Proto Resources & Investments Ltd

ABN 35 108 507 517

And Controlled Entity

Annual Report 2013

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CORPORATE GOVERNANCE STATEMENT

The Group is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Group has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

The Group is pleased to advise that the Group's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Group did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Group's corporate governance practices do not correlate with the practices recommended by the Council, the Group is working towards compliance however it does not consider that all the practices are appropriate for the Group due to the size and scale of Group operations.

To illustrate where the Group has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at asx.com.au/about/corporate_governance/index.htm.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

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1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Group rather than to manage it. In governing the Group, the Directors must act in the best interests of the Group as a whole. It is the role of senior management to manage the Group in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Group. The Board must also ensure that the Group complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Group.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2.1 Composition of the Board

To add value to the Group the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Group and on their decision-making and judgment skills.

The Group recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Ms Kay Philip is a Non-Executive Director and independent director as she meets the following criteria for independence adopted by the Group. The Board recognises that the following criteria are not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- has not been employed in an executive capacity by the Group or another group member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Group or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Group or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group or other group member other than as a Director of the Group.
- their role is to advise the Group on matters pertaining to their expertise and provide governance in the best interests of the Group. Independent Directors do not participate in day to day operations or management of the Group and its affairs.
- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Group and the Independent Directors must ensure that materiality thresholds are not breached.

Mr Andrew Mortimer is a Managing Director and Ms Lia Darby is a Non-Executive Director of the Group and do not meet the Group's criteria for independence. However, their experience and knowledge of the Group makes their contribution to the Board such that it is appropriate for them to remain on the Board.

1.2.2 Role of the Chairman and CEO

Recommendation 2.3 has been complied with as the Group currently does not have a CEO in place and appointed management is separate from the Chairman's position.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Group.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Group and establishing codes that reflect the values of the Group and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Group and ensuring that there are policies in place to govern the operation of the Group.
- Overseeing Planning Activities: the development of the Group's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Group.
- Monitoring, Compliance and Risk Management: the development of the Group's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Group.
- Group Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Group's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Group and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Group's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Group.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Group have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Group complies with the disclosure requirements of the ASX Listing Rules which is available on the website. The Board has designated the Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Group that new Directors undergo an induction process in which they are given a full briefing on the Group. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Group;
- a synopsis of the current strategic direction of the Group; and
- a copy of the Constitution of the Group.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Group's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Group. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Group respects the rights of its shareholders and to facilitate the effective exercise of those rights the Group is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Group website and the general meetings of the Group;
- giving shareholders ready access to balanced and understandable information about the Group and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Group; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Group also makes available a telephone number and email address for shareholders to make enquiries of the Group and encourages shareholders to visit the Group's website for information.

The Group's policy for shareholder communication is available on the Group's website.

1.4.9 Trading in Company Shares

On 18 April 2011 the Board reviewed and adopted a revised Share Trading Policy to comply with ASX Listing Rule requirements. The Board periodically reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met. The Group's policy for trading in Company securities is available on the Group's website.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter adopted 1 February 2007 and was implemented for the financial period ended 30 June 2010. A performance evaluation of senior executives was undertaken during the financial period ended 30 June 2010 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Group.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Group's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Group does not have a designated CEO or CFO. Due to the size and scale of operations of the Group these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Group the full Board undertakes the role of the Audit Committee. In the absence of a formal audit committee the board considers the issues that would otherwise be considered by the audit committee. A copy of the Audit Committee Charter is available on the Group's website.

Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Group's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of four (4) members, the Group does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Group on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Group and the independence of the external auditor.

2.1.2 Audit Committee Charter

The Board has adopted an Audit Committee Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Board refers to the Audit Committee Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Group's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Group reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Group each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Group is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 30 September 2013 Mr Andrew Mortimer and Ms Lia Darby (Joint Managing Directors) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.1.5 External Auditor

The Board has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Group's website.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of four (4) members, the Group does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Group on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the executive officers, reviewing and making recommendations to the Board on the Group's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration, and making recommendations on any proposed changes and undertaking reviews of the executive officers' performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved at the Board meeting held on 3 August 2011. The Board further resolved to address the current remuneration strategy as and when appropriate.

<u>2.2.3.1 Senior Executive Remuneration Policy</u>

The Group is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- long term incentives in the form of shares or options in the Company;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Group aims to align the interests of senior executives with those of shareholders and increase Group performance. During the year the Non-Director Executives of the Group were Mr Ian Campbell and Ms Kay Philip.

Where shares and options are granted to senior executives the value would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Group performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

<u>2.2.3.2 Non-Executive Director Remuneration Policy</u>

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Group by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of four (4) members, the Group does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Group on specific issues.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluates the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Group. Given the size of the Group and the business that it operates, the Group aims at all times to have at least one Director with experience appropriate to the Group's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Risk Management

3.1 Risk Management Policies

The Group's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Group's risk management and control framework. The objectives of the Group's risk management strategy are to:

- identify risks to the Group,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Group.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Group's risk management strategy was formally reviewed by the Board on 26 May 2010 and was considered the Group's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Group's website.

4. Diversity

The Company recognises and respects the value of diversity at all levels of the organisation.

The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.

As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – 50%
- to senior management – 0%
- to the organisation as a whole – 40%

The Company's objective is to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising skills are not gender specific. Targets for proportion of women appointed are presented below:

- to the Board – 40%
- to senior management – 33%
- to the organisation as a whole – 33%

5. Code of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Group is committed to:

- applying the Group's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Managing Director monitors the Group's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed by the Board on 29 August 2010 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Group's integrity.

The Code of Conduct applies to all the directors and employees of the Group who must comply with all legal obligations and the Group policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Group. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director.

Corporate Responsibility

The Group complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

A copy of the Company's Code of Conduct is available on the Group's website.

DIRECTORS' REPORT

Your directors present the following report on Proto Resources & Investments Limited and its controlled entity (referred to hereafter as "the Group") for the financial year ended 30 June 2013.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

- Andrew Kenneth Bruce Mortimer (Managing Director)
- Lia Melissa Darby (Non-Executive Director)
- Patricia Kay Philip (Non-Executive Director)
- Andrew Heap (Non-Executive Director) (Appointed, 12 August 2013)
- Aziz (Greg) Melick (Executive Director) (Resigned, 17 April 2013)
- Ian Campbell (Chairman, Director) (Resigned, 21 June 2013)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

- Kent Hunter

Details of Mr Hunter's experience are set out below under 'Information on Directors'.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were exploring for precious and base metals.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax amounted to $6,370,795 (2012: $4,457,890).

FINANCIAL POSITION

The net assets of the Group from 30 June 2012 to 30 June 2013 have decreased by $1,957,499.

The directors believe the Group has sufficient cash or near cash resources to carry out its near term exploration activities as previously advised to shareholders.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial year ended 30 June 2013.

DIRECTORS' REPORT (CONT'D)

Review of operations

1. Introduction

The period from 1 July 2012 to 30 June 2013 saw Proto Resources & Investments Ltd ("Proto", "the Company") continuing its dual exploration/development strategy. Proto is continuing to work on its exploration assets as well as advancing the Barnes Hill project in Tasmania. This was slower than hoped in FY2013 due to weakness in base metal prices. However, Proto remains committed to building a substantial resources company and progress is on-going regardless of external conditions.

Consistent with this aim, special acknowledgement should be given to the Barnes Hill Definitive Feasibility Study ("DFS") which was released in the second quarter of 2013. It shows the project to be economically robust, under modelled conditions, even before any additional benefits from waste stream optimisation or iron product sales. Completion of the feasibility study highlights the economical robustness of the Barnes Hills Project and favourable returns to investors and shareholders.

Encouraging advanced discussions with numerous financiers to fund the development of the Barnes Hill Project are now underway, as are discussions with a potential long term buyer for the Iron Ore at the Barnes Hill Project.

The completion of the final feasibility study on Proto's Barnes Hill nickel cobalt project was undertaken by its joint venture partner Metals Finance Limited ("Metals Finance", ASX: MFC). Metals Finance announced the initial completion of the Barnes Hill nickel DFS on 24 October 2012. This DFS included the increased mining rate of 500,000 tonnes per annum. With a long term nickel price projected of US$10/lb (US$10 per pound) the results projected a NPV of $A152m (at a 12.5% discount rate). Following the successful DFS, Proto is presently engaged in integrating iron operations and the Barrier Bay Process into the project's development. Earlier in the period iron ore beneficiation results were received from bulk samples taken from Barnes Hill confirming that a good quality magnetite product of average 61% Fe can be produced through Low Intensity Magnetic Separation ("LIMS"). On 3 December 2012, Proto announced the successful testing of the commercial of the Barrier Bay process.

