



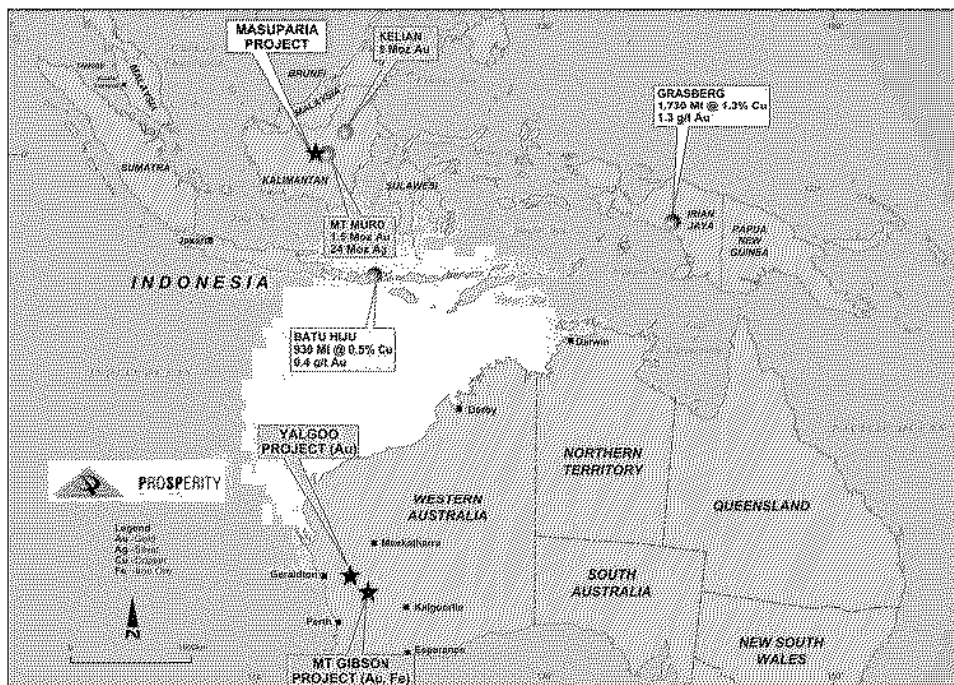
**PROSPERITY**

## QUARTERLY REPORT

**JUNE 2006**

### Highlights

- Prosperity continues to advance mining options at Yalgoo North Project and completes further exploration aircore drilling
- Masuparia Project now well funded to further develop gold bearing epithermal deposits at Bunga Desa and Ongkang/290
- Recent tenement granting near Mt Gibson opens up iron ore possibilities at Woolshed Prospect
- Mummaloo haematite/magnetite Prospect progresses towards granting as negotiations with Native Title Claimants continues





