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**PROSPERITY RESOURCES LIMITED**

**ACN 103 280 235**

**NOTICE OF ANNUAL GENERAL MEETING**

**EXPLANATORY STATEMENT**

**PROXY FORM**

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**TIME:** 10.30am (WST)

**DATE:** 24 May 2017

**PLACE:** State Tennis Centre  
Victoria Park Drive  
Burswood  
Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary, Garry Taylor, on +65 9655 5840 or e-mail [info@prosperity.net.au](mailto:info@prosperity.net.au)***

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (WST) on 24 May 2017 at:

State Tennis Centre, Victoria Park Drive, Burswood, Western Australia.

### YOUR VOTE IS IMPORTANT

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The business of the Annual General Meeting affects your shareholding and your vote is important.

### VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 22 May 2017.

### VOTING IN PERSON

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To vote in person, please attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

#### ***Proxy vote if the appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:

- the proxy is not recorded as attending the meeting; or
- the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

**Important Information with Respect to Resolutions 5 to 7 (inclusive):**

Shareholders appointing a proxy for Resolutions 5 to 7 (inclusive) should note the following:

***If you appoint a member of the Key Management Personnel as your proxy***

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to those persons will not be included in any vote on this Resolution (subject to the comments below with respect to appointing the Chair as your proxy).

***If you appoint the Chair as your proxy***

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolutions 5 to 7 (inclusive). If the appointment expressly authorises the Chair to exercise their discretion in exercising your proxy even though Resolutions 5 to 7 (inclusive) are connected directly or indirectly with the remuneration of Key Management Personnel. The proxy form accompanying this Notice of Meeting contains such an express authorisation.

The Chair of the Annual General Meeting intends to vote all available proxies in favour of all items of business (including Resolutions 5 to 7 (inclusive)).

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders will be held at 10:30am (WST) on 24 May 2017 at the State Tennis Centre, Victoria Park Drive, Burswood, Western Australia.

### AGENDA

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#### ORDINARY BUSINESS

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#### FINANCIAL STATEMENTS AND REPORTS

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To receive and consider the annual financial reports of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

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#### RESOLUTION 1 ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following Resolution as a **non-binding Resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2016."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy as proxy and the proxy form specifies how the proxy is to vote on the Resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) it is cast by the person chairing the meeting voting an undirected proxy and their appointment expressly authorises the person chairing the meeting to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

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#### RESOLUTION 2 RE-ELECTION OF MR SEBASTIAN HEMPEL

To consider and, if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*"That Mr Sebastian Hempel, a Director who retires by rotation in accordance with clause 11.3 of the Constitution, and being eligible, is re-elected as a Director."*

There are no voting exclusions in relation to this Resolution.

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#### RESOLUTION 3 ISSUE OF SHARES

To consider and, if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the proposed issue of 245,900,000 Shares to sophisticated investors, or their nominees, on the terms and conditions set out in the Explanatory Statement."*

Voting exclusions apply to this Resolution. See below.

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#### **RESOLUTION 4 ISSUE OF OPTIONS**

To consider, and if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 245,900,000 Options to sophisticated investors, or their nominees, on the terms and conditions set out in the Explanatory Statement."*

Voting exclusions apply to this Resolution. See below.

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#### **Voting Exclusion statement for Resolutions 3 and 4 (inclusive):**

The Company will disregard any votes cast on Resolutions 3 and 4 (inclusive) respectively by a person who may participate in the issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if that Resolution is passed, and any of their respective associates. However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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#### **RESOLUTION 5 ISSUE OF SHARES TO MR SEBASTIAN HEMPEL**

To consider and, if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 5,000,000 Shares to Mr Sebastian Hempel or his nominee as consideration for entering into the NECS Loan, on the terms and conditions set out in the Explanatory Statement."*

Voting exclusions apply to this Resolution. See below

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#### **RESOLUTION 6 ISSUE OF SHARES TO R & K GLOBAL FINANCE LTD**

To consider and, if thought fit, to pass, the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 50,000,000 Shares to R & K Global Finance Ltd or its nominee as consideration for renegotiating the R&K Loan Facility, on the terms and conditions set out in the Explanatory Statement."*

