



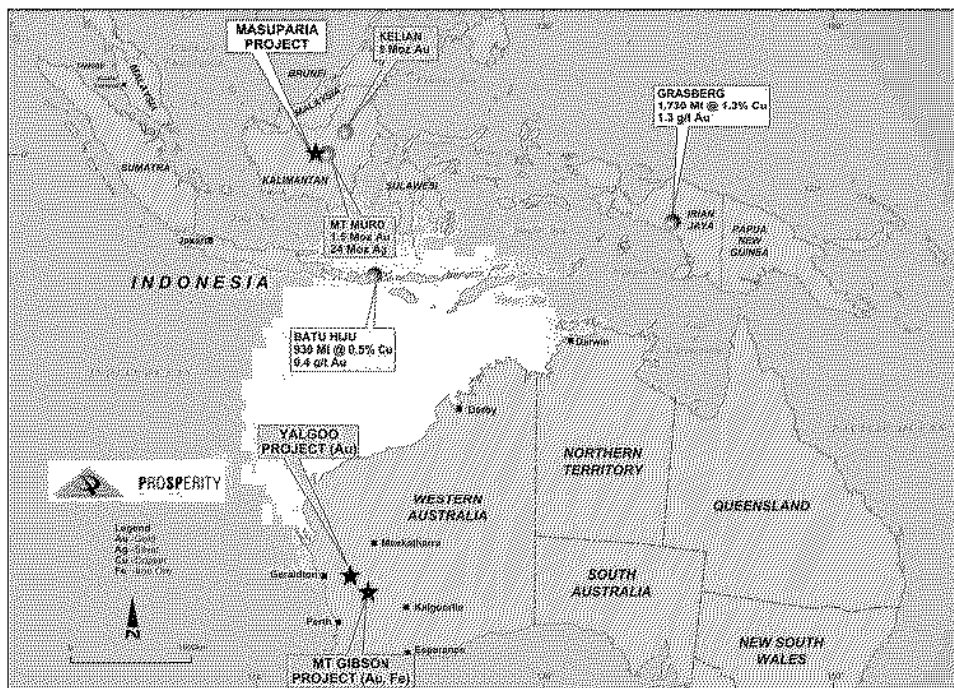
PROSPERITY

QUARTERLY REPORT

SEPTEMBER 2006

Highlights

- Discussions are under way with possible third party interests to assist in the development at Yalgoo North Project.
- Work continues at Masuparia at both the Ongkang high grade epithermal vein system and the Rina Porphyry copper gold project.
- Iron Ore project at Mt Gibson takes shape with encouraging rock chip sampling with results up to 58% iron at Woolshed Prospect
- Pending granting of the Mummaloo Prospect near Mt Gibson opens up iron ore possibilities with iron sampling up to 64.7% iron and ironstone evidence from historical drill hole data