In terms of exploration, ground magnetic and gravity surveys were completed at Lindeman's Bore in the Northern Territory. Following this Proto drilled the fourth hole (LBD-4), and in this period, also lodged an application to expand the Mt Killara project (E53/1580) in Western Australia's Yerrida Basin. Also, Proto drilled both an Air Core ("AC") and a Reverse Circulation ("RC") hole with a diamond tail at the Mt Vetters Project (tenement E27/0358) , which is located just 5km south of the Black Swan and Silver Swan nickel sulphide ore bodies that are hosted in the BSKC in the Yilgarn Craton of Western Australia. The RC/diamond drill hole targeted the interpreted position of the Black Swan Komatiite Complex ("BSKC") footwall at the Mt Vetters Project. This target remains yet to be intersected.

In other advances during the year, Victory Mines Limited ("Victory Mines") continues to develop the copper nickel sulphide discovery at the Clara Hills (E04/1533, E04/2026, E04/2142 and ELA04/2060), where it has announced the discovery of broad zones of copper and nickel sulphide close to surface. Victory Mines can earn up to a 63.75% interest in a joint venture with Proto. Peak results include 47m @ 0.15% Ni from 36m, including 11m @ 0.30% Ni from 52m in CHRC002, and 42m @ 0.22% Ni from 14m, including 5m @ 0.39% Ni from 38m in CHRC003. On 5 July 2012, the Company announced an agreement whereby Victory Mines would acquire a 70% interest in the Great Doolgunna tenement (E51/1455) and 70% interest in the Station Bore tenement (E69/2872). At its wholly owned Doolgunna Projects, on 12 December 2012, Proto announced further results from interpretation and analysis of regional radiometric and magnetics results. This identified a Uranium target at the Casey Project E51/1457, and the potential for northerly extensions of the Magellan Lead Mine's host rocks into Proto's Magellan North E53/1581 Project. Proto has proposed to enlarge its ground position in this region by entering into a joint venture with Dourado Resources Limited ("Dourado", ASX:DUO) on their Mooloogool project.

Proto's substantial work in FY2013 is a critical precursor to work planned in the current financial year. Proto is currently conducting a site visit at the Mooloogool Joint Venture Project where the company is exploring for Sandfire style copper-gold mineralisation. The Proto Joint Venture with Dourado is a key part of Proto's future strategy as the company seeks to find valuable mineral assets to explore.

The company is also making strong progress with its northern Territory exploration assets and looks forward to furthering exploration efforts to a successful conclusion. Despite poor base metal prices, external interest in Barnes Hill has continued and Proto will be looking to progress the financing of the project with the assistance of the external parties who have contacted the company.

2. Barnes Hill Project, Tasmania (Nickel Laterite and Iron Ore)

2.1 Project Overview

Located in northern Tasmania, the Barnes Hill project contains three related laterite deposits known as Barnes Hill, Mt Vulcan and Scott's Hill. Barnes Hill is being developed under a 50% joint venture agreement with Metals Finance Limited ("Metals Finance"). Barnes Hill sits on granted mining lease 1872P/M which is over EL17/2006 that is also held by Proto. As announced on the 26th of March 2013, during the period Metals Finance completed the Optimised

DIRECTORS' REPORT (CONT'D)

Feasibility Study of the Barnes Hill nickel laterite project. The report highlights that the Barnes Hill nickel laterite project is economically robust with the opportunity to provide favourable returns to investors and shareholders. The 5 year study highlights the top line revenue of over $1.05Billion over a 10 year period, producing 4,800 tonnes of Ni equivalent per annum.

This followed the initial release, on 28 November 2012, of updated modelling of the base case parameters at Barnes Hill. The release of the DFS followed bulk sample leaching tests of Barnes Hill ore, which confirmed both the rate of nickel recovery and acid consumption parameters.

2.2 Activity July 2012 – June 2013

2.2.1 Exploration and Development

Proto in conjunction with its joint venture partner Metals Finance, completed the optimised feasibility study at the Barnes Hill Nickel and Cobalt project in Tasmania. The Optimised Feasibility Study was completed through Metals Finance's wholly owned subsidiary Nickel Developments Limited ("NDL"). The Project is a 50:50 joint venture between NDL and Proto.

The optimisation study has confirmed the projects economic metrics with a capital intensity, equivalent to $7.50/lb. annual production, and operating costs of $5.16/lb. in the first 5 years and $5.75/lb. over the first 10 years.

Table 1 – Barnes Hill Feasibility: Key Operational Highlights

Item	Base
Capital cost ($ millions)	78.4
Project ROM tonne throughput (million t)	500,000
Nickel grade first 5 yrs (%)	1.01%
Nickel grade second 5 yrs (%)	0.73%
Nickel recovery (%)	90%
Life of mine nickel price US$/lb.	10.00
Foreign Exchange USD:AUD	1:1
Total revenue ($ millions)	1,045
Indicated NPV 12.5% ($ millions)	143.7
Indicated IRR%	51%

During Q2 2013, Proto along with Metals Finance have begun encouraging discussions with various financiers to secure the funding to commence development of Barnes Hill. Nickel has underperformed in the period, resulting in a halting of investment decisions on project financing that has adversely affected Proto's ability to move Barnes Hill into the next development stage. Proto is still supremely confident in the global metals market long term noting that China continues to grow at approximately 7%+. During the Quarter, Proto also escorted a team of metallurgists for a potential long term buyer to supply the iron ore during Proto's pre-strip mining phase at Barnes Hill. Proto is continuing financial and off-take discussions and looks forward to updating the market in the coming weeks.

Proto received a summary note on the iron ore potential from Metals Finance during the year which concentrated on a confirmed discrete zone of near surface iron-enriched material related to the Barnes Hill north ore body (Figure 1). This report also reviewed the previously announced results of the metallurgical testing undertaken by Robbins Metallurgical Pty Ltd, an iron beneficiation specialist firm based in Queensland.

DIRECTORS' REPORT (CONT'D)

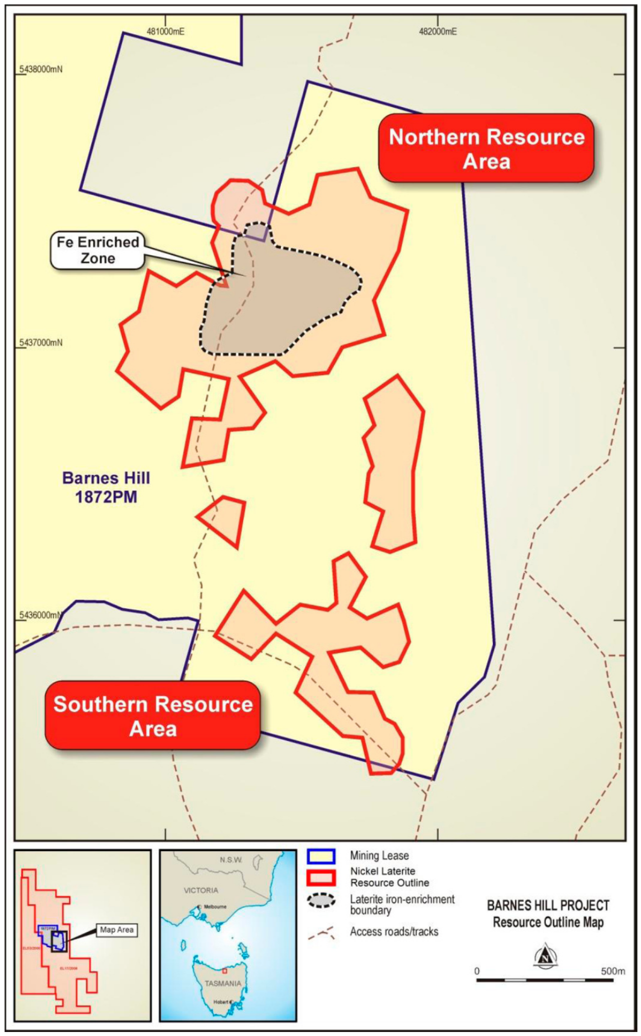

Figure 1 – *Barnes Hill Project Nickel Laterite Resource and Iron Enrichment Outline*

This work has identified a discrete near surface zone on the top of the Barnes Hill nickel laterite ore body, which has shown itself in preliminary testing to be upgradable using low-intensity magnetic separation to a 62+% Fe with 2.7% SiO2 and 4.6% Al2O3. . The test work was undertaken by Robbins Metallurgical Pty Ltd. The test work also established that a further stage of WHIMS can yield a bulk iron concentrate product of 51.92% Fe, 3.54% SiO2, 6.94% Al2O3 and 0.13% Ni as shown in the table below. The WHIMS simulation was operated at maximum 17,500 gauss to maximise recovery of iron and found that that 1 tonne of this iron-rich overburden would produce 300kg of concentrate.

