
PROTO RESOURCES & INVESTMENTS LTD

ABN 35 108 507 517

**NOTICE OF GENERAL MEETING AND EXPLANATORY
STATEMENT**

TIME: 9.00am EST

DATE: Monday 4 June 2012

**PLACE: Suite 1901, Level 19, 109 Pitt Street
Sydney NSW 2000**

This Notice of Meeting and Explanatory Statement 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 do not hesitate to contact the Company Secretary on (08) 9388 8041.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Proto Resources & Investments Ltd which this Notice of Meeting relates to will be held at 9.00am EST on 4 June 2012 at:

<p>Suite 1901, Level 19, 109 Pitt Street Sydney NSW 2000</p>

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Proto Resources & Investments Ltd, GPO Box 2517, Perth, WA, 6831; or
- (b) send the proxy form by facsimile to (08) 9388 8042

so that it is received not later than 9.00am EST on Friday, 1 June 2012.

Proxy forms received later than this time will be invalid.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes 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.

Further details on these changes are set out below.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Proxy vote if 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 (i.e. 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 (i.e. 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 (i.e. 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;
 - 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.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Proto Resources & Investments Ltd will be held at Suite 1901, Level 19, 109 Pitt Street Sydney NSW 2000 at 9.00am EST on 4 June 2012.

The Explanatory Statement annexed to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5.00pm EST on 1 June 2012.

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

AGENDA

Resolution 1 - Approval for the Future Placement of Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, this General Meeting approves and authorises the Directors to issue and allot up to 75,000,000 Shares at an issue price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made, and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 1 is passed and any associate of those persons.

However the Company need 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.

Resolution 2 - Ratification of Share Issue to Private Investors

To consider and if thought fit to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 17,500,000 Shares at a price of \$0.02 per Share, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 2 by any person who participated in the issue and any associate of such allottees.

However the Company need 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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Resolution 3 - Approval for the Future Placement of Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, this meeting approves and authorises the Directors to issue and allot Shares to the raise up to \$2,000,000 at an issue price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made; and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 3 is passed and any associate of those persons.

However the Company need 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.

Resolution 4 - Ratification of the Issue of Options

To consider and if thought fit to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 21,765,908 Options with an exercise price of \$0.05 to various private investors, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any associate of such allottee.

However the Company need 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.

Resolution 5 - Ratification of Share Issue to Hugh Minson

To consider and if thought fit to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 350,000 Shares at a deemed price of \$0.021 per Share to Hugh Minson, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue and any associate of such allottee.

However the Company need 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

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(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.

Resolution 6 - Approval for the Future Placement of Options

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, this meeting approves and authorises the Directors to issue up to 8,750,000 Options to shareholders that participated in the Share Placement that is the subject of Resolution 2; and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 6 is passed and any associate of those persons.

However the Company need 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.

Resolution 7 - Ratification of Placement

To consider and if thought fit to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 250,000 Shares at a price of \$0.022 per Share to subscribers to the Placement, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by any person who participated in the issue and any associate of such allottee.

However the Company need 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.

DATED: 3 May 2012

BY ORDER OF THE BOARD



**KENT HUNTER
COMPANY SECRETARY
PROTO RESOURCES & INVESTMENTS LTD**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting of Proto Resources & Investments Ltd to be held at Suite 1901, Level 19, 109 Pitt Street Sydney NSW 2000 at 9.00am EST on 4 June 2012.

The 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 (of which this Explanatory Statement forms a part).

RESOLUTION 1 - APPROVAL FOR THE FUTURE PLACEMENT OF UP TO 75,000,000 SHARES

Resolution 1 seeks Shareholder approval for the issue of up to 75,000,000 Shares on the terms set out below ("Placement").