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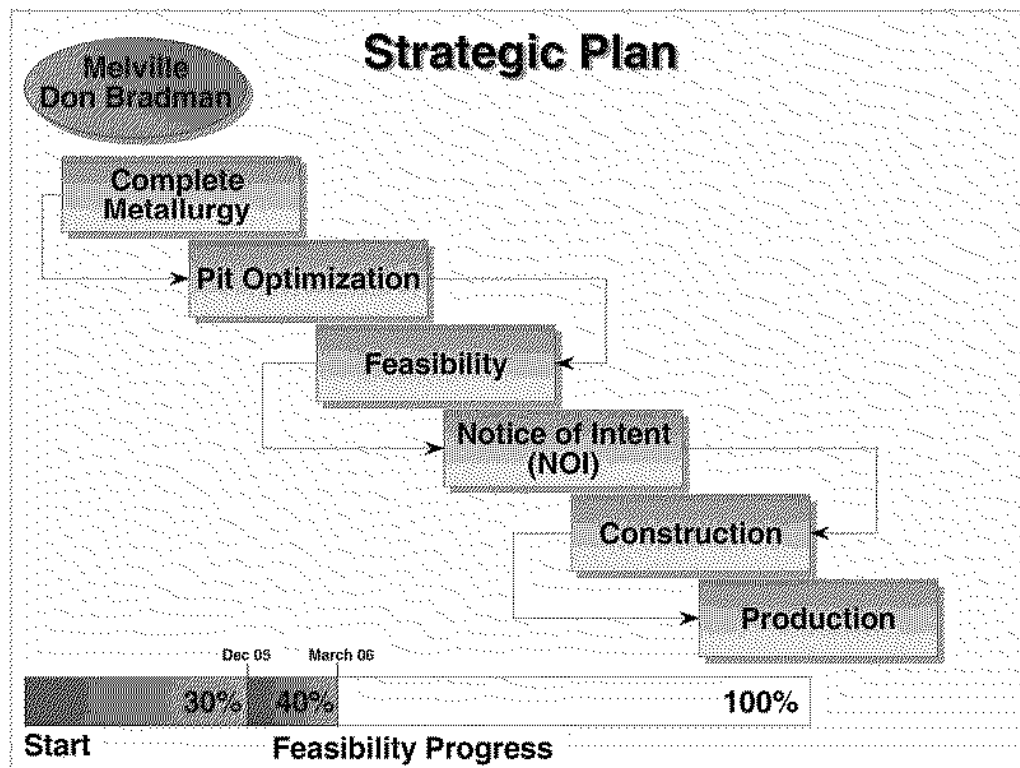
Development

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

The company continues to evaluate the results of recent aircore drilling and is currently preparing the next phase of exploration planning.

No other work has been completed this quarter on the remaining tenements within North Yalgoo Project area.





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

The Masuparia project has been the target of an aggressive exploration campaign with much of the effort focused on the high grade epithermal systems of Ongkang and Bunga Desa.

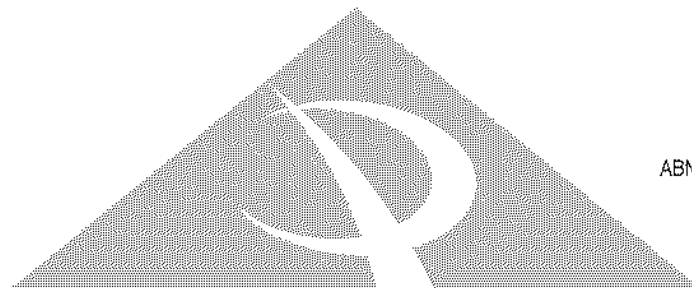
To assist in developing the exploration campaign, the operators early in the quarter engaged Ravensgate, geological consultants to evaluate the Ongkang deposit. The consultants developed an independent assessment of the deposit. Their work has resulted in a detailed wireframe and three dimensional model of the deposit, which has assisted the operators in quantifying the extent of the mineralisation as well as positioning of diamond drill holes to move the project for additional resources. A 1500 metre diamond drill campaign has been initiated this quarter.

Ongkang- Bunga Desa Epithermal

Diamond drilling is currently under way on the Bunga Desa system, and as results come to hand the operators are building a stronger picture on the nature and extent of the mineralized system. Further results are awaited. To date there has been strong geological evidence of a major coherent epithermal system in the area.

It is intended that at the conclusion of the drilling programme currently under way, the operators will be in a position to bring the Ongkang and Bunga Desa deposits in line with the JORC code and guidelines requirements for reporting resources and reserves.