Potential Product	Wt %	Fe%	SiO2%	Al2O3%	Ni%
Magnetite	8.62	60.96	2.72	4.60	0.12
Goethite	23.33	48.57	4.36	9.28	0.13
Bulk Iron Concentrate	31.95	51.92	3.54	6.94	0.13

Table 1 – *Iron Beneficiation Results*

2.2.2 Feasibility Study Findings

DIRECTORS' REPORT (CONT'D)

The advancements made during the optimisation study confirmed that Barnes Hill Nickel Project is economically robust, under the parameters assumed in the project's Base Case model and endorses the ability to maximise the economic potential by delivering a low operating cost structure along with highly efficient use of capital. The optimized project consisted of a 500,000 tpa ROM nickel and cobalt operation producing 4,800 tonnes of Ni equivalent per annum.

Modelling of the base case parameters for the Project at a long term projected nickel price of A$10/lb., reports an NPV of A$143.6m (@ 12.5% discount rate) yielding a 51% IRR over 10 years. The optimisation study has confirmed the project's economic metrics under the Base Case parameters outlined above, with a capital intensity, equivalent to $7.50/lb. annual production, and operating costs of $5.16/lb. in the first 5 years and $5.75/lb. over the first 10 years. Optimisation was based on the modifications in Table 2, which were all rigorously verified and then engineered into the project design. The joint venture partners will continue to work collaboratively to finalise the permitting of the project and to secure funding options for construction and development of the Project, based on this final study.

Optimisation	Proposition	Advantages
Leaching Vessels	Employ an agitated tank system	Reduce footprint of leach vessel and increase confidence in nickel recovery
Leach Temperature	Increase leach temperature to 80°C	Reduce residence time in leach from 120 days to 8 hours
Water Medium	Utilise saline water in the process flow sheet	Reduce operating cost by reducing water unit charge rates and acid consumption
Plant Relocation	Reposition the processing facility	Reduce site establishment capital by locating plant closer to existing road infrastructure
Power Options	Connect to existing distribution system	Reducing total power demand enables connection to nearby power system
Increase Strip Ratio	Maximises extraction of resource from deposit	Ensures total resource recovery and maximises potential mine life.

Table 2 – *Feasibility Study Optimisation Changes*

Total projected construction capital for the Project is $78.4m. 70% of direct capital costs are allocated for the main processing activities of:

- Leaching,
- Ion Exchange,
- Metal Electrowinning, and
- Tailings treatment.

Indirect Costs are evenly divided between Engineering, Procurement and Construction expenses and percentage based line items including escalation and contingencies.

Total mine site cash costs are dominated by the acid requirements of the project. Other key categories are shown in the adjacent Figure 2. Given this sensitivity to sulphuric acid pricing. NDL has modelled higher than prevailing acid pricing to provide the project with upside to the current scenario. The other 5 major areas that comprise mine site cash costs are evenly distributed between; Lime - used for neutralisation, Electricity - used for electrowinning the nickel cathode production, Mining – for both ore and waste movement, Wages – for all staff, and other mine site cash costs. The Project has a mine site cash cost of $5.16/lb. of nickel equivalent for the first 5 years of operation and $5.75/lb. for the modelled 10 year period.

DIRECTORS' REPORT (CONT'D)

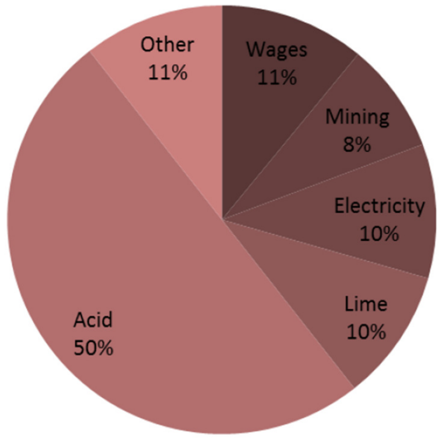

Figure 2 – ***Mine Site Cash Costs***

Sales of nickel cathode and cobalt sulphate are projected to generate revenue of approximately $105m annually. Revenue is based on commodity pricing of $10/lb. Ni and $13/lb. Cobalt with foreign exchange parity. Allowing for operating and marketing costs, the average annual EBITDA is approximately $30m, inclusive of capital repayment and exclusive of project financing costs.

The Optimisation study has provided confidence to the number used in evaluating the economic potential of the Project. The Project has the capability to retire project funding within two years of commencing production under the modelled parameters.

2.2.3 Technology Commercialisation

Work continued on the Barrier Bay technology during the year. On 3 December 2012, Proto announced the highly successful testing of the commercial prototype. The prototype consisted of 6 x 200 litre tests, all of which performed to the specification of achieving approximately 2.2kwh per kg of acid being processed. The pilot program results have moved Barrier Bay significantly closer to the construction of the demonstration facility and commercialisation of this revolutionary technology.

The test work successfully produced acid at a cumulative power consumption of just above 2 kWh/kg of acid being processed. Figure 3 shows these parameters for energy consumption were met. Impressive while the results were, as expected the pilot design led to an increase in usage compared to bench scale.

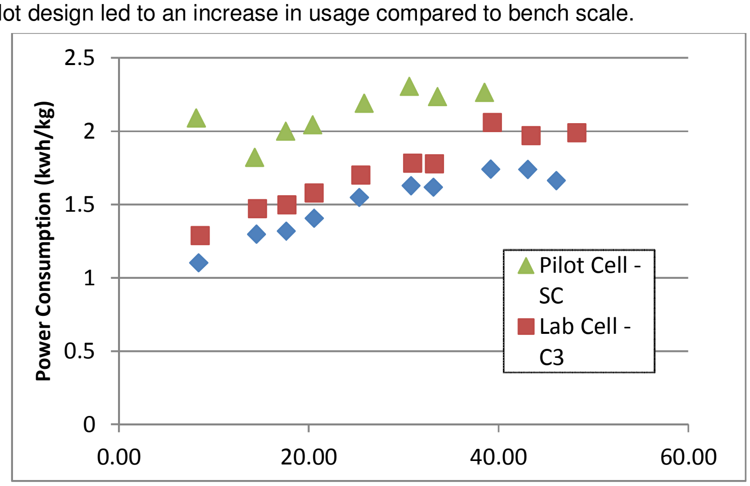

Figure 3 – ***Fourth Iteration Pilot Comparison of Cumulative Power Consumption***

DIRECTORS' REPORT (CONT'D)

3. Lindeman's Bore, NT (Nickel Sulphide, Gold and PGEs)

3.1 Project Overview

The Lindeman's Bore project is located 380km south-west of Katherine, near the community of Kalkarindji. Proto holds 60% of EL25307, with 20% held by private prospectors. Proto earned its interest through the completion of two deep diamond drill holes in the vicinity of the bulls-eye magnetic anomaly. As announced to the market on the 26th of June 2013, Proto completed its drilling program of a fourth hole at Lindeman's Bore in the Northern Territory. LBD04 was drilled approximately 200m to the NNE of the previous LBD03 hole targeting the northern central axis limit to the ZTEM anomaly. The drill hole intersected a strong zone of alteration within the Inverway Metamorphics suggestive of a significant hydrothermal system that has pervasively and aggressively altered the surrounding country rock.

3.2 Activity July 2012 – June 2013

Drilling of the fourth deep vertical diamond drill hole (LBD04) at Proto's 60%-owned Lindeman's Bore project was completed at 504m. This stratigraphic hole has closed off the geophysical anomaly to the north leaving the centre for further exploration. Drill hole LBD04 intersected persistent zones of quartz-carbonate alteration and lesser haematite-epidote-biotite alteration assemblages in basalts of the Inverway Metamorphic formation, from 326m to 504m. 80m were cut and assayed in 1m sections to determine if the gold and palladium associated with a porphyry unit in LBD2 is associated with similar rocks discovered in LBD4.