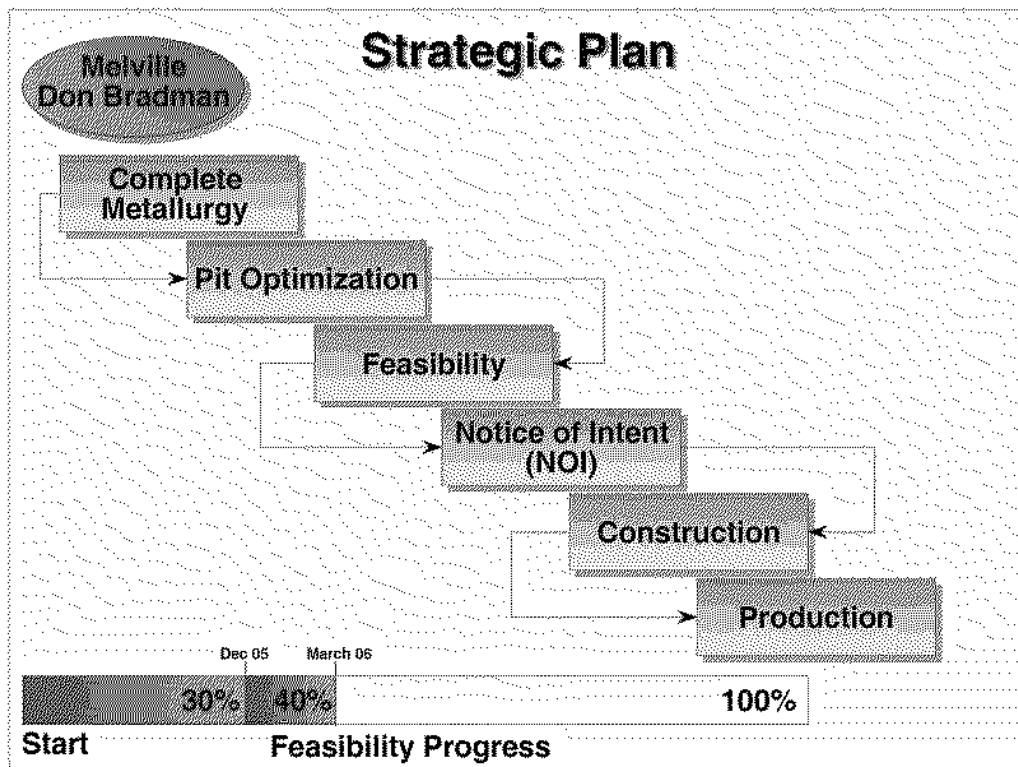
## Development

### Yalgoo North Project

#### Melville Deposit

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

Preliminary open pit optimizations recently completed offer the company further encouragement to continue with the pre feasibility activities in a progressive move towards development and production of the Melville Deposit. The company has also recognized the need to increase the existing resource base at the project and is now evaluating other projects close to Melville Deposit. This will in effect assist the company in processing options





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## Exploration

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

Prosperity has entered into an agreement with Profrock Partners Ltd, a Bahamas' based holding company to fund US\$2,000,000 towards exploration on the Masuparia 'COW'.

Prosperity has also agreed to terminate the Option Agreement with Mineral Exploration and Investments Ltd and become an indirect investor in the Masuparia 'Contract of Work', with a 10% holding in Golden Arrow Resources Ltd, with an additional 10% purchase clawback provision.

The new company, Profrock Partners Ltd will takeover management of the project and has budgeted up to 5000m of diamond drilling this financial year. Rigs are in the process of moving to site from Jakarta to commence drilling on the targets outlined below.

### **Ongkang Epithermal Vein Targets**

A detailed review of Induced Polarity (IP), geochemical and structural surveys carried out by previous explorers has identified a total of **eight** separate epithermal vein systems which include the Ongkang and 290 Veins (number 3) and the Bunga Desa Vein (number 1). 290 degree structures, related to regional arc-normal transfer faults, are the major controlling features to the 330 degree trending dilational ore shoots. Bonanza grade gold-silver mineralisation occurs at the intersection of the 290 and 330 degree structures, e.g. DDH 26B at the 290 Vein returned a drill intercept of 6 metres of **+10ozs/tonne** Au. The Bunga Desa Vein also lies at one such intersection. Based on previous drilling at Ongkang and the nearby Mt Muro deposits, a typical ore shoot (i.e. an Ongkang Vein look-alike) could contain between 100,000 and 250,000 ounces of gold. This excludes silver credits from drilling the 290 Vein (up to **2,000 g/t Ag** over 0.5m) and in rock chips recently taken from the Bunga Desa Vein (up to **6,660 g/t Ag**).

Assay results from reconnaissance rock chip sampling of **four** of the **eight** vein target areas have now been received. This included sampling of the northern extension of the Bunga Desa vein (Figure 1) which passes into a well defined IP anomaly and a coincident copper-in soil anomaly (previous rock chip samples from the Bunga Desa vein returned up to 3.25% Cu). However, as shown in Table 1, assay results from samples taken from the northern extensions of the 290 and Bunga Desa Veins are highly encouraging and confirm a significant increase in lateral extent to these veins. The high antimony and mercury assays from the Bunga Desa samples indicates that only the upper level of the epithermal system has been exposed and hence there should be a substantial depth extent to the high gold-silver mineralisation exposed at surface.