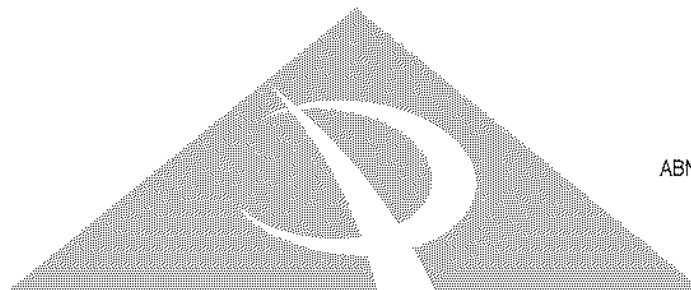
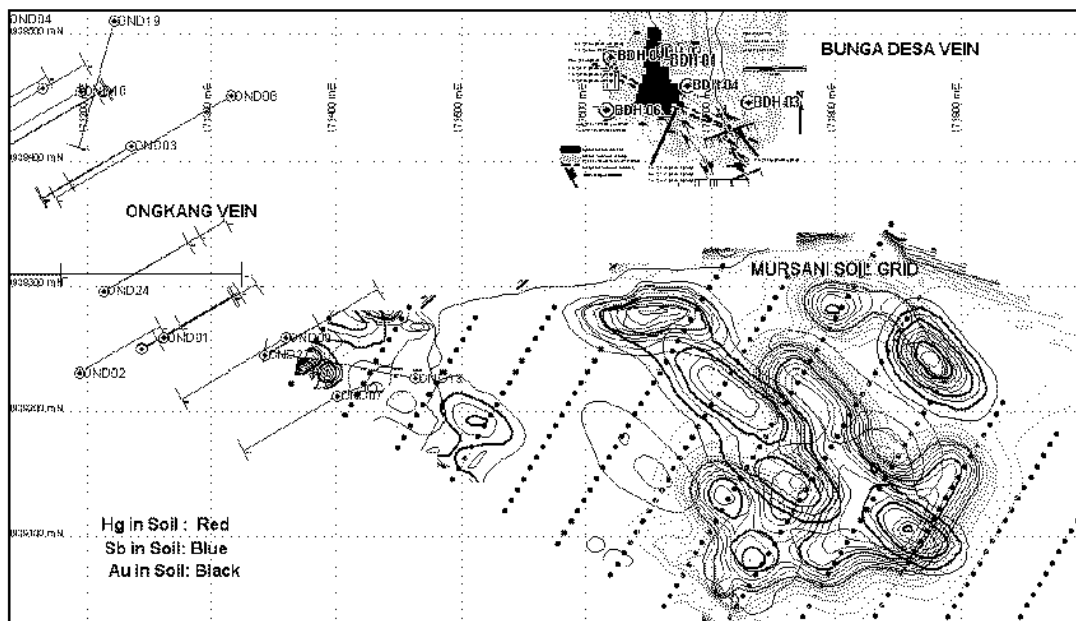
Hole	Area	Easting (mE)	Northing (mN)	RL (m)	Azimuth	Dip	Depth (m)
BDH01	Bunga Desa	171665	9939487	362	200	-55	104.50
BDH02	Bunga Desa	1171665	9939488	362	260	-50	73.60
BDH03	Bunga Desa	1171731	9939488	357	200	-50	65.60
BDH04	Bunga Desa	171682	9939462	359	200	-50	60.25
BDH05	Bunga Desa	171616	9939443	366	020°	-50°	99.60
BDH06	Bunga Desa	171616	9939443	366	080°	-50°	110.50
BDH07	Bunga Desa	171620	9939483	371	080°	-50°	101.20
OND28	290 Zone	170958	9939544	320	240°	-50°	Currently 54.10 m





Hole	From	To	Interval	Au(ppm)	Ag(ppm)	Cu(%)	Pb(%)	Zn(%)
BDH-01	49	87	38	0.31	4	-	-	-
including	59	61	1.4	2.23	55	-	-	-
including	59	65	6	0.90	19.37	-	-	-
BDH-02	37	42	5	15.50	329	0.27	0.20	0.24
including	37	38	1	75.47	1090	0.18	0.15	0.18
including	41	42	1	1.34	540	1.12	0.55	0.43
BDH-03	39	41	2	0.54	4	-	-	-
BDH-04	28	37	9	0.75	2.00	-	-	-
including	29	34	5	1.21	2.00	-	-	-
including	30	31	1	4.31	5.00	-	-	-
BDH-05	32	57	25	0.46	2.98	-	-	-
including	39	48	9	0.91	3.56	-	-	-
including	39	40	1	2.65	9	-	-	-
including	46	47	1	2.85	3	-	-	-

