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## **QUARTERLY REPORT**

**JUNE 2005**

### **Highlights**

- Follow up metallurgical test work at Melville shows low cost processing option for the company and good recoveries are achievable through the Gravat™ process
- Prosperity signs option on Large Copper-Gold Porphyry Project in Kalimantan, Indonesia. Drilling to start immediately.





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## **Development**

### **Yalgoo North Project**

#### **Melville Deposit**

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

Further test work on the ore types identified at the Melville and Don Bradman Prospects has supported the company's proposal to evaluate the use of the gravity recovery process with a vat leach (GraVat™).

The company is now in the process of developing a feasibility study plan with the possibility of generating cashflow from the Melville Deposit.

Further discussions are underway with consulting metallurgists to determine the cost structure for the development of a trial mining approach to fully test the GraVat™ method on actual ores. At the same time further pit optimizations are to be completed to identify processing costs that would allow maximum development of the resource, whilst maintaining a positive cash outcome for the company.

Initial studies demonstrate that at modest grind sizes (around 125µm to 1500 µm) between 40% and 60% of the total gold content is liberated from the rock. Of this around 15% to 20% could be recovered using traditional gravity recovery methods. Using the GraVat™ technique, intense cyanidation of the gravity concentrate yielded recoveries in the 82%- 94% range demonstrating the importance of the un-liberated gravity recovered gold that can be further extracted by intense cyanidation of the gravity concentrate. This step in the process of developing a gravity concentrate allows the company to potentially reduce processing costs through a coarser grind particle size and selective cyanidation of primarily gold bearing material. The use of a mobile test plant and the gravity separation with cyanidation of the tails appears to be a commercially viable proposition for the company, and has offered Prosperity an opportunity to look towards developing its own cash flow within the next 12 to 18 months.

ICP scans did not detect any significant quantities of problem elements such as selenium, arsenic, copper or antimony in the ores, whilst sulphur and silver grades were also low in the concentrates.

Results of the ongoing studies are anticipated during the third quarter of 2005.





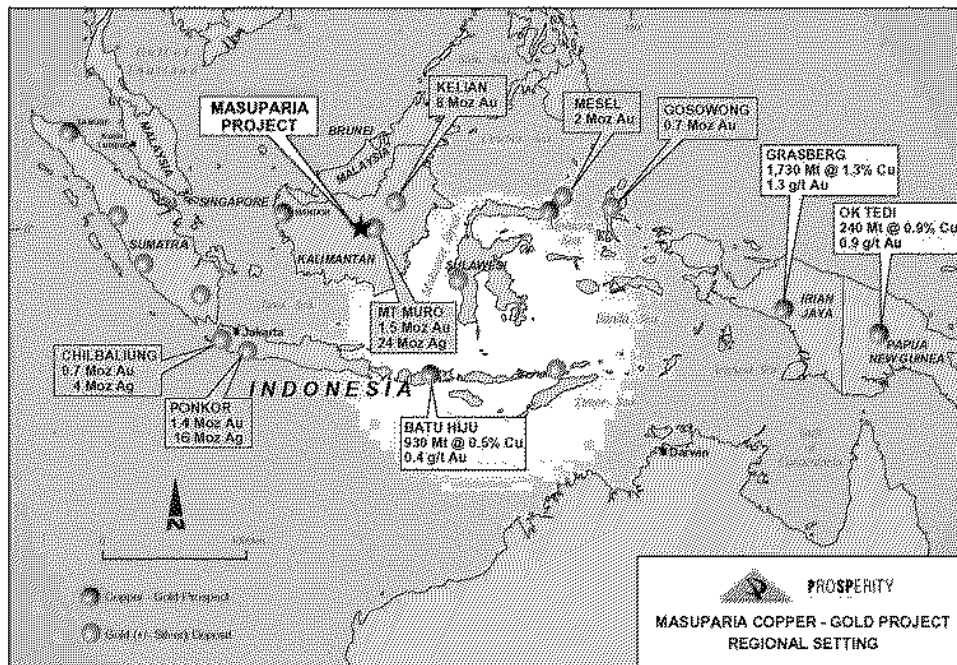
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## Exploration

### Masuparia Copper/Gold Project – Central Kalimantan, Indonesia (PSP option to purchase 85%)

The Contract of Work ('C.O.W'), held by PT Pasifik Masao Mineral, covers an area of 335 square kilometres in Central Kalimantan and adjoins the Mt Muro Mine COW that has produced more than 1.3 million ounces of gold during the period 1995-2002. This plant is scheduled to re open mid 2005.