Voting exclusions apply to this Resolution. See below

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#### **RESOLUTION 7 ISSUE OF SHARES TO MR MOHAMMED MUNSHI**

To consider and, if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*"That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 38,385,375 Shares to Mr Mohammed Munshi or his nominee in lieu of cash payment as remuneration for his role as Chairman and Chief Executive Officer, on the terms and conditions set out in the Explanatory Statement."*

Voting exclusions apply to this Resolution. See below

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#### **Voting Exclusion statement for Resolutions 5 to 7 (inclusive):**

The Company will disregard any votes cast on Resolutions 5 to 7 (inclusive) by Mr Sebastian Hempel (Resolution 5) or Mr Mohammed Munshi (Resolutions 6 and 7 (inclusive)) and any of their associates. However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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The Company will also disregard any votes cast this Resolution by a member of the KMP or their Closely Related Parties, acting as proxy for another person, where the proxy form does not specify how the proxy is to vote, with the exception that votes cast by the person chairing the meeting as proxy appointed in writing where the appointment expressly authorises the person chairing the meeting to exercise the proxy even though the respective Resolution may be connected with the remuneration of a member of the KMP (Resolution 7), will not be excluded.

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**RESOLUTION 8     \$1,500,000 PLACEMENT FACILITY**

To consider, and if thought fit, to pass the following Resolution as an **ordinary Resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of Shares to raise up to \$1,500,000, within 3 months of the date of this Resolution, and authorise the directors to enter into an agreement or agreements for this purpose, on the terms and conditions set out in the Explanatory Statement.”*

Voting exclusions apply to this Resolution. See below

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**RESOLUTION 9     10% PLACEMENT FACILITY**

To consider, and if thought fit, to pass the following Resolution as a **special Resolution**:

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue, within 12 months of the date of this Resolution, of Equity Securities of up to 10% of the Company’s issued capital (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, and on the terms and conditions set out in the Explanatory Statement.”*

Voting exclusions apply to this Resolution. See below

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**Voting Exclusion statement for Resolutions 8 and 9 (inclusive):**

The Company will disregard any votes cast on Resolutions 8 and 9 (inclusive) respectively by a person who may participate in the issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if that Resolution is passed, and any of their respective associates. However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**DATED: 17 APRIL 2017**

**BY ORDER OF THE BOARD**

**GARRY TAYLOR  
COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10.30 am (WST) on 24 May 2017 at the State Tennis Centre, Victoria Park Drive, Burswood, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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## FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial reports of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company's annual financial report on its website at [www.prosperity.net.au](http://www.prosperity.net.au).

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## RESOLUTION 1 ADOPTION OF REMUNERATION REPORT

### General

The Corporations Act requires that at a listed company's annual general meeting, a Resolution that the remuneration report be adopted must be put to the Shareholders. However, such a Resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

### Voting Consequences

If at least 25% of the votes cast on a resolution to adopt the remuneration report are against the adoption of the Remuneration Report for two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of another general meeting within 90 days, at which all of the Company's Directors (other than the Managing Director) must go up for re-election ("Spill Resolution").

At the Company's 2015 annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25% of total votes cast. Accordingly, the Spill Resolution is not a relevant consideration for this Annual General Meeting.

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## RESOLUTION 2 RE-ELECTION OF MR SEBASTIAN HEMPEL

Clause 11.3 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

Mr Sebastian Hempel retires by rotation and seeks re-election as a director.

Details of Mr Hempel's experience and background follow:

**Mr Sebastian Hempel ACIS, B.Sc, LL.B, Grad.Dip.AppCorpGov**

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### **Independent, Non-Executive Director, appointed 21 July 2008**

Mr Hempel is a well regarded and accomplished corporate lawyer and governance professional. He has over 25 years of corporate advisory experience in the listed company area with specialties in capital raisings and ASX listings and in the resources sector. He was with major commercial law firm Minter Ellison from 1996 to 2008 after a stint in investment banking at Macquarie Bank and working at the Australian Stock Exchange in the early 1990s. Mr Hempel was an Executive Director of Fitzroy River Corporation Ltd (ASX:FZR) from 2012 to 2014.