Further analysis of soil sampling in the region has highlighted a high priority target at the junction of the Bunga Desa vein system and the Ongkang epithermal vein system referred to as the Mursani prospect. This is a new and exciting target for the exploration in the area for it is reminiscent of the Martha Hill epithermal system in New Zealand where over 6 million ounces of gold has so far been mined.





Mt Gibson Projects

Woolshed Prospect

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

Following on from an aeromagnetic interpretation of potential iron ore deposits within the tenement the company has collected numerous surface samples. The results of these confirm the presence of iron material both as haematite and magnetite. Further mapping and evaluation work is under way as a precursor to drilling.

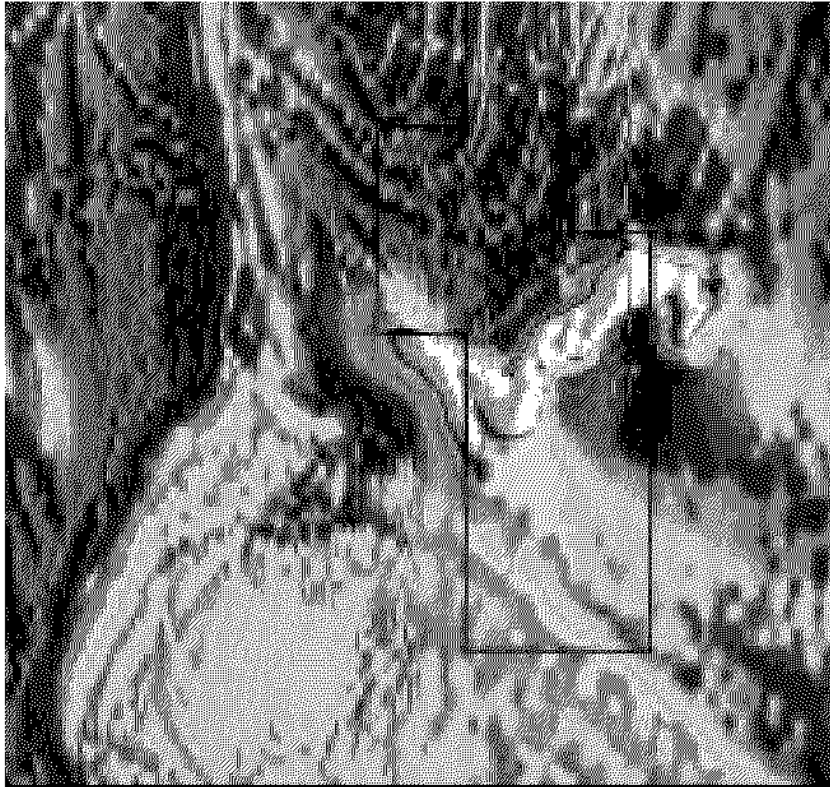
Sample	East GDA94	North GDA94	Fe	SiO2	Al2O3	TiO2	CaO	Mn	P	S	MgO	K2O	LOI 1000
UNITS			%	%	%	%	%	%	%	%	%	%	%
MTG001	522626	6752004	43.09	13.26	11.26	0.94	0.02	0.04	0.093	0.084	0.04	0.013	11.1
MTG002	522615	6751994	41.41	10.68	12.77	1.54	0.03	0.05	0.088	0.086	0.07	0.029	13.1
MTG003	526579	6751989	49.62	8.24	7.4	0.63	0.03	0.02	0.032	0.052	0.01	0.009	12.1
MTG004	526557	6751973	45.66	10.51	12.03	1.46	0.04	0.05	0.026	0.069	0.01	0.014	9.54
MTG005	526539	6751930	34.12	18.4	19.36	1.4	0.02	0.06	0.031	0.054	0.01	0.011	11.4
MTG006	528166	6750493	34.04	47.32	0.68	0.05	0.02	-0.01	0.046	0.01	-0.01	0.003	3.2
MTG007	528182	6750504	49.23	22.49	0.95	0.03	0.04	0.02	0.227	0.031	-0.01	0.002	5.32
MTG008	528193	6750491	35.96	45.93	0.2	0.02	-0.01	-0.01	0.042	0.013	0.02	0.005	2.2
MTG009	528194	6750480	34.82	47.52	0.38	0.02	0.04	-0.01	0.046	0.018	0.01	0.005	2.16
MTG010	528215	6750448	40.74	36.38	1.51	0.05	0.02	-0.01	0.046	0.035	-0.01	0.01	3.51
MTG011	528270	6750401	28.69	56.63	0.38	0.01	0.02	0.02	0.043	0.014	0.02	0.01	1.99
MTG012	528239	6750430	46.61	26.7	1.94	0.03	0.02	-0.01	0.036	0.029	-0.01	0.009	4.35