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| 290 Vein        |         |          |        |        |        |        |        |        |        |        |        |
|-----------------|---------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sample          | East(m) | North(m) | Au_ppm | Ag_ppm | As_ppm | Cu_ppm | Hg_ppm | Mo_ppm | Pb_ppm | Sb_ppm | Zn_ppm |
| RC50140         | 171045  | 9939395  | 3.4    | 10     | 58     | 68     | 0.2    | 7      | 36     | 28     | 103    |
| RC50141         | 171045  | 9939395  | 1.76   | 10     | 32     | 61     | 0.18   | 11     | 125    | 15.6   | 234    |
| RC50142         | 171050  | 9939405  | 1.49   | 29     | 33     | 103    | 0.65   | X      | 56     | 55     | 58     |
| RC50143         | 171035  | 9939430  | 18.1   | 827    | 460    | 590    | 2.25   | X      | 69     | 118    | 34     |
| RC50144         | 171035  | 9939430  | 0.76   | 26     | 210    | 38     | 0.47   | 10     | 21     | 10.8   | 8      |
| RC50145         | 171030  | 9939460  | 0.09   | 2      | 10     | 22     | 0.36   | 13     | 17     | 23     | 4      |
| RC50146         | 171025  | 9939485  | 1.11   | 40     | 67     | 117    | 1.68   | 16     | 40     | 95     | 21     |
| Bunga Desa Vein |         |          |        |        |        |        |        |        |        |        |        |
| Sample          | East(m) | North(m) | Au_ppm | Ag_ppm | As_ppm | Cu_ppm | Hg_ppm | Mo_ppm | Pb_ppm | Sb_ppm | Zn_ppm |
| RC50158         | 171671  | 9939451  | 83.2   | 172    | 170    | 570    | X      | 30     | 184    | 160    | 190    |
| RC50159         | 171671  | 9939455  | 0.74   | 63     | 81     | 440    | 0.47   | 24     | 87     | 168    | 178    |
| RC50160         | 171670  | 9939480  | 0.28   | 130    | 130    | 580    | 34.1   | 16     | 440    | 391    | 900    |
| RC50161         | 171629  | 9939543  | 1.09   | 13     | 75     | 690    | 1.71   | 17     | 385    | 396    | 670    |
| RC50162         | 171630  | 9939550  | 0.02   | X      | 69     | 218    | 0.7    | 80     | 63     | 30     | 27     |
| RC50163         | 171643  | 9939585  | X      | X      | 14     | 72     | 0.44   | 20     | 67     | 50     | 8      |
| RC50164         | 171710  | 9939459  | 11.8   | 1070   | 400    | 550    | 313    | 36     | 300    | 3300   | 1020   |
| RC50165         | 171682  | 9939574  | 0.01   | X      | 55     | 76     | 0.38   | 26     | 42     | 14.5   | 5      |
| RC50166         | 168670  | 9936870  | X      | 1      | 29     | 75     | 0.84   | 21     | 16     | 2.7    | 6      |