### **Interests in Company securities**

3,240,900 Shares

Each of the Directors (other than Mr Hempel) recommends that Shareholders vote in favour of Resolution 2.

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## **BACKGROUND FOR RESOLUTIONS 3 AND 4**

Listing Rule 7.1 prohibits a company from issuing or agreeing to issue Equity Securities in any 12 month period which amounts to more than 15% of its ordinary securities without the approval of holders of its ordinary securities.

Equity Securities issued with the approval of holders of a company's ordinary securities in accordance with Listing Rule 7.1 are not then required to be included in the 15% limit imposed by Listing Rule 7.1.

The Company is seeking Shareholder approval to the issue of Shares and Options the subject of Resolutions 3 and 4 for the purposes of Listing Rule 7.1, so these Shares and Options will not be counted towards the 15% limit.

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## **RESOLUTION 3 ISSUE OF SHARES**

Resolution 3 seeks Shareholder approval for the issue of 245,900,000 Shares to sophisticated investors or their nominees for the purposes of Listing Rule 7.1.

The primary purpose of the issue of Shares to sophisticated investors or their nominees, is to raise working capital for the Company.

The following information is provided in accordance with Listing Rule 7.3:

1. A maximum of 245,900,000 Shares are to be issued.
2. The Shares the subject of this Resolution will be issued at a price of \$0.0008 per Share.
3. The Shares will be issued to sophisticated shareholders or their nominee, who are not related parties of the Company.
4. The Shares will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX.
5. \$196,720 will be raised by the issue of the Shares the subject of this Resolution.
6. The Company intends to issue the Shares within 3 months of the date of this Annual General Meeting.
7. A voting exclusion statement is set out in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 3.

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## **RESOLUTION 4 ISSUE OF OPTIONS**

Resolution 4 seeks Shareholder approval for the issue of 245,900,000 Options to sophisticated investors or their nominees for the purposes of Listing Rule 7.1.

The primary purpose of the issue of Options to sophisticated investors or their nominees, is to raise working capital for the Company.

The following information is provided in accordance with Listing Rule 7.3:

1. A maximum of 245,900,000 Options are to be issued.



2. The Options the subject of this Resolution will be issued on terms set out in Schedule 1 to this Explanatory Statement.
3. The Options will be issued to sophisticated investors or their nominees, who are not related parties of the Company.
4. All Shares issued upon the exercise of the Options will rank equally in all respects with existing issued Shares in the Company and application will be made for their quotation on ASX.
5. \$1,967,200 will be raised by the future exercise of the Options the subject of this Resolution.
6. The Company intends to issue the Options within 3 months of the date of this Annual General Meeting, to the same persons being issued the Shares under Resolution 3.
7. A voting exclusion statement is set out in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 4.

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## **RESOLUTION 5 ISSUE OF SHARES TO MR SEBASTIAN HEMPEL**

Resolution 5 seeks Shareholder approval for the issue of 5,000,000 Shares to New England Corporate Services Pty Ltd (**NECS**) or its nominee for the purposes of Listing Rule 10.11.

NECS is a company controlled by Mr Sebastian Hempel (a Director of the Company), and is therefore a related party of the Company. Accordingly, the Shares cannot be issued to NECS in respect of the NECS Loan Facility without the prior approval of Shareholders for the purposes of Listing 10.11.

The Directors resolved (subject to obtaining Shareholder approval) to issue the Shares the subject of this Resolution to NECS or its nominee as consideration for the renegotiation of the NECS Facility.

As the loan is unsecured, and as the fees payable to NECS are commensurate with those paid to other lenders to the Company, the Directors (other than Mr Hempel) have determined that Shareholder approval will not also be required for the purposes of Chapter 2E of the Corporations Act (giving a financial benefit to a related party) as the arm's length exception in section 210 of the Corporations Act applies.