MTG012A	529319	6751338	39.05	40.19	0.52	0.03	0.03	-0.01	0.03	0.019	-0.01	0.003	3.26
MTG013	528239	6750430	47.16	17.07	3.38	0.33	0.13	0.02	0.172	0.042	0.14	0.014	10.5
MTG014	528601	6751909	54.38	5.59	3.4	0.35	0.14	0.02	0.143	0.081	0.22	0.022	11.5
MTG015	528625	6751864	43.73	13.83	9.86	0.35	0.07	0.11	0.08	0.06	0.28	0.029	11.8
MTG016	528721	6751369	36.64	45.56	0.34	0.02	0.12	-0.01	0.041	0.037	0.04	0.013	1.54
MTG017	528778	6751226	31.04	49.2	0.49	0.03	0.18	0.15	0.034	0.012	0.25	0.019	5.13
MTG018	528794	6751166	44.66	10.27	11.75	1.11	0.05	0.02	0.035	0.038	0.06	0.008	12.0
MTG019	528751	6751077	31.43	52.06	0.51	0.02	0.04	-0.01	0.028	0.013	0.03	0.006	2.39
MTG020	528693	6750920	42.21	26.72	6.51	0.06	0.04	0.02	0.054	0.03	0.02	0.01	5.68
MTG021	529186	6751225	43.35	33.39	0.54	0.03	0.02	-0.01	0.087	0.017	-0.01	0.003	3.86
MTG022	529220	6751258	57.90	3.36	2.66	0.63	0.04	0.02	0.042	0.13	-0.01	0.005	10.1
MTG023	529310	6751334	56.92	5.63	4.27	0.29	0.08	0.03	0.049	0.112	-0.01	0.005	7.57
MTG024	529207	6751957	55.84	4.84	2.72	0.18	0.22	0.06	0.1	0.077	0.19	0.012	11.3
MTG025	529509	6751837	32.53	50.47	0.42	0.02	0.09	-0.01	0.052	0.026	0.06	0.006	2.13
MTG026	529531	6751883	40.05	39.01	0.47	0.01	0.06	0.02	0.07	0.019	0.02	0.006	3.03
MTG027	529945	6752150	35.53	46	0.56	0.02	0.05	-0.01	0.069	0.015	0.02	0.005	2.16
MTG028	530077	6752227	52.02	2.14	3.92	15.2	0.19	0.02	0.037	0.067	0.05	0.013	2.91
MTG029	530081	6752225	36.28	45.26	0.4	0.09	0.05	0.02	0.02	0.018	-0.01	0.007	1.91
MTG030	530400	6752270	57.98	4.7	2.41	1.44	0.1	0.02	0.169	0.071	0.09	0.015	7.65

Assay Analytical Determination with a cast using a 12:22 flux with added sodium nitrate, to form a glass bead which has been analysed by XRF through Ultratrace Laboratory, Perth. All results expressed as %. Coordinates are in GDA 94





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Scale 1cm: 1.5kms

Regional map showing aeromagnetic anomaly and granted tenement EL 59/1102 boundary (red).