No significant mineralisation was encountered in LBD04. However, the alteration assemblages occurring throughout the Inverway Metamorphics are very similar to the occurrences in LBD03, suggesting that LBD04 has been drilled towards the outer northern limit of a hyrdrothermal alteration halo. The northern part of the ZTEM anomaly targeted could be a response to the amount of hematite alteration within the mafic units of the Inverway Metamorphics, particularly with a significant increase in magnetic susceptibility readings encountered towards the bottom of the hole with magnetometer S.I. units up to $10x10^{-3}$ present. The geological setting and observations during logging of the core are summarised below.

The Limbunya Group (0-325.9m) sediments are dominantly a succession of dolomitic muds and silts although lesser amounts of coarser grained sand and smaller intervals of fine to medium grained conglomerates were also observed. Bedding is flat lying and facing is right way up. Stromatolitic textures within the group suggest that the original setting of the paleo-surface was one of a shallow marine environment that was quiescent in energy terms with little or no tidal interference.

The base of the unit is a well-rounded very coarse grained conglomerate and associated coarse grained sand and grits suggesting a paleo-river like setting before deposition of younger sediments above.

Figure 4 – *Typical Upper Limbunya Group sediments*

DIRECTORS' REPORT (CONT'D)

Underlying the Limbunya Group unconformably is the dominantly mafic Inverway metamorphics. The mafics appear to be basalts with elevated Ti and Ni values according to PXRF analysis. Hyaloclastic auto-breccia can be observed with paleo-weathering pronouncing the textures considerably. Below the basalt (373.48 – 432.85m) an undifferentiated strongly altered mafic is present with Carbonate dominant with lesser hematite-biotite-epidote alteration.

The appearance is mottled and "leopard" spot like (Figure 4). PXRF analysis reveals high K (~4000ppm); probably due to mica and the hematite alteration gives it a pinkish/red hue. The alteration suggests pottasic influence by either structure emplacement and / or porphyry spatial association. Rare pyrite disseminations are also present.

Figure 5 – *Limbunya Group Basal Conglomerate*

Between 432.85 and 433.5m a small intense interval of strongly hematite-quartz-carbonate altered mafic is present with some large clots (1cm) of pyrrohotite –pyrite observed. This interval was the only interval with relative moderate sulphide development. Shearing at around 441m could be the reason for the strong hematite alteration.

Figure 6 – *Hematite-biotite-epidote altered "Leopard Rock" with pyrite observed*

Strong quartz–carbonate alteration associated with hematite-epidote +/- biotite continues throughout the rest of the hole with the exception of a black shale unit also observed in LBD3 from 475.4 to 486.6m.

Minor disseminated pyrite is also present. The remaining interval of the hole is again a well altered undifferentiated mafic similar in appearance to that up hole but has strongly increased hematite with magnetic susceptibility readings to 10x10-3 SI which is a significant increase to the rocks above and may well be the cause of the targeted EM anomaly.

DIRECTORS' REPORT (CONT'D)

Proto Plans on drilling a fifth hole, 200m South East of the LBD04 hole and due east of the LBD03 hole at Lindeman's Bore to further drill test the alteration system that Proto has discovered.

4. Mt Vetters, WA (Nickel Sulphide and Gold)

4.1 Project Overview

The Mt Vetters Project area is located in the eastern part of the Norseman–Wiluna greenstone belt in the Eastern Goldfields Province of the Archaean Yilgarn Craton. The geology is typically Archaean granite-greenstone terrane, characterised by large areas of granitoid and narrow linear belts of greenstone. The greenstones comprise thick mafic to ultramafic volcanic sequences, felsic to intermediate volcanics and sedimentary sequences comprising pelites, psammites, banded iron formations and shale. Granite intrusion and deformation have disrupted the greenstone sequence.

An estimation of the depth-to-top of the Mt Vetters magnetic bodies by Southern Geoscience Consultants has found that they are likely to be at least 300m below surface. This suggests that the diamond tail on RC drill hole GINRC89 drilled by Outokumpu in 2000 missed drilling through the Squid EM anomaly by approximately 200m (to the north-east). It also suggests that GINRC90 to the west was not deep enough. Proto's MVPRC002 hole drilled in 2010 would also fall short of the southern target as it was only drilled to 148m as would MVPRC004 with EOH at 155m due to difficult ground conditions.

The Mt Vetters Project also contains a regolith gold anomaly (up to 4m @ 1.0g/t Au) occurring over a separate greenstone horizon, west of the interpreted BSKC. This gold anomaly was discovered by Cazaly during shallow AC drilling in 2003 and 2004. This anomaly remains open to the north-west, west and south. Further infill and extensional AC drilling was drilled in early 2013 to better delineate this regolith gold anomaly.

4.2 Activity July 2012 – June 2013

On 20 November Proto announced receipt of statutory approval dated on the 12th of November 2012 for drilling at Mt Vetters. Previous drilling at Mt Vetters has been too shallow to intersect the komatiite basement. Black Swan and Silver Swan nickel sulphide mineralisation are valid target types for the BSKC extensions on the Mt Vetters ground. Importantly, the footwall zone correlates with the western edges of the magnetic anomaly beneath the Mt Vetters tenement.

On the 30th January 2013, Proto commenced drilling of the Nickel target in at the Mt Vetter Project. The RC hole was terminated at 61 metres as the drill hole encountered unconsolidated paleochannel sands and high groundwater flows. Consequently the RC hole was used as a pre-collar for a Diamond tail hole which was drilled to 375.5 metres depth in intermediate felsic volcanic rocks and associated volcaniclastic rocks.

As announced to the market on the 19th February 2013, Proto also completed a 1,119 m AC drilling program in the south west of the Mt Vetters tenement, targeting the geochemical regolith gold anomaly previously identified by Cazaly Resources with AC drilling in 2003. Proto's AC drilling program intersected gold up to 1.09 gram per tonne over 4 metres from 24 metre depth and still remains open towards the north-north-west, west and south directions. These results indicate a possible underlying bedrock gold source in the vicinity of the south-west corner of the tenement.

Following the Kanowna Belle Gold Mine Model, which hosted similarities to the alterations and lithologies observed into drill hole MVPDH001, Proto is planning a second deep hole, MVPRC006, in an attempt to intersect the interpreted BSKC. With these encouraging results, Proto is also planning a further 35 AC extension drill holes on a 200m x 100m grid for later in the year.

5. Clara Hill, WA (Copper and Nickel Sulphide)

5.1 Project Overview

Clara Hills is located approximately 100km north east of Derby, in the Kimberley region. Previous exploration has defined five drill targets comprised of four geochemically sampled gossans and the upper and lower zones of an EM anomaly. Proto's joint venture partner, Victory Mines, can earn a 51% interest in the Clara Hill Project by undertaking the first $1,500,000 of exploration across the tenements. Victory Mines is the Manager and Operator.

DIRECTORS' REPORT (CONT'D)

Initial exploration discovered nickel sulphide mineralisation in 50% of the holes with thick intersections of up to 47 metres plus secondary copper. Following this, Victory Mines pursued further exploration at the Clara Hill's project with the identification of 7 VTWM anomalies.

5.2 Activity July 2012 – June 2013

On 10 October 2012 Victory Mines announced the contracting of drillers for the maiden drilling programme at the Project. As announced on 16 January 2013, the results of this RC drilling delivered broad zones of nickel mineralisation with secondary copper in five of the ten holes drilled. Mineralisation was encountered near surface and extended down dip within fresh rock suggesting that high grade extensions may exist. The host rock Ni-Cu mineralisation is interpreted to be dolerite dyke which is bounded on both sides by a muscovite mica schist with the target zone being open down dip and along strike of existing drill hole intercepts. .The Clara Hills RC drill program in late 2013 encountered very encouraging results from three holes which were drilled into one of these weaker EM targets. The results are summarized below and interpreted in Figure 7:

- Hole CHRC002 encountered 47m @ 0.15% Ni from 36m, including 11m @0.30% Ni from 52m
- Hole CHRC003 encountered 42m @ 0.22% Ni from 14m, including 5m @ 0.39% Ni from 38m
- Hole CHRC004 encountered 24m @ 0.25% Ni from 63m, including 6m @0.42% NI from 63m
- Hole CHRC008 encountered 10m @ 0.30% Ni from 13m, including 5M @ 0.42% NI from 13m plus 1m @ 0.71% NI from 27m

As announced on the 12th of June a Versatile Time-Domain Electromagnetic ("VTEM") geophysical survey was completed at Clara Hills and had identified seven anomalies, four of which have been highlighted as strong and three as moderately strong. These anomalies and the location of past RC drilling are shown in Figure 8.