Accordingly, Shareholder approval is not required for the purposes of section 208 of the Corporations Act, and this Resolution seeks Shareholder approval for the purposes of Listing Rule 10.11, for the issue of Shares to NECS (or its nominee).

The following information is provided in accordance with Listing Rule 10.13:

1. The related party is NECS which is a related party of the Company by virtue of being an entity that is controlled by a related party of the Company (namely, Mr Sebastian Hempel, a Director).
2. A maximum of 5,000,000 Shares are to be issued.
3. The Shares will be issued within 1 month of this Annual General Meeting.
4. NECS is a company controlled by Mr Sebastian Hempel (a Director of the Company), and is therefore a related party of the Company.
5. The Shares will be issued for nil consideration as they are being issued as consideration for the grant of the NECS Loan Facility.
6. No funds will be raised by the issue of the Shares the subject of this Resolution although the Company's liability to NECS under the terms of the NECS Loan Facility will be satisfied by the issue.
7. The Shares will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX.
8. A voting exclusion statement is included in the Notice of Meeting.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the securities issued pursuant to this Resolution will not be included in the calculation of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

The Directors (with the exception of Mr Sebastian Hempel) recommend that Shareholders vote in favour of Resolution 5.

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## **RESOLUTION 6    ISSUE OF SHARES TO R & K GLOBAL FINANCE LTD**

Resolution 6 seeks Shareholder approval for the issue of 50,000,000 Shares to R & K Global Finance Ltd or its nominee for the purposes of Listing Rule 10.11.

R & K Global Finance Ltd is a company controlled by Mr Mohammed Munshi (a Director of the Company), and is therefore a related party of the Company. Accordingly, the Shares cannot be issued to R & K Global Finance Ltd in respect of the R & K Loan Facility without the prior approval of Shareholders for the purposes of Listing 10.11.

The Directors resolved (subject to obtaining Shareholder approval) to issue the Shares the subject of this Resolution to R & K Global Finance Ltd or its nominee as consideration for the renegotiation of the R & K Loan Facility provided that the issue of Shares will not result in Mr Munshi's relevant interest in the Company exceeding 19.9% at the time the Shares are issued, pursuant to s606 of the Corporations Act.

As the loan is unsecured, and as the fees payable to R & K Global Finance Ltd are commensurate with those paid to other lenders to the Company, the Directors (other than Mr Munshi) have determined that Shareholder approval will not also be required for the purposes of Chapter 2E of the Corporations Act (giving a financial benefit to a related party) as the arm's length exception in section 210 of the Corporations Act applies.

Accordingly, Shareholder approval is not required for the purposes of section 208 of the Corporations Act, and this Resolution seeks Shareholder approval for the purposes of Listing Rule 10.11, for the issue of Shares to R & K Global Finance Ltd (or its nominee).

The following information is provided in accordance with Listing Rule 10.13:

1. The related party is R & K Global Finance Ltd which is a related party of the Company by virtue of being an entity that is controlled by a related party of the Company (namely, Mr Mohammed Munshi, a Director).
2. A maximum of 50,000,000 Shares are to be issued.
3. The Shares will be issued within 1 month of this Annual General Meeting.
4. R & K Global Finance Ltd is a company controlled by Mr Mohammed Munshi (a Director of the Company), and is therefore a related party of the Company.
5. The Shares will be issued for nil consideration as they are being issued as consideration for the grant and renegotiation of the R & K Loan Facility.
6. No funds will be raised by the issue of the Shares the subject of this Resolution although the Company's liability to R & K Global Finance Ltd under the terms of the R & K Loan Facility will be satisfied by the issue.
7. The Shares will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX.
8. A voting exclusion statement is included in the Notice of Meeting.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the securities issued pursuant to this Resolution will not be included in the calculation of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

The Directors (with the exception of Mr Mohammed Munshi) recommend that Shareholders vote in favour of Resolution 6.

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## **EXPLANATORY NOTES FOR RESOLUTION 7**

Section 208 of the Corporations Act provides that, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

1. Obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
2. Give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of Shares to a director constitutes giving a financial benefit to a related party.