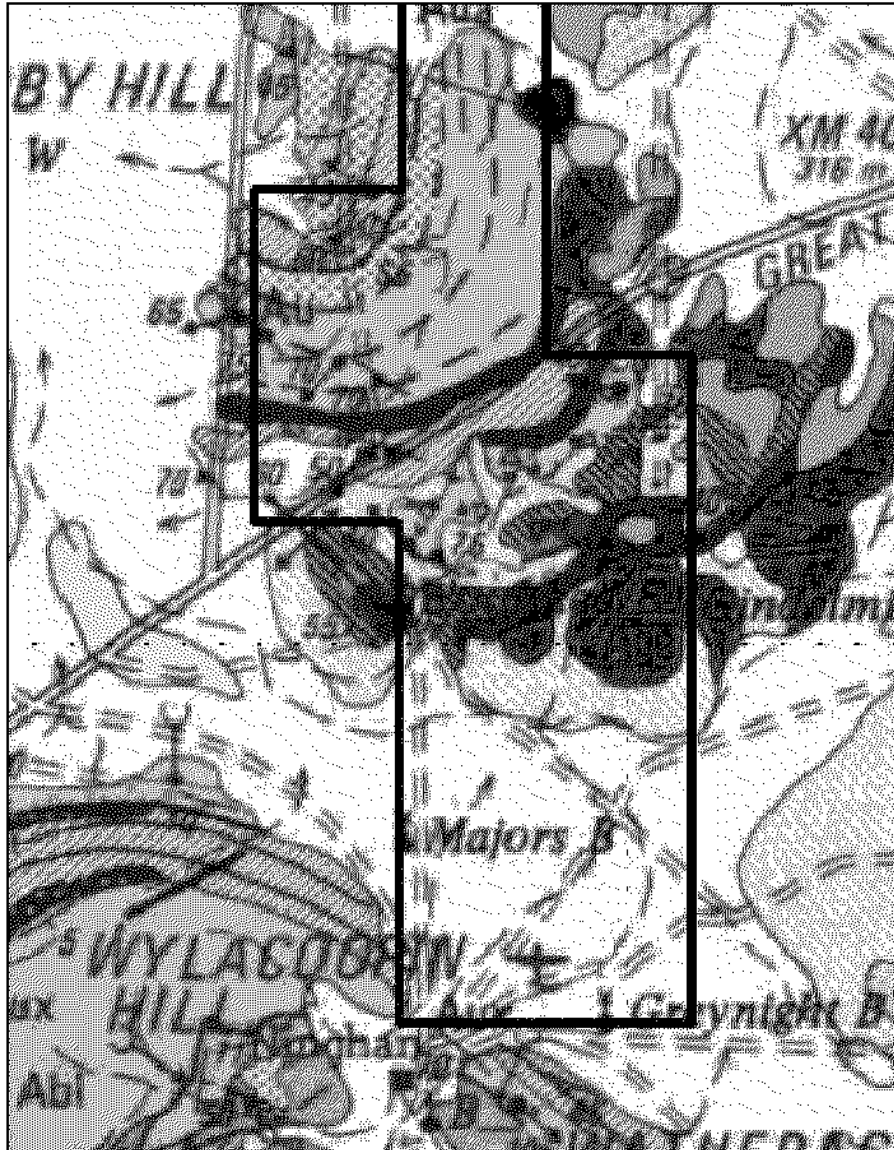
Mapping by the **Geological Survey of Western Australia** has identified both haematite and magnetite in outcrop in the area. Initial grab samples are currently being analysed and the results of this are due back early in the next quarter.