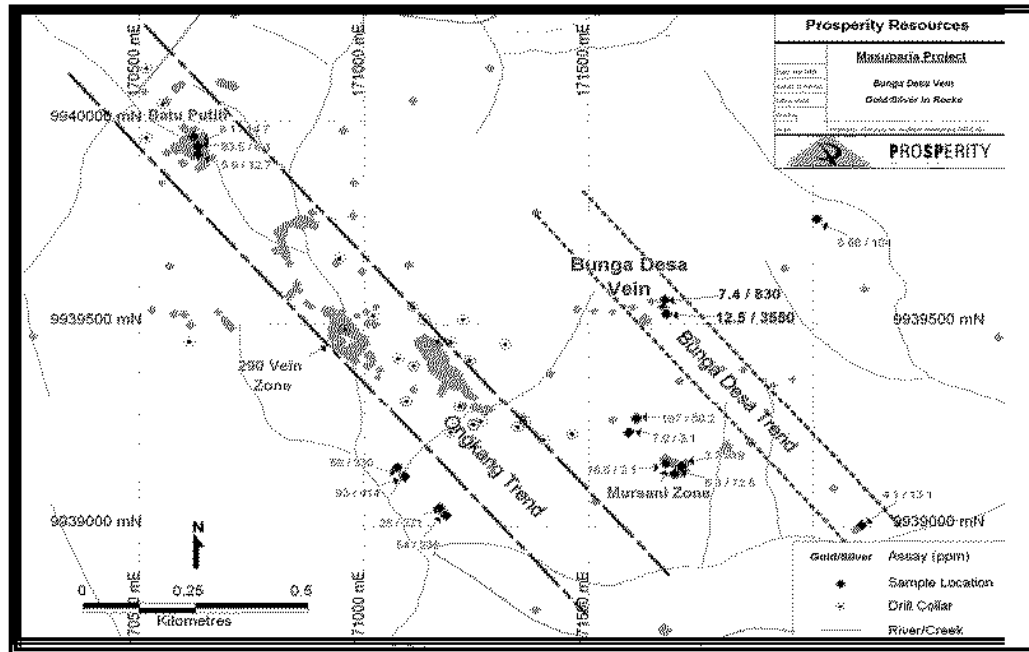
**Table 1: Rock Chip Samples**



ABN 60 103 280 235



Figure 4 shows the location of the Bunga Desa vein, together with historical rock chip sampling data at the Ongkang epithermal prospect.



**Figure 1: Bunga Desa location plan**

Additional mapping and sampling continues within the greater Ongkang – Bunga Desa epithermal system, with the aim of defining additional potential high grade vein systems for drill testing. The company believes this area has the potential to host significant gold and silver resources.





**Yalgoo North Project**

During the quarter the company completed 64 holes for 1,963 metres of Aircore drilling across three prospect areas, Serpentine - Oakford, Krakatinni, and Goolthan. The intention of the drilling was to test concepts which were hoped would lead to defining further gold resources.

Drilling at Serpentine and Oakford has identified possible extensions to the immediate east of known mineralisation. Follow up work is required to refine this target seen as a very real prospect within 2,000 metres of the main Melville Deposit. Further drilling is recommended on this basis to follow up any isolated but anomalous gold values in historical drilling.

Drilling at Krakatinni Prospect has confirmed the historical drill results, however ongoing work is still required to resolve the relationship and geometry of the quartz veins relative to the low level gold anomalism encountered in previous aircore drilling.

Drilling at Goolthan Prospect on the intrusive granite margin has failed to identify the source of the gold anomaly detected in the original soil sampling there.

