persons to raise \$651,750 (before costs) for working capital.

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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