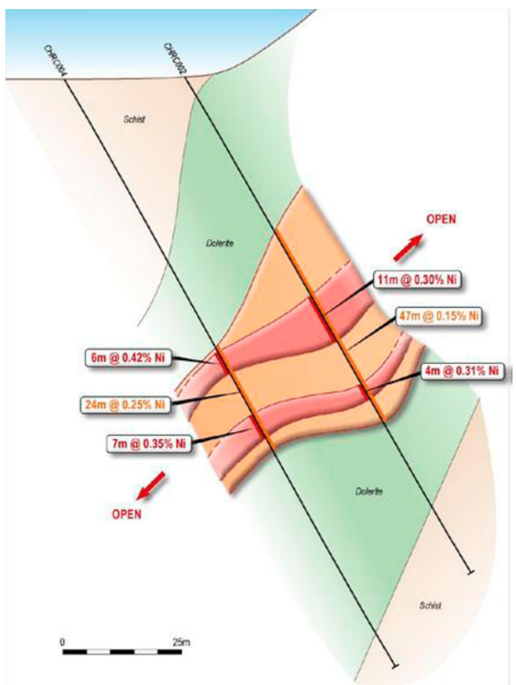

Figure 7 – *Stylised Section from of RC Holes CHRC002 & CHRC004*

DIRECTORS' REPORT (CONT'D)

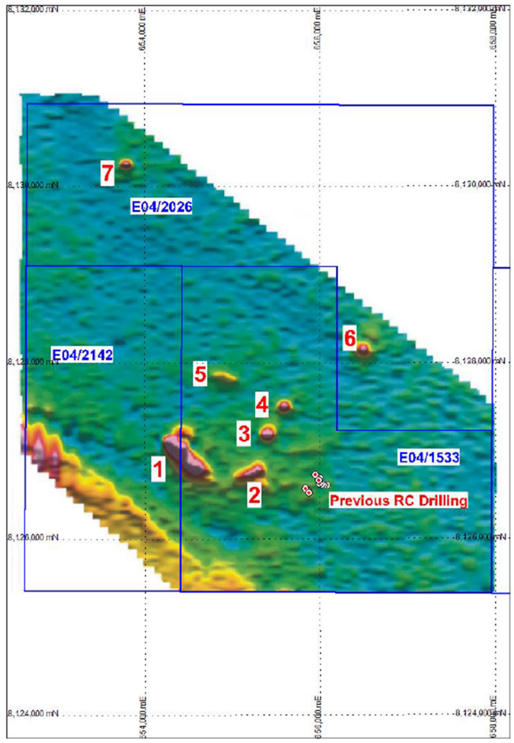

Figure 8 –*Location of VTEM Anomalies and Previous RC Drilling*

6. Doolgunna Project, WA

6.1 Project Overview

Proto's exploration holdings in the Doolgunna region, being Mt Killara (E53/1580), Magellan North (E53/1581), Casey (E51/1457), Great Doolgunna (E51/1455) and Station Bore (E69/2872), are located within the Palaeoproterozoic-aged Yerrida Basin. The Company considers that its Doolgunna projects may contain rock units analogous to those that host known Cu-Au and Pb mineral deposits within the Yerrida and nearby Bryah Basins.

On 5 July 2012, the Company announced an agreement with Victory Mines to joint venture two of the Doolgunna Projects. Under the agreement Victory Mines can earn a 70% interest in the Great Doolgunna (E51/1455) tenement and 70% in the Station Bore (E69/2872) tenement.

On the 13th of June 2013, Proto also announced the potential acquisition of additional Goodin Dome-Yerrida basin tenements. Proto entered into a term sheet with Dourado to acquire a 51%-70% interest it its Mooloogool Exploration project in the Goodin Dome-Yerrida Basin area of Western Australia. The consideration provided for these exploration licences is AU$50,000 in cash and $600,000 in Proto shares (subject to due diligence and required company approvals). In conjunction with Mt Vetters and Lindemans Bore, the acquisition of the Goodin Dome-Yerrida basin tenements will provide Proto with significant exploration potential for copper and gold.

6.2 Activity July 2012 – June 2013

On 10 September 2012, Proto announced that it had lodged a license application to expand the Mt Killara project in Western Australia's Yerrida Basin. The additional area is adjacent to Proto's Mt Killara Project (E53/1580) and covers an additional 38 graticular blocks (approximately 117km2) under license application E53/1706 that adds to the 135.4km2 (44 graticular blocks) already held at Mt Killara. The new application followed analysis of the results of airborne magnetic and radiometric surveys over the five Doolgunna region licenses originally applied for in 2010.

On 12 December 2012, Proto announced further results from interpretation and analysis of regional radiometric and magnetics results collected earlier in 2012. In March 2012, Aeroquest Australia Pty Ltd in Perth was commissioned by Proto to conduct a detailed high resolution airborne magnetic and radiometric survey over Proto's Yerrida Basin tenements. Results of the Aerial Magnetic and Radiometric Surveys identified a Uranium target at the Casey Project E51/1457. This interpreted uranium anomaly occurs along an unconformity between Archaean granite rocks of the Yilgarn Craton, and the Proterozoic sedimentary rocks of the Yerrida Basin (see Figure 9).

DIRECTORS' REPORT (CONT'D)

Potential for late-stage structural developments along the unconformity zone may provide for hydrothermal style, quartz-vein hosted Au-Ag-Cu-Pb-Zn mineralisation, a feature known to occur in the Yilgarn Craton at the margins of Proterozoic Basins.

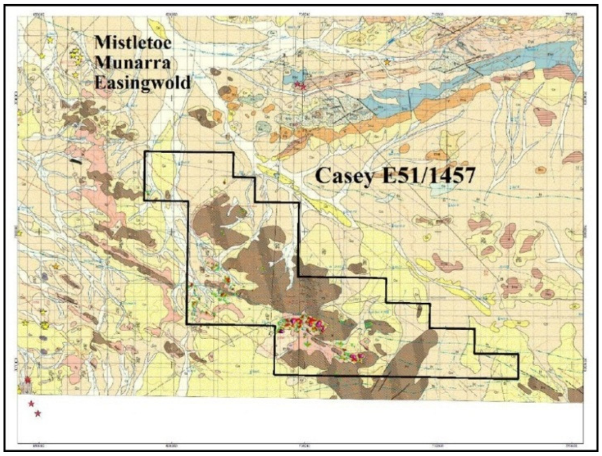

Figure 9 –*GSWA 1: 250 000 geology map with High Clip Uranium Anomalies.*

The surveys also identified potential for northerly extensions of the Magellan Lead Mine's host rocks into Proto's Magellan North E53/1581 Project. The regional magnetics map displays deep seated magnetic anomalies in Archaean basement sequences of the Yilgarn Craton, beneath northerly extensions to the Magellan mine host rocks of the Proterozoic Yerrida Basin sediments.

Interpretation of airborne magnetic anomalies over Mt Killara also suggested the presence of potential host rocks for Wiluna-style gold mineralisation. Figure 6 shows the location of the Mt Killara Project relative to the Wiluna gold deposits and associated mining operations owned by Apex Minerals NL that are situated approxımately 10kms to the south, and the positions of magnetic anomalies (currently interpreted to be of Archaean age) occurring beneath the Yerrida Basin sediments. This supports the interpretation of magnetic anomalies occurring on the Mt Killara Project as potential host rocks for Wiluna gold-deposit styles of mineralisation.

On 21 November 2012, Victory Mines, Proto's joint venture partner at Station Bore (E69/2872) and Great Doolgunna (E51/1455), announced the completion of further analysis of the data for the two Doolgunna Projects that it has joint ventured into. The main finding of Victory Mines' work is a major NNW-SSE striking feature on the eastern side of the Station Bore tenement which may represent an unconformity or a structural boundary.

As noted above, on the 13th of June 2013, Proto also announced the potential acquisition of additional Goodin Dome-Yerrida basin tenements, subject to company approvals. The Northern part of the Mooloogool Licenses (E51/1185, E51/1186, E51/1213, E51/1215, E51/1325, E51/1340, E51/1341 and E51/1342) are located approximately 40 kilometres south of the DeGrussa operating copper gold mine (see Figure 10). Proto has acquired a 51% interest in eight exploration Licenses, (1,461 square kilometres), covering deformed Proterozoic metasediments around the Goodin Dome, a large ellipsoidal granite that may have acted as a fluid source for mineralising solutions in the region. Combined with its existing portfolio of Magellan North, Mt Killara, Great Doolgunna, Casey and Station Bore, Proto's tenement position in the region now totals approximately 1,967 square kilometres.