1.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1 to allow Shareholders to assess the proposed facility for the future issue of up to 75,000,000 Shares:

- (a) the maximum number of securities to be issued pursuant to the Placement is 75,000,000 Shares;
- (b) the Shares the subject of Resolution 1 will be issued and allotted no later than three (3) months after the date of this General Meeting or such later date as approved by ASX;
- (c) the issue price of the Shares proposed to be allotted and issued will be at a price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made;
- (d) the allottees in respect of the Placement are not, as yet, identifiable, but will be subscribers to be identified by the Company and any brokers appointed by the Company to manage the Placement. The allottees will not be a Related Party of the Company and will fall within one of the exceptions contained in Section 708 of the Corporations Act. Under no circumstances will the Company issue and allot shares such that any person would hold a relevant interest of more than 19.9% in the share capital of the Company;
- (e) the Shares to be issued will rank pari-passu on allotment and issue with the existing Shares of the Company;
- (f) the Shares to be issued will be allotted progressively as allottees are identified, however no Shares will be issued or allotted after the date which is three (3) months after the date of the General Meeting or such later date as approved by ASX; and
- (g) the Company intends to use the funds raised by the Placement for continued work on application of the nickel laterite technology to further projects through both licensing, joint venturing and direct acquisition and development.

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1.2 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 1. The Board recommends Shareholders vote in favour of Resolution 1 as it provides additional working capital the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

RESOLUTION 2 - RATIFICATION OF ISSUE OF SHARES TO PRIVATE INVESTORS

Resolution 2 seeks Shareholder ratification of the issue of 17,500,000 Shares on the terms set out below.

2.1 Background to Resolution 2

On 5 April 2012 and 10 April 2012 the Company issued 13,000,000 Shares and 4,500,000 Shares respectively, to various private shareholders in order to increase the working capital available to the company, to the combined value of \$350,000 (before costs).

In addition, there are 8,750,000 options attaching to this placement of Shares that have not yet been issued. A resolution seeking approval for the issue of the attaching Options is set out at Resolution 7.

Approval is now sought to ratify the issue of 17,500,000 Shares to private investors.

2.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1

Approval is sought under Resolution 2 to allow the Company to ratify the issue and allotment of the 17,500,000 Shares not previously approved by Shareholders pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 2 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 17,500,000 Shares;
- (b) the Shares were issued and allotted on 5 April and 10 April 2012 respectively;

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- (c) the Shares were allotted private investors identified by the Company;
- (d) the issued Shares are fully paid ordinary shares and rank equally with the existing Shares on issue;
- (e) none of the allottees of the Shares were not a related party of the Company; and
- (f) the Shares were issued in order to increase the amount of working capital available to the Company.

2.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 2. The Board believes that the ratification of the Share issue the subject of Resolution 2 is beneficial for the Company and recommends Shareholders vote in favour of Resolution 2.

RESOLUTION 3 - APPROVAL FOR THE FUTURE PLACEMENT OF SHARES

Resolution 4 seeks Shareholder approval for the issue of Options to raise up to \$2,000,000.

3.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3 to allow Shareholders to assess the proposed Placement for the future issue of Shares to raise up to \$2,000,000:

- (a) the maximum number of securities to be issued pursuant to the Placement will be determined based on part (c) below and will not exceed total funds raised of \$2,000,000;
- (b) the Shares the subject of Resolution 3 will be issued and allotted no later than three (3) months after the date of this Meeting or such later date as approved by ASX;
- (c) the issue price of the Shares proposed to be allotted and issued will be at a price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made;
- (d) the allottees in respect of Resolution 3 are not as of yet, identifiable, but will be subscribers to be identified by the Company and any brokers appointed by Company to manage the issue. The allottees will not be related parties of the Company;
- (e) the Shares to be issued will rank pari-passu on allotment and issue with the existing fully paid ordinary Shares of the Company;

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- (f) the Shares to be issued will be allotted progressively as allottees are identified, however no Shares will be issued or allotted after the date which is three (3) months after the date of the Meeting; and
- (g) the Company intends to use the funds raised by the Placement for continued work on application of the nickel laterite technology to further projects through both licensing, joint venturing and direct acquisition and development.