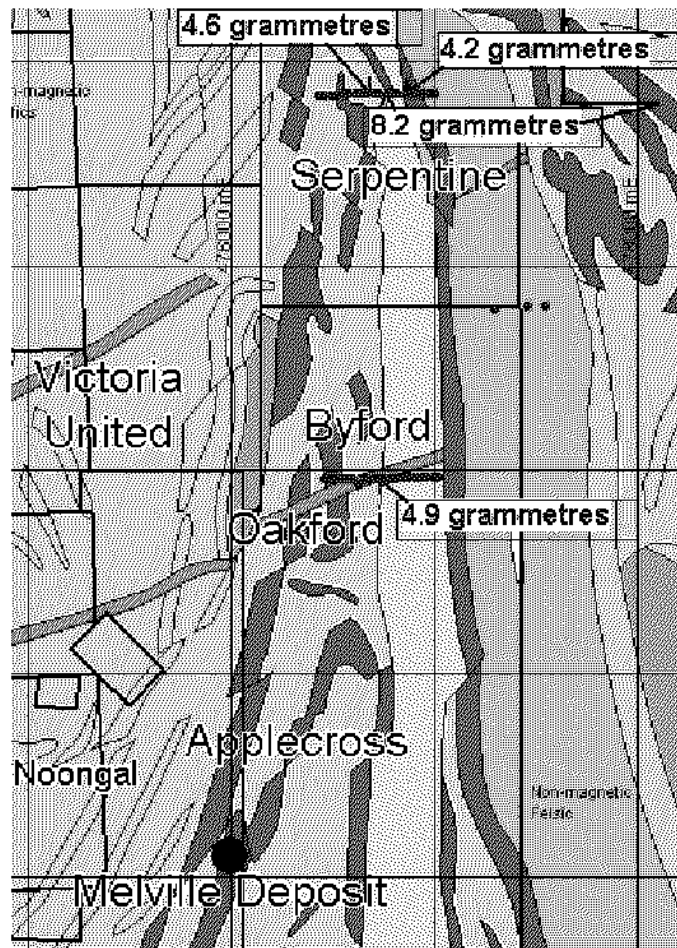
Significant intercepts greater than 4 gram-metre are tabled below, with the collar locations shown in figure 2.

| <b>HOLE ID</b> | <b>NORTHING</b> | <b>EASTING</b> | <b>FROM</b> | <b>TO</b> | <b>Gram-metres</b> |
|----------------|-----------------|----------------|-------------|-----------|--------------------|
| PAC331         | 476730          | 6883950        | 33          | 36        | 4.9                |
| PAC349         | 476680          | 6885850        | 33          | 36        | 4.6                |
| PAC352         | 476770          | 6885850        | 57          | 59        | 8.2                |
| PAC355         | 476860          | 6885850        | 25          | 28        | 4.2                |

Note: All intersections at a +4 gm metre equivalent. Samples analysed by Aqua Regia with AAS finish at Genalysis Laboratories, Perth. Drilling oriented at dip of -90° unless otherwise stated. Drill co-ordinates datum is AGD84

**Table 2: Significant intercepts greater than 4 gram-metre.**





**Figure 2: Collar plan showing location of significant intercepts in relation to the Melville Deposit.**

**Don Bradman Prospect**

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

To further add to the potential resource ounces, the company has completed a trenching programme to determine the width extent of the Don Bradman system to the south of the Melville Deposit. Previous drilling indicated continuity at depth and with the next phase of drilling the company would be in a position to identify and report on the Don Bradman prospect resource. It is thought that to the east and west of Don Bradman prospect further mineralisation may be present in parallel structures. The results of the trench sampling provides a better understanding of the structural setting; identifying previously undercover banded iron formation horizons to target further drilling.