DIRECTORS' REPORT (CONT'D)

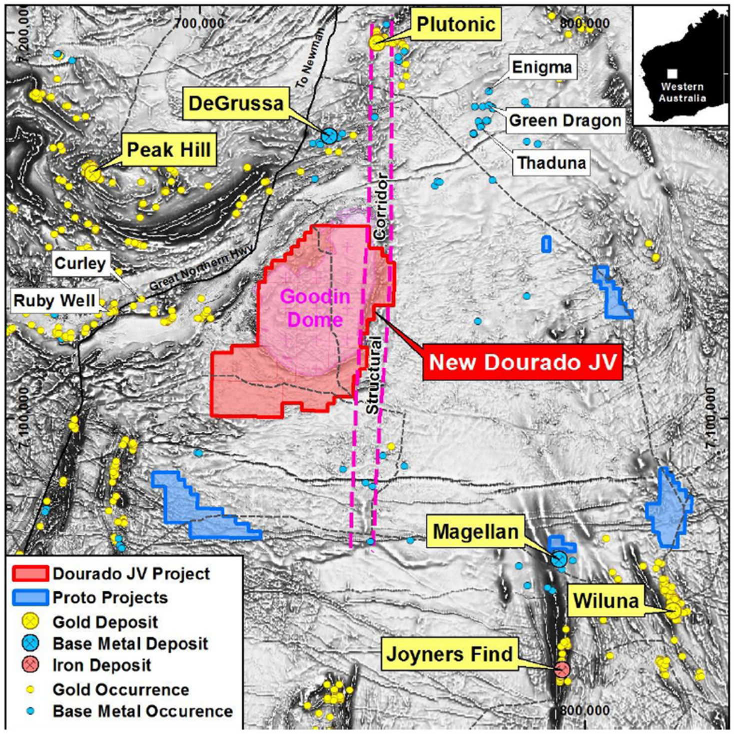

Figure 10 –*Joint Venture licenses and existing Proto licences in the Yerrida-Goodin Dome Region*

There are two prospects near the north-eastern boundary of Dourado's E51/1215 and E51/1325 namely Scotty and Vulcan that have returned encouraging RC and AC drilling intercepts. There has been substantial exploration success in the vicinity of these Mooloogool Tenements. For instance, Enterprise Metals Limited (ASX: ENT) returned encouraging gold results from its Vulcan and Scotty prospects on the adjoining tenements to the North-West of Mooloogool. More recently Sipa Resources (ASX: SRI) also achieved exploration success in the area with recent news including the intersection of several impressive copper intersections from a 5 hole program, totalling 1,098 metres, beneath earlier encouraging copper intersections at the old Ricci Lee copper mine.

The Mooloogool License also has the geological potential for a greenstone hosted Archaean gold mineralisation at depth. The Plutonic Gold Mineis situated approximately 90 kilometres north of the Mooloogool Licenses on the southern end of the Plutonic Well Greenstone belt. Examination of regional magnetics suggests the possibility that this greenstone belt may extend under cover on the eastern side of the Goodin Dome.

The Mooloogool tenements have seen very little exploration in recent years with the exception of a regional geochemical program by Dourado. Subject to the settlement of this acquisition, Proto is planning to infill and extend the geochemical sampling program that was commenced by Dourado on the Mooloogool Licenses in addition to undertaking detailed geological mapping and sampling with a focus on the deformed ironstone sequences that bound the Goodin Dome.

Chairman's Letter

FY2013 has been a challenging year with base metal and iron ore prices suffering steep falls in the first half. Happily these steep falls have corrected to the upside over the past nine months, and it would appear that these price falls early in FY2013 were due to political transitions in China and America before the American Federal Reserve announced the introduction of the QE3. Greater economic stability appears to have come about as a result of quantitative easing in America and Japan which has improved market sentiment and has helped commodity prices to stabilise in the last three months. Further, the European economy seems to be improving after positive statements were made by the European Central Bank approximately one year ago. All of these favourable economic conditions suggest that economic growth and commodity prices will continue to stabilise and increase during FY2014 and FY2015.

Proto intends on utilising more favourable economic conditions to finalise funding for the Barnes Hill Nickel Project from which the company is seeking to derive its first earnings. Proto is continuing to discuss the iron ore potential of the project with external parties and the company looks forward to furthering this side of the project as well.

DIRECTORS' REPORT (CONT'D)

Copper-gold exploration in Western Australia and the Northern Territory will play a very important part in Proto's work in FY2014 and FY2015. Proto is very confident in the mineral potential in its Western Australian and Northern Territory assets. The discovery of copper and nickel sulphide at the Clara Hills project in Western Australia demonstrates Proto's ability to acquire, further develop and transact on mineral exploration assets with mineral discovery potential.

While the company's share price has suffered in FY2013, the company still enjoys strong support from its shareholders who recently supported the company's rights issue that raised approximately $450,000 in the September quarter of 2013. Repeatedly shareholders told Proto management that they believe in the company's mineral exploration and development strategy and that they were continuing to invest in the company as they understood that it was necessary to stay engaged during the lows of the cycle as well as during the highs of the cycle.

The company has been continuing to advance all of its projects and has not been deterred in its focus to revolutionise the nickel industry and to secure a valuable mineral discovery. While these company goals are ambitious, Proto more than ever has the ability to achieve them with its current asset portfolio and strategy. The company looks forward to updating the market further and is happy to respond to any enquiries that individuals may have.

Competent Persons Statement

The information in this release that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information reviewed by Tony Treasure, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Treasure has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Treasure consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

1. On 5 July 2012, the Company announced that on 29 June 2012 an agreement was entered into with Victory Mines Limited whereby Victory would acquire from Proto up to approximately a 63.75% interest in the Clara Hills tenements (E04/1533, E04/2026, E04/2142 and ELA04/2060, a 70% interest in the Great Doolgunna tenement (E51/1455) and 50% interest in the Station Bore tenement (E69/2872).
2. On 9 July 2012, the Company issued 5,555,556 fully paid ordinary shares and 5,555,556 attaching options exercisable at $0.05 on or before 1 September 2014 to placement participants.
3. On 11 July 2012, the Company issued 1,000,000 fully paid ordinary shares as payment for services.
4. On 3 August 2012, the Company issued 9,696,154 fully paid ordinary shares payment for services.
5. On 7 August 2012, the Company issued 25,100,000 fully paid ordinary shares as payment for services.
6. On 16 August 2012, the Company issued 12,550,000 options exercisable at $0.05 on or before 1 September 2014 as payment for services to the Company.
7. On 27 August 2012, the Company issued 2,631,579 fully paid ordinary shares to placement participants.
8. On 24 October 2012, the Company issued 142,642,858 fully paid ordinary shares and 71,321,429 attaching options exercisable at $0.05 on or before 1 September 2014 to placement participants.
9. Between 2 November 2013 and 9 November 2013, the Company issued 48,914,286 fully paid ordinary shares and 24,457,143 attaching options exercisable at $0.05 on or before 1 September 2014 as payment for services.
10. On 9 November 2013, the Company issued 73,278,572 additional options exercisable at $0.05 on or before 1 September 2014 to placement participants.
11. On 21 November 2012, the Company issued 1,500,000 fully paid ordinary shares, 1,500,000 attaching options exercisable at $0.05 on or before 1 September 2014 and 1,000,000 additional attaching options exercisable at $0.05 on or before 1 September 2014 to placement participants.
12. On 10 December 2012, the Company issued 20,053,477 fully paid ordinary shares and 2,500,000 attaching options exercisable at $0.05 on or before 1 September 2014 as payment for services.
13. On 13 December 2012, the Company issued 30,000,000 fully paid ordinary shares as payment for services and 17,857,142 fully paid ordinary shares and 47,857,142 additional attaching options exercisable at $0.05 on or before 1 September 2014 to placement participants.
14. On 21 December 2013 the Company issued 28,125,000 ordinary shares at an issue price of $0.005 as commitment shares for investment financing.
15. On 10 January 2013 the Company issued 88,235,294 ordinary shares at an issue price of $0.005 as collateral shares for investment financing.
16. On 19 February 2013 and 27 February 2013 the Company issued a total of 50,000,000 ordinary shares at an issue price of $0.006 to raise $300,000 through a private placement.
17. On 27 February 2012 the Company issued 1,667,667 ordinary shares with at an issue price of $0.0048 as consideration for corporate advisory services.
18. On 28 February 2013 a total of 10,500,000 options exercisable at either $0.08, $0.10 or $0.125 lapsed unexercised.
19. On 26 March 2013 the company announced it had entered into a funding agreement with Bergen Global Opportunity Fund to provide up to $4.35 million over the next 2 years. The Company issued 21,750,000 fully paid ordinary shares and 48,000,000 options exercisable at $0.0055 on or before 26 March 2017 to secure the investment financing.
20. On 17 April, Greg Melick resigned as Non-executive director.
21. On 18 April 2013 the company issued 35,000,000 fully paid ordinary shares as a repayment for investment financing and 34,703,045 fully paid ordinary shares as payment for services.
22. On 13 May 2013 the company issued 37,760,417 fully paid ordinary shares and 14,000,000 options exercisable at $0.0026 on or before 18 April 2017 as a repayment for investment financing.
23. On 20 May 2013 the company issued 57,000,000 fully paid ordinary shares and 22,800,000 options exercisable at $0.0013 on or before 20 May 2017 as a repayment for investment financing.