3.2 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 3. The Board recommends Shareholders vote in favour of Resolution 3 as it provides additional working capital and the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

RESOLUTION 4 - RATIFICATION OF ISSUE OF OPTIONS

Resolution 4 seeks Shareholder ratification of the issue of 21,765,908 Shares on the terms set out below.

4.1 Background to Resolution 4

On 30 December 2011, 20 January 2012, 25 January 2012, 6 February 2012 and 9 March 2012 the Company issued 7,945,454, 250,000, 5,045,454, 8,400,000 and 125,000 Options respectively to various private investors, as part of a share placement that took place on the same dates as the Options were listed, to increase the working capital available to fund the operations of the Company. As the issue of the Options was part of a wider issue of Shares, no funds were raised directly from the issue of the Options.

Approval is now sought to ratify the issue of 21,765,908 Options to private investors.

4.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1

Approval is sought under Resolution 4 to allow the Company to ratify the issue and allotment of the 21,765,908 Options not previously approved by Shareholders pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

EXPLANATORY STATEMENT

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 5 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 21,765,908 Options;
- (b) the Options were issued on 30 December 2011, 20 January 2012, 25 January 2012, 6 February 2012 and 9 March 2012;
- (c) the Options were allotted as part of a share placement that took place between December 2011 and March 2012;
- (d) the Options were issued to various private investors identified by the Company, none of whom are a related party of the Company
- (e) the Options will be issued at an exercise price of \$0.05 and expire on 1 September 2014;
- (f) the Options to be issued pursuant to Resolution 5 are issued under the terms set out in the Annexure to this notice; and
- (g) the Options were issued as part of a wider share placement to reward shareholders for their support of the Company and to encourage them to participate in future activities to the Company.

4.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 4. The Board believes that the ratification of the Options issue the subject of Resolution 4 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 4.

RESOLUTION 5 - RATIFICATION OF ISSUE OF SHARES TO HUGH MINSON

Resolution 5 seeks Shareholder ratification of the issue of 350,000 Shares on the terms set out below.

5.1 Background to Resolution 5

On 19 March the Company issued 350,000 Shares to Hugh Minson as part of remuneration laid out in the employment contract between the Company and Mr Minson and as such no funds were raised through the issue of these shares.

Approval is now sought to ratify the issue of 350,000 Shares to Hugh Minson.

5.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.4 (and provided that the previous issue did not breach

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ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1

Approval is sought under Resolution 5 to allow the Company to ratify the issue and allotment of the 1,400,000 Shares not previously approved by Shareholders pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 5 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 350,000 Shares;
- (b) the Shares were issued and allotted on 19 March 2012;
- (c) the Shares were allotted Hugh Minson;
- (d) the issued Shares are fully paid ordinary shares and rank equally with the existing Shares on issue; and
- (e) the Shares were issued in as part of the remuneration provisions in the employment contract between the Company and Mr Minson.

5.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 5. The Board believes that the ratification of the Share issue the subject of Resolution 5 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 5.

RESOLUTION 6 - APPROVAL FOR THE FUTURE PLACEMENT OF UP TO 8,750,000 OPTIONS

Resolution 6 seeks Shareholder approval for the issue of up to 8,750,000 Options on the terms set out below ("Placement").

6.1 ASX Listing Rule 6.1

ASX Listing Rule 6.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6 to allow Shareholders to assess the proposed facility for the future issue of up to 8,750,000 Options:

- (a) the maximum number of securities to be issued pursuant to the Placement is 8,750,000 Options;
- (b) the Options the subject of Resolution 6 may be allotted progressively, but will be issued no later than three (3) months after the date of this General Meeting or such later date as approved by ASX;
- (c) the issues in respect of the Placement will be investors that participated in the share placement for which approval is sought in Resolution 2. The issues will not be a Related Party of the Company and will fall within one of the exceptions contained in Section 708 of the Corporations Act. Under no circumstances will the Company issue and allot shares such that any person would hold a relevant interest of more than 19.9% in the share capital of the Company;

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- (d) the Options will be issued at an exercise price of \$0.05 and expire on 1 September 2014;
- (e) the Options to be issued pursuant to Resolution 6 are issued under the terms set out in the Annexure to this notice.
- (f) no funds will be raised from the issue of the Options as will be issued as part of a wider share placement to encourage the investors to participate in the activities of the Company.