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GSWA 1:250,000 Geological Map with granted tenement (ocean blue outline) and magnetite/haematite outcrop (blue/white stripes).



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

Drilling by other parties in 1996, confirms that the iron rich rocks identified at surface have both lateral as well as vertical continuity. The company is further evaluating the historical data, completing a flora survey, a heritage survey and is preparing for a drilling campaign to evaluate the nature and extent of iron formation in the tenement area. Native title negotiations have been completed and there are expectations for the granting of these tenements in the coming quarter.

Significant results from rock chip samples include:

Sample	East	North	Fe	SiO2	Al2O3	TiO2	CaO	Mn	P	S	MgO	K2O	LOI1000
UNITS	GDA94	GDA94	%	%	%	%	%	%	%	%	%	%	%
MTG031	522028	6716557	48.19	17.77	3.49	0.26	0.08	0.02	0.04	0.06	0.04	0.01	8.60
MTG032	521953	6716694	54.31	18.07	0.34	0.02	0.17	0.20	0.01	0.08	0.17	0.01	2.83
MTG033	522038	6716701	55.26	3.37	7.44	4.86	0.05	0.03	0.03	0.07	0.04	0.01	4.50
MTG034	522027	6716747	40.25	4.69	25.12	5.43	0.04	0.05	0.03	0.05	0.06	0.02	6.65
MTG035	522021	6716791	51.85	7.21	7.18	0.27	0.07	0.01	0.01	0.10	0.03	0.00	10.83
MTG036	522112	6716954	57.09	2.41	9.50	2.91	0.07	0.05	0.02	0.04	0.06	0.01	2.67
MTG037	522114	6716960	48.11	3.53	13.39	4.51	0.07	0.05	0.03	0.06	0.07	0.01	9.23
MTG038	522122	6717060	44.02	3.85	20.54	4.70	0.23	0.10	0.03	0.03	0.17	0.03	6.78
MTG039	522171	6717170	41.52	3.04	19.15	3.35	0.08	0.04	0.02	0.10	0.06	0.01	13.67
MTG040	522171	6717206	64.73	2.03	1.86	0.13	0.09	0.08	0.02	0.05	0.31	0.01	2.43
MTG041	522185	6717725	41.41	14.62	12.77	1.60	0.07	0.04	0.03	0.04	0.16	0.02	10.99
MTG042	522185	6718093	48.53	3.35	16.71	4.83	0.37	0.03	0.02	0.03	0.12	0.02	4.76
MTG043	522238	6718151	51.74	3.52	8.72	8.13	0.16	0.07	0.02	0.03	0.06	0.01	4.68
MTG044	522313	6718285	53.02	2.64	8.77	6.72	0.11	0.05	0.02	0.08	0.06	0.05	4.96
MTG045	522406	6718592	46.29	5.27	11.30	4.92	0.24	0.02	0.03	0.08	0.30	0.03	10.70
MTG046	522862	6719678	34.46	43.19	2.10	0.26	0.11	0.01	0.04	0.03	0.10	0.02	4.52
MTG047	522756	6720957	58.00	5.85	4.81	0.34	0.07	0.01	0.03	0.05	0.04	0.01	4.99
MTG048	522718	6720957	53.68	6.83	7.41	4.69	0.03	0.03	0.03	0.05	0.03	0.02	3.64