DIRECTORS' REPORT (CONT'D)

24. On 24 May 2013 the company issued 59,000,000 fully paid ordinary shares and 25,000,000 options exercisable at $0.05 on or before 1 September 2014 to placement participants, 72,112,400 fully paid ordinary shares and 57,833,300 options exercisable at $0.05 on or before 1 September 2014. 3,333,300 options exercisable at $0.003 on or before 1 January 2018 and 35,000,000 options exercisable at $0.0055 on or before 26 March 2017 as payment for services.
25. On 13 June 2013 the company announced its intention to acquire tenements the Goodin-Dome tenements in proximity to Yerrida Basin from Dourado Resources Limited.
26. On 21 June 2013, Ian Campbell resigned as Director and Chairman.
27. On 26 June 2013 the company issued 50,000,000 fully paid ordinary shares as a repayment for investment financing.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

EVENTS AFTER THE REPORTING PERIOD

1. On 2 July 2013, the Company issued 60,000,000 ordinary fully paid shares as a repayment for investment financing, 7,000,000 fully paid ordinary shares as payment for services and 125,000,000 fully paid ordinary shares to placement participants.
2. On 5 July 2013 the Company issued 60,000,000 fully paid ordinary shares as a repayment for investment financing.
3. On 11 July 2013 the Company announced its intention to raise $1,089,092 by way of a pro rata non-renounceable offer to existing shareholders of two new fully paid ordinary shares for every three shares held with an attaching new option on the basis of one new option exercisable at $0.0055 on or before 26 March 2017 for every one new share subscribed for.
4. On 15 July 2013 the company issued 82,098,765 fully paid ordinary shares as a repayment for investment financing.
5. On 7 August the Company announced that subject to ASX and shareholder approval, it had entered into a binding termsheet with Dourado Resources Ltd to acquire an initial %1% interest in the Moologool Exploration Licences in the Yerrida Basin area of Western Australia. Should the transaction be approved, the consideration for the transaction is $50,000 cash and $600,000 of Proto shares.
6. On 12 August 2013 Andrew Heap joined the Company as a Non-executive Director.
7. On 16 August 2013 the Non-renounceable offer of shares and options to shareholders closed with a shortfall of 915,432,863 shares and 915,432,863 options exercisable at $0.0055 on or before 26 March 2017. Of the shortfall 64,884,110 fully paid ordinary shares and 64,884,110 options exercisable at $0.0055 on or before 26 March 2017 were taken up immediately. Accordingly the Company issued 247,547,691 fully paid ordinary shares and 247,547,691 options exercisable at $0.0055 on or before 26 March 2017 raising a total of $247,547.
8. On 20 August 2013 the Company issued 74,074,074 fully paid ordinary shares as a repayment for investment financing.
9. On 3 September 2013 the Company announced it had placed a further 210,000,000 fully paid ordinary shares and 210,000,000 options exercisable at $0.0055 on or before 26 March 2017 from the shortfall of the Non-renounceable offer of shares and options to shareholders.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed this report, about likely developments in the operations of the Group and the expected results of those operations in future years has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Group on any of its tenements. To date the Group has only carried out exploration activities and there have been no known breaches of any environmental obligations.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

INFORMATION ON DIRECTORS

Andrew Mortimer, BA LLB (Sydney) MAUSIMM	Managing Director
	Andrew Mortimer has a legal and mining background but moved full-time to the mining and mining finance industries in 2003, after being involved part-time for over a decade. Through his work as head of corporate advisory firm Superstructure International Pty Ltd, Chief Corporate Officer for the Mallee Gold Corporation and a director of SA Capital Funds Management Limited. Mr Mortimer has forged relationships with many of Australia's resource companies. He has also assisted with the ASX listing of several exploration companies of Proto Resource's size. Mr Mortimer was instrumental in founding Proto Resources & Investments Ltd and in sourcing its projects and management. Mr Mortimer holds a BA and LLB from Sydney University and is a Member of the Australian Institute for Mining and Metallurgy.
Interest in Shares and Options	41,811,514 Ordinary Shares 3,000,000 $0.05 share options expiring 1 September 2014 2,765,002 $0.25 share options expiring 31 December 2013
Directorships held in other listed entities	Global Metals Exploration NL (26 February 2007 to present)
Lia Darby BA(Hons) LLB (Hons)	Non-Executive Director
	Lia Darby is admitted to practice law in the Supreme Court of NSW but now works full-time as a mining company executive. Ms Darby also has a marketing and publishing background from her work in a legal publishing house and on other publications. Since 2003 Ms Darby has worked with Mr Mortimer in a corporate advisory role listing mining securities and assisting listed companies on both the ASX and London's Alternative Investment Market. Ms Darby was instrumental along with Mr Mortimer in founding Proto and developing its projects and operations. Ms Darby holds a BA and LLB from Sydney University and is the Managing Director of Global Metals Explorations NL, an ASX listed company.
Interest in Shares and Options	4,888,828 Ordinary Shares 2,621,667 $0.25 share options expiring 31 December 2013
Directorships held in other listed entities	Global Metals Exploration NL (26 February 2007 to present) Condor Blanco Mines Limited (10 June 2010 to 16 April 2012)

DIRECTORS' REPORT (CONT'D)

Patricia Kay Philip, ONM; BSc; Grad Dip App Geophys; Grad Dip App Finance, SF Fin	Non-Executive Director
	Ms Philip is a Geophysicist whose background embraces project acquisition, financial analysis of resource projects and companies, and mining exploration and management. Ms Philip has worked in the securities industry, conducting courses in Australia and SE Asia. She also has experience in the financial markets, involving capital raisings. Ms Philip is an Honorary Associate in the School of Physics at the University of Sydney, and has been a Director of a number of listed and unlisted companies in the financial and oil and gas sectors. Ms Philip is a Member of the Australian Institute of Physics (AIP), Member Australian Society of Explorations Geophysicists (ASEG), Senior Fellow of the Financial Services Institute of Australia (SF FINSIA), Member of Association of International Petroleum Negotiators (AIPN) and Secretary of the Australian-French Association for Science and Technology (AFAS). Ms Philip was decorated by the French Government in 2005 with the award of Chevalier de L'Ordre National du Merite for facilitating collaboration between French and Australian scientists. Ms Philip is a non-executive director providing Geophysical advice and project assistance to the Company.
Interest in Shares and Options	2,842,919 Ordinary Shares 1,250,000 $0.25 share options expiring 31 December 2013 800,000 $0.05 share options expiring 1 September 2014
Directorships held in other listed entities	Austex Oil Limited (1 March 2006 to present) (Chair remuneration committee)
Andrew Heap	Non-Executive Director (appointed 12 August 2013)
	Andrew Heap combines a successful business career with an unswerving commitment to the community. His business interests include a directorship in Shepherd Heap Commercial Auctioneers and Estate Agents , in Tasmania, which is now the dominant commercial agency in the region. In 2011, Mr Heap was elected President of Tasmania's peak industry body, the Tasmanian Chamber of Commerce and Industry during a difficult time for the Chamber. Through his inspiring leadership and recent management appointments, the chamber is flourishing and helping re-sculpture industry in the State. Mr Heap is also Chairman of the John Glover Society which hosts the richest annual prize for landscape painting in Australia . He is also a director of the Queen Victoria Museum and Art Gallery foundation. He is also a director and founder of MWPR which specialised in strategic public relations and media and based in Sydney.
Interest in Shares and Options	Nil
Directorships held in other listed entities	Nil