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In addition, Listing Rule 10.11 also requires that Shareholder approval be obtained where an entity issues, or agrees to issue, Equity Securities to a related party (which includes a director of the Company), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies. Shares are Equity Securities and the issue of Shares to a Director requires Shareholder approval under Listing Rule 10.11.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the securities issued pursuant to this Resolution will not be included in the calculation of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the circumstances relevant to Resolution 7.

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## **RESOLUTION 7 ISSUE OF SHARES TO MR MOHAMMED MUNSHI**

Resolution 7 seeks Shareholder approval to issue Shares to Mr Mohammed Munshi, who is a related party of the Company (Mr Munshi being a Director of the Company), in lieu of accrued directors' fees or consultancy fees (**Remuneration Shares**).

The Board considers the issue of the Remuneration Shares to Mr Munshi to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Remuneration Shares on the terms proposed.

The amount owed to Mr Munshi, the number of Remuneration Shares to be issued in lieu of a cash payment and the basis of the calculation for this is set out in the table below:

<b>Director</b>	<b>Description</b>	<b>Number of Shares</b>	<b>From</b>	<b>To</b>	<b>Issue Price</b>	<b>Notional value of Remuneration Shares*</b>	<b>Actual amount owed to Director</b>
Mr Mohammed Munshi	Director Fees	4,010,375	1-May-16	31-Mar-17	\$0.008	\$32,083	\$32,083
	Consultant Fees	34,375,000	1-May-16	31-Mar-17	\$0.008	\$275,000	\$275,000
	<b>Total</b>	<b>38,385,375</b>				<b>\$307,083</b>	<b>\$307,083</b>

*\*In the interest of avoiding substantial dilution, the Board has valued the Remuneration Shares based on a price per Share of \$0.008, which is well above the average of the monthly VWAP for Shares for the relevant period in which the remuneration accrued, of \$0.001. The notional value of the Remuneration Shares is set out in the table.*

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the circumstances relevant to Resolution 7.

Accordingly, provided that the issue of Shares will not result in Mr Munshi's relevant interest in the Company exceeding 19.9% at the time the Shares are issued, pursuant to s606 of the Corporations Act, Resolution 7 seeks Shareholder approval for the issue of Remuneration Shares to Mr Munshi as follows:

- (a) for the purposes of Listing Rule 10.11; and
- (b) for the purposes of section 208 of the Corporations Act, for the issue of the Remuneration Shares, which constitutes the giving of a financial benefit.

### Listing Rule 10.11 - Remuneration Shares

The following information is provided in accordance with Listing Rule 10.13:

1. Mr Munshi is a related party of the Company by virtue of being a Director. The Remuneration Shares may be issued to Mr Munshi or his nominees.
2. The maximum number of Remuneration Shares to be granted to Mr Munshi (or his nominee) is 38,385,375.
3. The Remuneration Shares will be issued within 1 month of this Annual General Meeting.

4. The Remuneration Shares will be issued for nil consideration at the issue price of \$0.008 per Share as set out in the table above.
5. The Remuneration Shares will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX.
6. No funds will be raised by the issue of Remuneration Shares although the Company's liability to Mr Munshi in relation to his accrued remuneration will be satisfied by the issue.

If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the securities issued pursuant to this Resolution will not be included in the calculation of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

#### Section 208 of the Corporations Act – Remuneration Shares

The following information, in addition to the information contained in this Explanatory Statement and Schedule 2 is provided in accordance with section 219 of the Corporations Act:

1. Mr Munshi's current remuneration is set out at Schedule 2 to this Explanatory Statement.
2. The 38,385,375 Shares, the subject of Resolution 7, to be issued to Mr Munshi have been valued by the Board to have a notional value of \$307,083, based on a share price of \$0.008 per Share.
3. Mr Munshi's direct or indirect interest in securities in the Company is set out at Schedule 2 to this Explanatory Statement.
4. Assuming no other Shares are issued (other than those to be issued to Mr Munshi if Resolution 7 is passed), the maximum dilution that will be experienced by Shareholders as a result of the issue of Shares to Mr Munshi is set out at Schedule 2 to this Explanatory Statement.
5. Mr Munshi did not vote on any Board resolution in respect of the grant of securities the subject of Resolution 7 and declines to make a recommendation to Shareholders in relation to this Resolution due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of this Resolution, recommend that Shareholders vote in favour of the Resolution for the reasons set out in this Explanatory Statement. The Board (other than Mr Munshi) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.
6. A voting exclusion statement is set out in the Notice of Meeting.