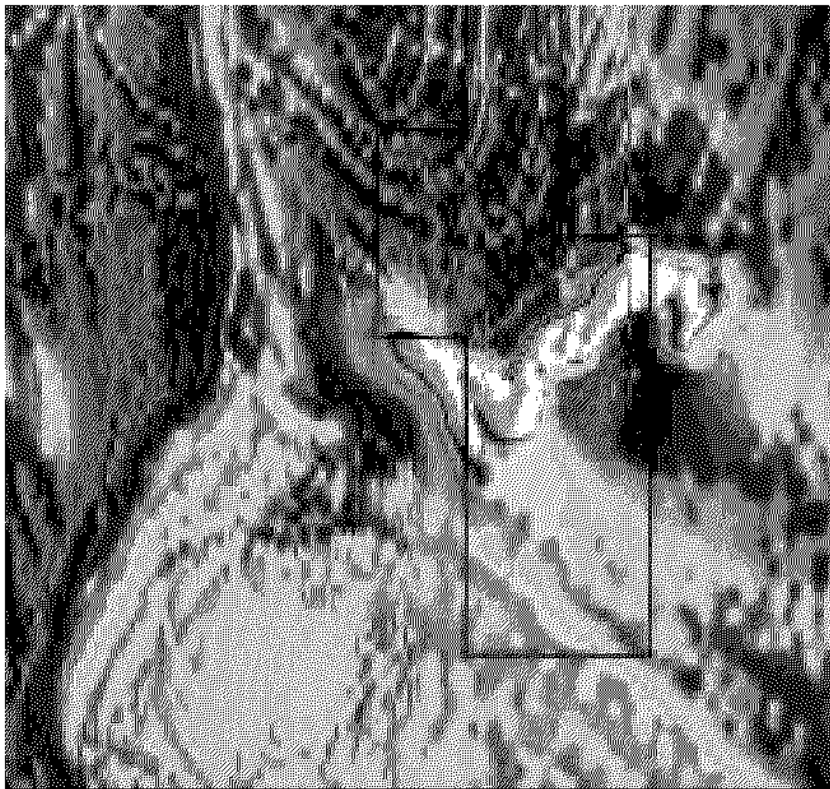


**Mt Gibson Projects**

**Woolshed Prospect**

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

The recent granting of EL59/1102 has presented the company with a joint venture opportunity to explore for iron ore as well as gold and base metals within the Yalgoo-Mt Singleton Belt in the vicinity of Mt Gibson. An aeromagnetic high identified within the tenement is considered a target as it has a strong similarity to the Mt Gibson Iron ore deposit. This has been backed up with a field inspection and has confirmed the company intends to peruse this opportunity further. Mapping by the **Geological Survey of Western Australia** (figure 4) 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.



Scale 1cm: 1.5kms

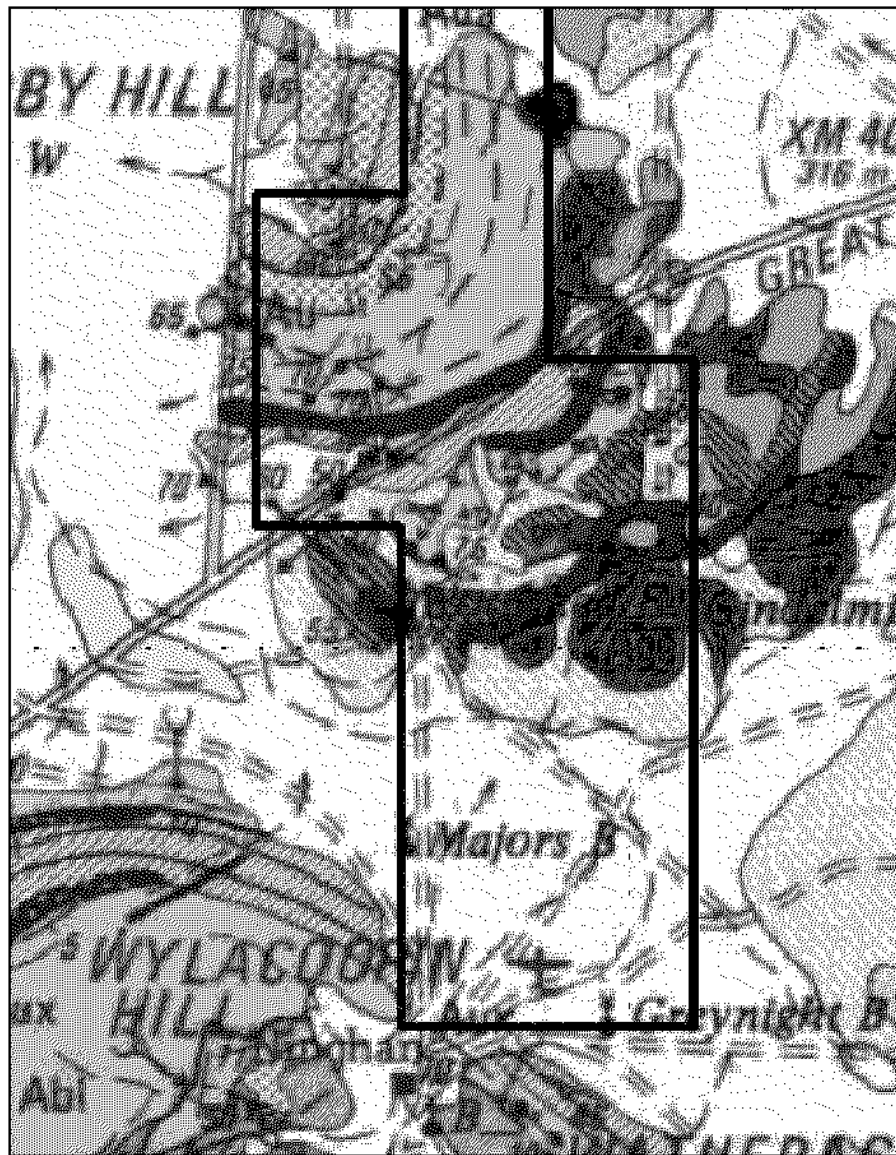
**Figure 3: Regional map showing aeromagnetic anomaly and granted tenement EL 59/1102 boundary (red).**