In 2001-2002, US-based Phelps Dodge Corporation carried out exploration under a 12-month option agreement and focussed on the search for porphyry copper gold mineralisation. Phelps Dodge was successful in proving that porphyry copper mineralisation did exist at depth within a geological setting analogous to the Cadia Hill- Ridgeway Deposit in New South Wales. Rina Prospect drillhole RDH-02 intersected **310 metres @ 0.18% Cu and 0.32 g/t Au** from surface, with the last 172 metres finishing in mineralisation averaging **0.26% Cu and 0.50 g/t Au**. Subsequent geophysical surveying suggests that this drilling has only tested the periphery of a much larger system and one with potentially higher grades, which has not been drill tested.



## Location Map



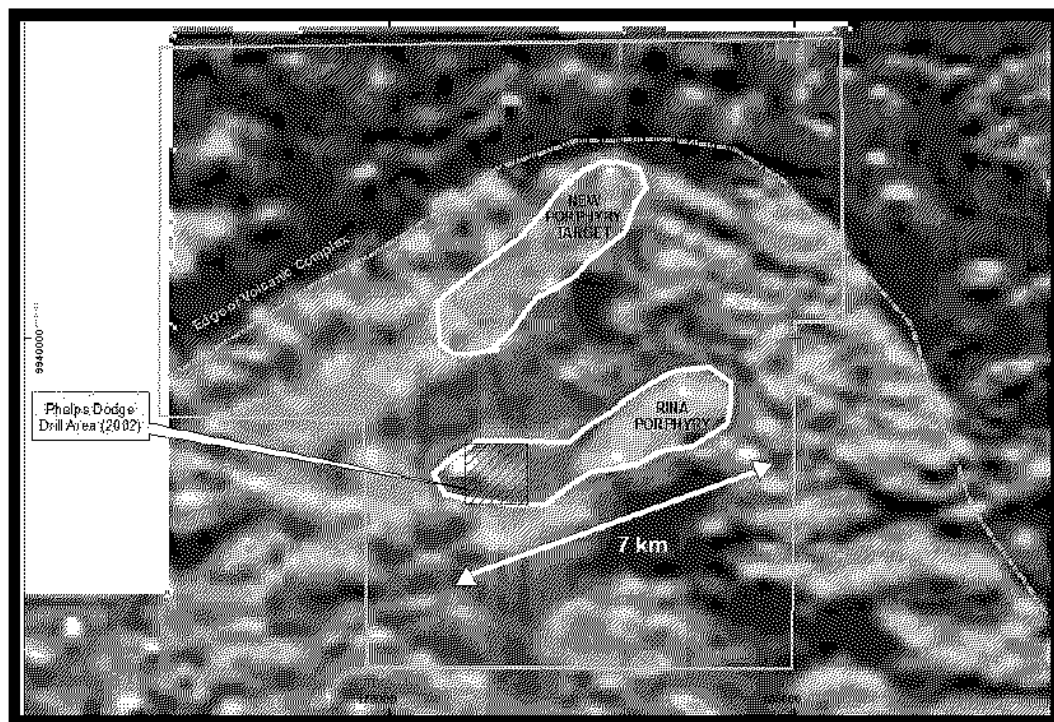


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During the due diligence period, Prosperity's technical staff visited the project site in Kalimantan and also engaged the services of Leigh Rankin of Geointerp, a geologist with extensive experience on major porphyry mines worldwide. Mr Rankin's conclusions indicate that the Rina Prospect may be a very large intrusive body of **up to 7 kilometres long**. Prosperity considers this the priority drill target.

To the north of the Rina Prospect, it has also been interpreted that a new large potential porphyry feature exists that has not been drill tested but is evident from field mapping.

## Recent Interpretation of Rina Prospect



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Past exploration within the COW in the 1980's and 1990's concentrated on high-grade epithermal gold vein mineralisation at several prospects, with a total expenditure in excess of US\$15 million. Table 1 highlights some of the drillhole intercepts from one of these prospects, the Ongkang Prospect. Drillhole spacings to date have been too wide to permit calculation of a JORC-compliant resource.