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### **RESOLUTION 8                      \$1,500,000 PLACEMENT FACILITY**

Resolution 8 seeks Shareholder approval for directors to enter into a future capital raising agreement or agreements to raise up to \$1,500,000 through the issue of Shares, on terms yet to be agreed (the '**Capital Raising**') for the purposes of Listing Rule 7.1 and for all other purposes. The Capital Raising is to be applied for ongoing working capital purposes.

If Shareholders approve this Resolution, the Directors will have the flexibility and discretion to enter into a Capital Raising to secure ongoing working capital, without being restricted by the 15% Share issuance limit imposed by Listing Rule 7.1 and without having to suffer delay or additional expense involved in convening another general meeting to obtain any Shareholder approval that would otherwise be required under Listing Rule 7.1. The following information is provided in accordance with Listing Rule 7.3:

1. The maximum of Shares to be issued will be determined in accordance with the following formula:  

$$\$1,500,000 \text{ divided by the "Issue Price" (as defined in paragraph 3 below).}$$
2. The Shares will be issued within 3 months of the date of this Annual General Meeting.
3. The issue price for any Shares will be not less than 80% of the volume-weighted average Share price of all on-market trades of the Company's Shares on the ASX in the 5 ASX trading days immediately preceding the issue (**Issue Price**).
4. The names of the persons to whom the Company will issue Shares instruments are not known at this time. The Shares will be issued to persons or entities identified by the Company and to which a disclosure

document is not required to be provided by virtue of Part 6D.2 of the Corporations Act 2001. No related parties (within the meaning of the Corporations Act) will be issued Shares.

5. Any Shares issued under any Capital Raising agreement(s) will be issued on the same terms as, and rank equally with, the existing issued Shares and application will be made for their quotation on ASX.
6. Funds raised from the proposed issue will be applied for ongoing working capital purposes.
7. The Company may issue any Shares the subject of this resolution progressively throughout the 3 month period.
8. A voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 8.

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## **RESOLUTION 9 10% PLACEMENT FACILITY**

### Background

Listing Rule 7.1A allows an 'eligible entity' to issue up to 10% of its issued capital (**10% Placement Facility**) in the 12 month period following Shareholder approval (if granted). The Company is an eligible entity as it is not included in the S&P/ASX300 Index and has a market capitalisation of less than \$300,000,000. The Company's market capitalisation is currently approximately \$688,000.

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

The 10% Placement Facility must be an existing class of Equity Securities currently quoted on the ASX, that is fully paid ordinary shares. Shares issued with approval under ASX Listing Rule 7.1A may be issued at any time during the 12 month period from the date of this resolution.

This Resolution must take the form of a special resolution which requires at least 75% of the votes that may be cast by members who are entitled to vote, to be cast in favour of the resolution. This includes voting via proxies.

### Formula for calculating 10% Placement Facility

Listing rule 7.1A.2 provides that an eligible entity which has obtained Shareholder approval at an Annual General Meeting may issue or agree to issue, during the 12 months period after the date of the Annual General Meeting, a number of Equity Securities calculated in accordance with the following formula:

#### **(A x D) - E**

- A** is the number of share on issue 12 months before the date of the issue or agreement:
- a) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
  - b) plus the number of partly paid shares that became fully paid in the 12 months;
  - c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4;
  - d) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

Shareholders are advised that it is a condition of approval under Listing Rule 7.1A that the issue price for the 10% Placement Facility must be not less than 75% of the volume-weighted average share price calculated over the 15 trading days immediately before:

- a) the date on which the price at which the Additional Placement Capital is agreed or issued; or
- b) if the securities are not issued within 5 trading days of the date referred to in paragraph (i) the date on which the securities are issued.