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**Figure 4: GSWA 1:250,000 Geological Map with granted tenement (ocean blue outline) and magnetite/haematite outcrop (blue/white stripes).**



ABN 60 103 280 235



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

Negotiations continued during the quarter with Native Title claimants with regard to the granting of the tenement.

The company has began reconnaissance work on the identified ferruginous BIF ridge which strikes north to south for approximately 5 kilometres through the tenement (Figure 5). Regional magnetic and ground gravity data suggests that the ridge is continuous and coherent and previously announced rock chip samples collected indicate both magnetite and hematite rich zones exist. The iron rich horizon appears to be a southern continuation of the same formation that is seen within the southern Mt Gibson belt that plays host to the Mt Gibson Iron's deposit

Previously significant results from rock chip samples include:

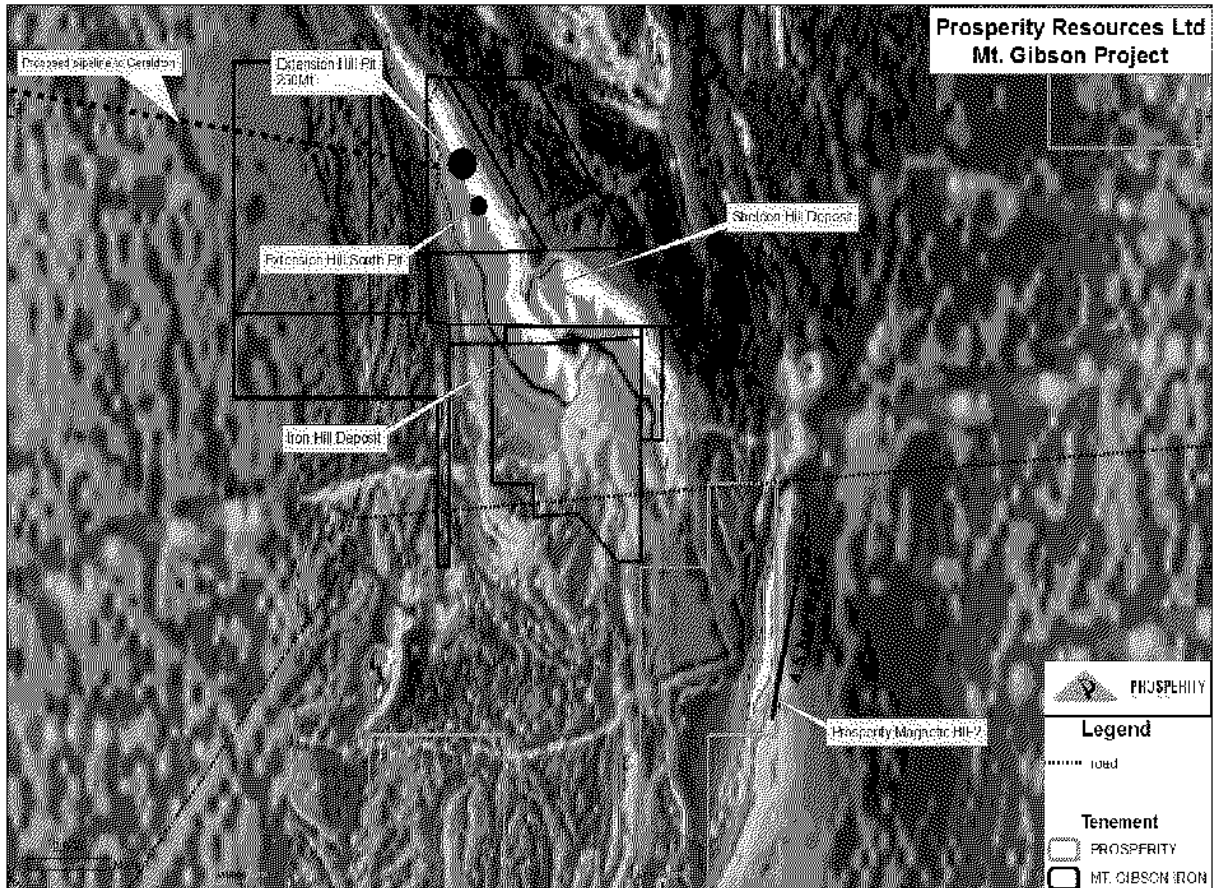
| Sample | Easting | Northing | Iron  | Silica | Alumina | Phosphorus | Sulphur |
|--------|---------|----------|-------|--------|---------|------------|---------|
| 1      | 521995  | 6715988  | 36.18 | 31.32  | 9.14    | 0.032      | 0.039   |
| 6      | 522423  | 6717385  | 50.82 | 13.18  | 7.20    | 0.038      | 0.081   |
| 21     | 522488  | 6718964  | 42.39 | 29.37  | 5.15    | 0.054      | 0.041   |
| 22     | 522524  | 6718963  | 40.92 | 35.62  | 1.26    | 0.037      | 0.040   |
| 23     | 522567  | 6718963  | 46.20 | 26.99  | 0.95    | 0.125      | 0.038   |