Zone	Hole No.	From(m)	To(m)	Interval(m)	Gold (g/t)	Silver (g/t)
Central Zone	OND-03	106	112	6	9.43	26.50
	OND-10	75	80.40	5.40	12.98	26.74
	OND-12	130.6	139	8.40	4.41	205.71
290 Vein	OND-26B	8	30	22	85.6	53
	Including	20	26	6	306.53	107
SSZ Zone	OND-23A	76	80	4	20.8	106.7
	OND-23C	66	86	20	6.3	4.2
	OND-24A	74	78	4	18.0	222.9

**Table 1: Ongkang Prospect - Significant Drilling**

Other targets lying within the COW include Kelian style low sulphidation gold mineralisation lying within extensively illite-carbonate-pyrite altered andesites at the Tarojan Prospect and high grade stratiform potential skarn style copper –gold mineralisation at the Kaka Prospect. Table 2 highlights some of the trenching results at Kaka, which occur over an area 200 metres long by 200 metres wide, open in all directions and is hosted in a shallow-dipping pyroclastic unit that has not been properly tested by drilling.

Trench No.	Width (m)	Copper	Gold
TR96-501	48	1.26 %	
TR96-502	2	8.30 %	
<b>TR96-506</b>	<b>10</b>	<b>13.30 %</b>	<b>3.00 g/t</b>
TR96-507	48	5.80 %	
TR97-501	48	1.26 %	
TR97-502	2	8.83 %	5.96 g/t
<b>TR97-506</b>	<b>10</b>	<b>13.40 %</b>	<b>6.69 g/t</b>
<b>TR97-507</b>	<b>16</b>	<b>5.18 %</b>	<b>1.08 g/t</b>
<b>TR97-508</b>	<b>4</b>	<b>1.11 %</b>	<b>32.10 g/t</b>
TR97-516A	14		4.60 g/t

**Table 2: Kaka Prospect- Trenching Highlights**





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The terms of the agreement include:

1. A 12 month option agreement involving cash and shares for \$216,000 and an exploration budget of up to \$1,000,000 (including 2000m of diamond drilling) and
2. A share purchase agreement involving shares or cash at Prosperity's discretion to the value of \$5,000,000.

A recent technical and valuation report by an independent Canadian geological consulting group as at December 15, 2004 gave a valuation of up to \$C8.2m and based on a report dated November 28, 2004 prepared to Canadian NI 43-101 standards, they also stated "that the Masuparia COW holds advanced and drill ready, epithermal, high sulphidation and porphyry copper gold prospects with multi-million ounce potential."

Prosperity has called for a tender for the mobilization of a man-portable drilling rig. It is anticipated that the commencement of drilling will occur by late July 2005. The company sees the Masuparia Project as an opportunity to enter into an advanced exploration project where the potential for significant resources is strong.

#### **Yalgoo North Project**

##### **Don Bradman Prospect**

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

Full evaluation of the previous drilling results and ongoing metallurgical and pit optimization studies have become the key focus for the company in the region. To maximize the opportunity for the mobile plant on site, any additional ore will greatly improve the economics of the operation which will in turn be reflected in an improved positive cash flow.

The Don Bradman is in close proximity to the main Melville Deposit, and would provide extra incentive to start processing the Yalgoo ores in the near future

##### **Melville East Prospect**

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

Evaluation of historical targets is the primary focus as the company identifies further opportunities for additional ores for the mobile plant feasibility study current under development.

##### **City of Melbourne Mine - Victoria United Prospect ('Noongal Trend')**

**M59/57 (PSP 100%), M59/285 Melville Joint Venture (PSP 75%, PLA 25% carried)**

No work has been completed on these tenements this quarter





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**Mt Gibson Project**

**ELA's 59/898, 59/903, 59/1102 (PSP 60% earning interest MWE 40%),  
ML59/275, PL59/1168, ELA's 59/1011, 59/1038, 59/1159-1160 (PSP 100%)**

Exploration targets are now in the process of finalization, and proposals for additional exploration work will be presented to the company's management for consideration before the end of the September quarter

**Payne's Find Project**

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

No work has been completed on these tenements this quarter

**Corporate**

During the quarter, the company issued 1.0 million ordinary fully paid shares at 10 cents per share to Corporation's Act 2001, s708 exempt person as part consideration for the option to purchase 85% of the Masuparia COW.

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 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 1999 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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