#### **(Maximum Discount)**

Notice requirements for approval under Listing Rule 7.1A

The following information is provided in accordance with Listing Rule 7.3A:

1. The Additional Placement Capital will be issued at a price not less than the Maximum Discount.
2. If Resolution 9 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
  - a) the market price of the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
  - b) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Examples of the possible dilutive effect that such issues may have on Shareholders is provided in the following table:

Variable A in Listing Rule 7.1A.2		Dilution		
		\$0.0005 50% decrease in Issue price	\$0.001 Issue price	\$0.002 100% increase in Issue price
Current Variable A	10% Voting dilution	68,784,621 Shares	68,784,621 Shares	68,784,621 Shares
687,846,214 Shares	Funds raised	\$34,392	\$68,785	\$137,569
50% increase in current Variable A	10% Voting dilution	103,176,932 Shares	103,176,932 Shares	103,176,932 Shares
1,031,769,321 Shares	Funds raised	\$51,588	\$103,177	\$206,354
100% increase in current Variable A	10% Voting dilution	137,569,243 Shares	137,569,243 Shares	137,569,243 Shares
1,375,692,428 Shares	Funds raised	\$68,785	\$137,569	\$275,139

The table has been prepared based upon the following assumptions:

- a) The Company issues the maximum number of Equity Securities available under this Resolution.
  - b) The 10% voting dilution reflects the aggregate percentage dilution against the issued capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - c) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility based on that Shareholder's holding at the date of the Annual General Meeting.
  - d) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A.
  - e) The issue price is \$0.001, being the closing price on 17 March 2017.
3. The Additional Placement Capital will be issued within 12 months of this Annual General Meeting, or earlier date if Shareholders approve a significant transaction for the purposes of Listing Rules 11.1.2 or 11.2.
  4. The Additional Placement Capital will be used to further develop the Company's mineral exploration projects and for associated working capital purposes.
  5. The Company's current allocation policy in respect of the Additional Placement Capital is to make the Additional Placement Capital available to potential investors, and the Company expects to allocate the Additional Placement Capital to a mix of existing and new Shareholders. Allottees have not been determined and final determination as to the suitability of the allocation of the Additional Placement Capital will depend on the needs and requirements of the Company at the relevant time.

7. The Company has not issued any Equity Securities in the 12 months preceding the date of the Annual General Meeting.
  8. A voting exclusion statement is included in the Notice of Meeting.
- The Directors recommend that Shareholders vote in favour of Resolution 9.

## GLOSSARY

**AUD, \$, cents** means Australian dollars and cents.

**Annual General Meeting** means the meeting convened by the Notice of Meeting.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**Board** means the current board of directors of the Company.

**Closely Related Party** of a member of Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependant of the member or of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member, in the member's dealings with the Company; or
- a company that the member controls.

**Company or Prosperity** means Prosperity Resources Limited (ACN 103 280 235).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Equity Securities** has the meaning given to that term in the Listing Rules.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director (whether executive or otherwise).

**NECS Loan Facility** means the loan facility provided to the Company by NECS, with the following key parameters:

- Facility Amount: AUD20,000
- Drawn Amount: AUD20,000
- Due Date: 30 June 2017
- Interest Rate: Nil
- Security: Nil

**Listing Rules** means the Listing Rules of ASX.

**Meeting** means the Annual General Meeting.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

**R & K Loan Facility** means the loan facility provided to the Company by R & K Global Finance Ltd, with the following key parameters:

- Facility Amount: USD250,000
- Drawn Amount: USD250,000
- Due Date: 30 June 2017
- Interest Rate: Nil
- Security: Nil

**Related Party** has the meaning given to that term in the Corporations Act.

**Remuneration Shares** means the Shares the subject of Resolution 7 to be issued to Mr Mohammed Munshi in lieu of accrued remuneration, director or consultancy fees.