| 24     | 522032  | 6716571  | 50.71 | 15.74  | 3.71    | 0.030      | 0.046   |
| 30     | 522793  | 6720945  | 63.01 | 3.45   | 1.56    | 0.024      | 0.041   |
| MG01   | 522813  | 6720964  | 36.22 | 40.17  | 3.06    | 0.032      | 0.031   |
| MG02   | 522780  | 6720951  | 62.94 | 2.29   | 0.94    | 0.014      | 0.071   |
| MG03   | 522875  | 6719682  | 40.02 | 38.38  | 0.96    | 0.059      | 0.018   |
| MG04   | 522423  | 6717385  | 53.71 | 6.55   | 6.22    | 0.052      | 0.082   |

**Table 3 Rock Chip Samples**





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**Figure 5: Aeromagnetic Map over Mummaloo Prospect**



ABN 60 103 280 235



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**ELA's 59/878, 59/903, (PSP 60% earning interest MWE 40%),  
ML59/275, PL59/1168, ELA 59/1038, EL 59/1159-1160 (PSP 100%)**

No work has been completed on these tenements this quarter

**Payne's Find Project**

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

No work has been completed on this tenement this quarter

**Corporate**

The Company issued 8,724,000 ordinary fully paid shares at 11 cents per share to a *CL Section 708 exempt* Bahamas' based hedge fund, Prufrock Partners Ltd to raise \$950,640.

In addition, the company invested \$550,000 into Golden Arrow Resources Ltd, a British Virgin Isle's holding company that owns 85% of Pt Pasifik Masao Mineral, holder of the Masuparia Contract of Work in Kalimantan, Indonesia.

For greater detail of the companies projects, please visit our website  
[www.prosperity.net.au/projects/reports.html](http://www.prosperity.net.au/projects/reports.html)

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.



ABN 60 103 280 235