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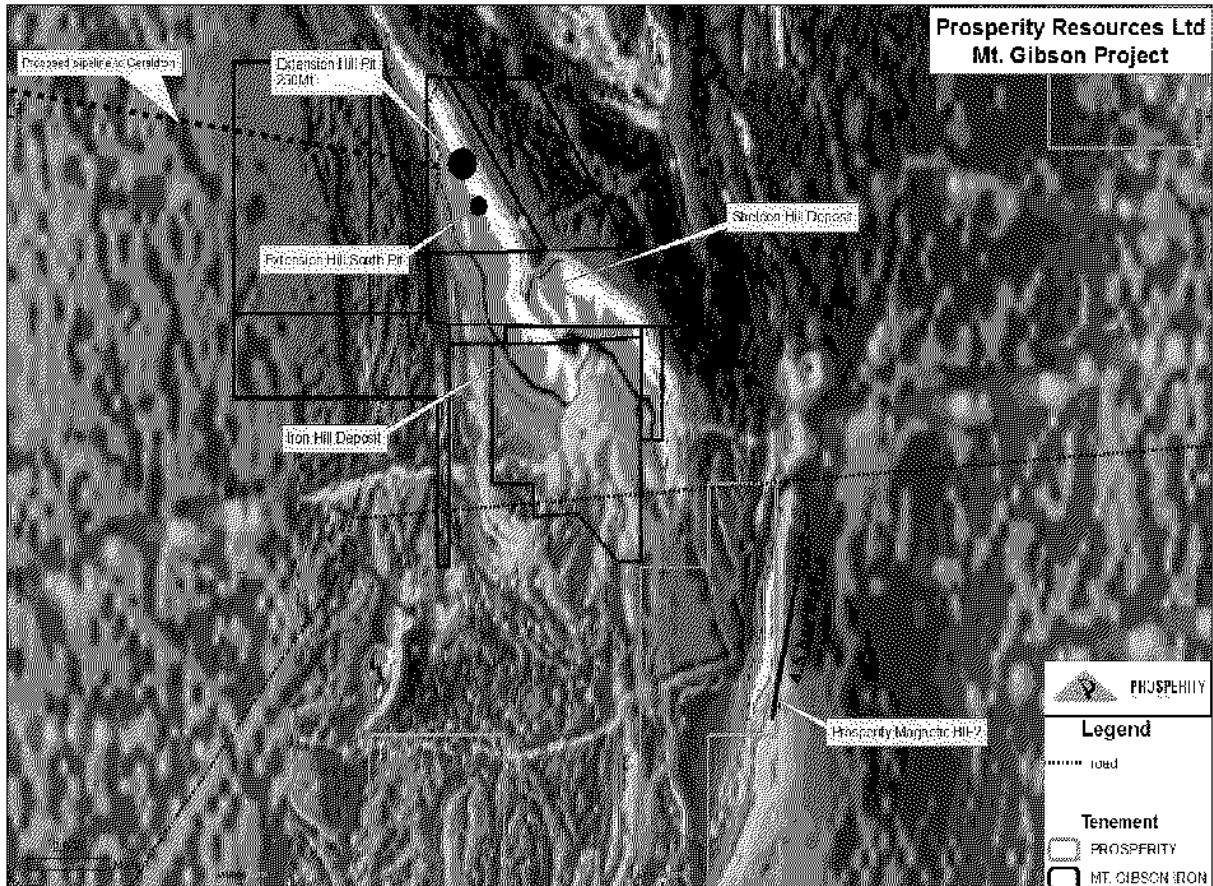


Figure 5: Aeromagnetic Map over Mummaloo Prospect

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

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

ML59/275, PL59/1168, EL 59/1159-1160 (PSP 100%)

No work has been completed on these tenements this quarter



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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.

General

The company is continuing to review other projects and opportunities and is in the process of evaluating a number of projects internationally which may fit with the company's exploration objectives.

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

Corporate

Annual General Meeting

The 2006 Annual General Meeting (AGM) is scheduled for the 13 November 2006 at the Chifley Hotel in Perth at 10am. The Notice of AGM, Explanatory Statement and Copy of 2006 Annual Report were dispatched on the 13 October 2006.

Appointment of New Director

On the 9 September 2006, the Board of Prosperity agreed to appoint Mr John Arbuckle as a non-executive director of the Company, subject to shareholder approval at the Company's AGM. Mr Arbuckle has a strong financial background and will bring a wealth of iron ore experience to the Board of Prosperity Resources Ltd.

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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