**Resolutions** means the Resolutions set out in this Notice of Meeting, or any one of them, as the context requires.



**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**USD** means United States dollars.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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The Options entitle the Optionholder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options expire at 5:00pm (WST) on 31 December 2017 (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.008 cents (Exercise Price).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) *a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and*
  - (ii) *a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;*
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Loan Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Loan Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which a Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

**SCHEDULE 2 – SUPPLEMENTARY INFORMATION FOR RESOLUTION 7**

<b>52-week trading history of the Shares on ASX</b>	<b>Price</b>	<b>Date</b>
Highest	\$0.001	17 March 2017
Lowest	\$0.001	17 March 2017
Last	\$0.001	17 March 2017

<b>Directors' relevant interest in Equity Securities of the Company (as at the date of this Notice of Annual General Meeting)</b>	<b>Shares</b>
Mr Mo Munshi	101,012,172
Mr John Arbuckle	3,963,000
Mr Sebastian Hempel	3,240,900

<b>Directors' relevant interest in Equity Securities of the Company (as at the date of this Notice of Annual General Meeting)</b>	<b>Current voting power</b>	<b>Voting Power following AGM (assuming the Shares the subject of Resolution 7 are issued, and no other Shares are issued)</b>
Mr Mo Munshi	14.7%	19.2%
Mr John Arbuckle	0.6%	0.5%
Mr Sebastian Hempel	0.5%	0.4%

<b>Directors' remuneration as at 31 December 2016</b>	<b>Entitlement 2015/2016</b>	<b>Actual 2015/2016</b>	<b>Actual 2014/2015</b>
Mr Mo Munshi	\$335,000	-	\$337,587
Mr John Arbuckle	\$30,000	-	\$32,587
Mr Sebastian Hempel	\$30,000	-	\$32,587

<b>Number of Shares currently on issue</b>	<b>Number of shares that will be on issue if all Shares the subject of Resolution 7 are issued and no other Shares are issued.</b>
687,846,214	726,231,589

<b>Dilution of existing Shareholders based on issued Shares as at the date of this Notice of Annual General Meeting of 687,846,214 (assuming, in each case, that only the Shares to be issued to the relevant Director are issued, and no other Shares are issued)</b>		
<b>Director</b>	<b>Shares</b>	<b>Dilution</b>
Mr Mohammed Munshi	38,385,375	4.5%
Total	38,385,375	4.5%

**PROSPERITY RESOURCES LTD**  
**ACN 103 280 235**

# PROXY FORM

The Company Secretary  
Prosperity Resources Ltd  
PO Box 7516  
Cloisters Square  
Perth WA 6850

**Email:** info@prosperity.net.au  
**Facsimile:** (+65) 6835 7868

## Shareholder Details

Name: .....

Address: .....

Contact Telephone No: .....

Contact Name (if different from above) .....

## Step 1: Appoint a Proxy

I/We, being a member of Prosperity Resources Ltd and entitled to attend and vote hereby appoint

the Chair of the Meeting (mark with an 'X')

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is name, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at 10.30am (WST), on 24 May 2017 at the State Tennis Centre, Victoria Park Drive, Burswood, Western Australia, and at any adjournment thereof, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 5 to 7 (inclusive), I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this resolution even though Resolutions 5 to 7 (inclusive) may be connected with the remuneration of key management personnel for Prosperity Resources Ltd.

The Chair of the Meeting will vote all undirected proxies in favour of all items of business (including Resolutions 5 to 7 (inclusive)). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote again, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**Step 2: Voting Directions**

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Sebastian Hempel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares to New England Corporate Services Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Shares to R & K Global Finance Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares to Mr Mohammed Munshi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	\$1,500,000 Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**PLEASE SIGN HERE** This section must be signed in accordance with the instructions below to enable your directions to be implemented

Individual or Shareholder 1	Shareholder 2	Shareholder 3
<div style="border: 1px solid black; height: 50px; width: 100%;"></div>	<div style="border: 1px solid black; height: 50px; width: 100%;"></div>	<div style="border: 1px solid black; height: 50px; width: 100%;"></div>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

**Contact Name:** \_\_\_\_\_

**Contact Phone (daytime):** \_\_\_\_\_

**Date:** \_\_\_\_\_