6.2 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 6. The Board recommends Shareholders vote in favour of Resolution 6 as the issue of the Options is beneficial to the Company. The Board Recommends Shareholders vote in favour of Resolution 6.

RESOLUTION 7 - RATIFICATION OF PLACEMENT

Resolution 7 seeks Shareholder ratification of the issue of 250,000 Shares.

8.1 Background to Resolution 7

On 30 December 2011, 20 January 2012, 25 January 2012 6 February 2012 and 3 March 2012 the Company issued 15,890,909, 500,000, 10,090,908, 16,800,000 and 250,000 Shares respectively with attaching options to placement subscribers. The Shares were issued at an issue price of 2.2 cents each to raise \$957,700.

Shareholder approval was received for a placement of Shares issued on 30 December 2011, 20 January 2012, 25 January 2012 and 6 February 2012 at the general meeting held 23 November 2011. Approval is now sought to ratify the issue of an additional 250,000 Shares under the Placement, which were issued on 9 March 2012.

7.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1

Approval is sought under Resolution 7 to allow the Company to ratify the issue and allotment of the 250,000 Shares issued in the Placement not previously approved by Shareholders pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

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The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 7 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 250,000 Shares. Shareholder approval was received for a placement of 43,281,817 Shares at the annual general meeting held 23 November 2011. Approval is now sought to ratify the issue of an additional 250,000 Shares under the Placement;
- (b) the Shares were issued and allotted on 30 December 2011, 20 January 2012, 25 January 2012, 6 February 2012 and 9 March 2012;
- (c) the Shares were allotted for consideration of 2.2 cents per Share;
- (d) the issued Shares are fully paid ordinary shares and rank equally with the existing Shares on issue.;
- (f) the allottees of the Shares were subscribers to the Placement who are exempt from the disclosure requirements of the Corporations Act. None of the allottees is a related party of the Company; and
- (g) the Shares were issued in order to increase the amount of working capital available to the Company.

8.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 7. The Board recommends Shareholders vote in favour of Resolution 7 as the issue of the Options is beneficial to the Company. The Board Recommends Shareholders vote in favour of Resolution 7.

GLOSSARY

ASX means ASX Limited (ACN 008 724 791).

ASX Listing Rules or **Listing Rules** means the Listing Rules of the ASX and any other rules of the ASX which are applicable while the entity is admitted to the Official List of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the board of Directors.

Company or **Proto Resources** means Proto Resources & Investments Ltd (ABN 35 108 507 517).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

EST means Eastern Standard Time.

General Meeting means the General Meeting of the Company to be held on 4 June 2012.

Notice of Meeting means the Notice of Meeting attached to this Explanatory Statement.

Option means the option to acquire one ordinary share in the Company.

Related Party has the meaning given in section 228 of the Corporations Act.

Resolution means a resolution to be considered by the Shareholders at the General Meeting as contained in the Notice.

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

Shareholder means the holder of a Share.

ANNEXURE

Terms and Conditions of Options

1. Each Option entitles the holder to acquire one fully paid ordinary share in the Company.
2. The Options may be exercised at any time until 1 September 2014. Each Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed together with payment of the sum of five cents (5 cents) per Option exercised. The Options will lapse at 5.00pm EST on 1 September 2014.
3. The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of Options at any time until 1 September 2014. This right is subject to any restrictions on the transfer of an Option that may be imposed by ASX in circumstances where the Company is Listed on ASX.
4. Holders of Options shall be permitted to participate in new issues of securities on the prior exercise of options in which case the Options shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Option.
5. Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
6. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
7. If there is a bonus issue to shareholders, the number of shares over which the Option is exercisable may be increased by the number of shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
 8. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