Ian Campbell	Chairman, Director (resigned 20 June 2013) Ian Campbell brings a deep knowledge of the Australian regulatory environment with a particular focus on industry and the environment. Mr Campbell has worked at the highest levels of government both nationally and internationally. In 2007 Mr Campbell retired from Federal politics after a distinguished career spanning 17 years in the Australian Senate. He was a member of the Cabinet and the Expenditure Review Committee from 2004. During his time as Parliamentary Secretary to the Treasurer Mr Campbell initiated the Corporate Law Economic Reform Program (CLERP) which heralded sweeping pro-market changes to business law. These reforms covered Takeovers (including the new Takeovers Panel provisions), Fundraising, Accounting (including the introduction of IFRS and the Financial Reporting Council), and Financial Markets. Mr Campbell represented Australia at the Annual meetings of the IMF and at the Board of Governors of the World Bank in 2002-3. Mr Campbell is a member of the Boards of ASG Group, and Solco, a solar energy Company. He is Chairman of the Princess Margaret Hospital Foundation and Enerji Ltd (a waste heat recovery company) and on the Advisory Board of Australian-based international geothermal developer Green Rock Energy Limited.
Interest in Shares and Options	1,000,000 $0.25 share options expiring 31 December 2013*
Directorships held in other listed entities	ASG Group Limited (12 June 2007 to present) Enerji Limited (19 November 2009 to present)
Aziz Gregory Melick, AO,RFD, S.C.	Executive Director (resigned, 17 April 2013) Mr Melick is a graduate of the University of Sydney (BA LLB) and is a barrister with chambers in Hobart, whose experience includes mining investigation, occupational health and safety and corporate law. He has considerable experience in advising and working with governments. Mr Melick has extensive human resources and financial management experience with over 45 years in the Army Reserve and currently serving as Major General at the Australian Defence Force Headquarters. He is a director and former Chairman of the Australian Wine Consumers' Co-Operative and Chairman of St. John Ambulance (Tas) Inc. Mr Melick is actively involved with assistance provided to the Barnes Hill project in Tasmania.
Interest in Shares and Options	2,453,687 Ordinary Shares* 2,551,065 $0.05 share options expiring 1 September 2014* 1,033,334 $0.25 share options expiring 31 December 2013*
Directorships held in other listed entities	None

** interest in shares and options at the date of resignation*

DIRECTORS' REPORT (CONT'D)

Company Secretary

Mr Kent Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 companies on ASX in the past 9 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited, Western Manganese Limited, Stratum Metals Limited and Carbon Conscious Limited and is company secretary of two other ASX listed entities.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Proto Resources & Investments Ltd, and controlled entities and for the executives receiving the highest remuneration.

1. Employment Agreements
There are no current employment agreements between the Company and its employees.

2. Remuneration policy
The Group's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. Currently those long-term incentives include shares and options acquired by the executives prior to the Stock Exchange listing of the Company. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options. The remuneration committee reviews executive packages annually by reference to the consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

3. Performance-based remuneration

There is currently no performance-based remuneration policy in place.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (CONT'D)

4. Details of remuneration:

The remuneration for each key management personnel of the Group during the year was as follows:

2013 Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Represented by Share based Payment	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Directors											
Andrew Mortimer	229,762	-	-	-	20,678	-	-	-	250,440	-	-
Lia Darby	21,797	-	-	-	1,961	-	-	-	23,758	-	-
Kay Philip	29,166	-	-	-	2,625	-	-	-	31,791	-	-
Greg Melick (i)	82,500	-	-	-	7,425	-	-	-	89,925	-	-
Ian Campbell	87,083	-	-	-	7,875	-	-	-	94,958	-	-
Executives											
Kent Hunter (ii)	-	-	-	112,295	-	-	50,000	-	162,295	30.80	-
Ashley Hood (iii)	-	-	-	66,930	-	-	8,800	-	75,730	11.62	-
Pierre Richard (iv)	108,185	-	-	-	9,022	-	13,400	-	130,607	7.30	-
	558,493	**-**	**-**	**179,225**	**49,586**	**-**	**72,200**	**-**	**859,504**	**5.74**	-

(i) During the year, $nil was paid or due to be paid to Greg Melick for consultancy services provided to the Group (2012: $44,952).

(ii) During the year, $162,295 was paid or due to be paid to Mining Corporate Pty Ltd for corporate consultancy services provided to the Group by Mr. Kent Hunter (2012: $128,656).

(iii) During the year, $75,730 was paid or due to be paid to Blue Ribbon Mines Pty Ltd for consultancy services provided to the Group by Ashley Hood (2012 26 One 73 Minerals Pty Ltd: $104,090).

(iv) During the year, $13,400 was paid or due to be paid to Monclar Pty Ltd for consultancy services provided to the Group by Mr Pierre Richard (2012: $15,000).

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (CONT'D)

4. Details of remuneration (cont'd)

2012

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Share based Payment	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Directors											
Andrew Mortimer	285,990	-	-	-	25,659	-	-	-	311,649	-	-
Lia Darby	134,740	-	-	-	12,150	-	-	-	146,890	-	-
Kay Philip	50,000	-	-	-	6,750	-	-	-	56,750	-	-
Greg Melick (i)	165,000	-	-	44,952	20,250	-	-	-	230,202	-	-
Ian Campbell	87,500	-	-	-	7,875	-	-	-	95,375	-	-
Executives											
Kent Hunter (ii)	-	-	-	128,656	-	-	-	-	128,656	-	-
Ashley Hood (iii)	-	-	-	95,506	-	-	8,584	-	104,090	8.25	-
Pierre Richard (iv)	154,567	-	-	15,000	13,911	-	-	-	183,478	-	-
	877,797	-	-	284,114	86,595	-	8,584	-	1,257,090	0.68	-

(i) During the year, $44,952 was paid or due to be paid to Greg Melick for consultancy services provided to the Group (2011: $32,500).

(ii) During the year, $128,656 was paid or due to be paid to Mining Corporate Pty Ltd for corporate consultancy services provided to the Group by Mr. Kent Hunter (2011: $121,635).

(iii) During the year, $104,090 was paid or due to be paid to 26 One 73 Minerals Pty Ltd for consultancy services provided to the Group by Ashley Hood (2011: $57,327).

(iv) During the year, $15,000 was paid or due to be paid to Monclar Pty Ltd for consultancy services provided to the Group by Mr Pierre Richard (2011: $55,000).

DIRECTORS' REPORT (CONT'D)

5. Shareholdings

Number of Shares held by Key Management Personnel

Key Management Person	Balance 01.07.2012 No.	Received as Compensation No.	Net Change Other No.	Balance 30.6.2013 No.	Vested %
Directors					
Andrew Mortimer	28,611,514	-	3,200,000	31,811,514	100%
Lia Darby	4,888,828	-	-	4,888,828	100%
Kay Philip	2,842,919	-	-	2,842,919	100%
Greg Melick	2,268,019	-	1,000,000	3,268,019*	100%
Ian Campbell	-	-	-	-*	-
Executive					
Ashley Hood	199,624	-	-	199,624	100%
Pierre Richard	100,000	-	-	100,000	100%
Kent Hunter	-	-	-	-	-
Total	**38,910,904**	**-**	**4,200,000**	**43,110,904**	**100%**

* at date of resignation

~ at the date of appointment

Key Management Person	Balance 01.07.2011 No.	Received as Compensation No.	Net Change Other No.	Balance 30.6.2012 No.	Vested %
Directors					
Andrew Mortimer	21,816,133	-	6,795,381	28,611,514	100%
Lia Darby	4,688,828	-	200,000	4,888,828	100%
Kay Philip	1,253,335	-	1,589,584	2,842,919	100%
Greg Melick	1,910,630	-	357,389	2,268,019	100%
Ian Campbell	--	-	-	-	-
Executive					
Ashley Hood	65,000	199,624	(65,000)	199,624	100%
Pierre Richard	1,600,000	-	(1,500,000)	100,000	100%
Kent Hunter	-	-	-	-	-
Total	**31,333,926**	**199,624**	**7,377,354**	**38,910,904**	**100%**

DIRECTORS' REPORT (CONT'D)

6. Options

Number of Options held by Key Management Personnel - $0.25 Options Expiring 31 December 2013

Key Management Person	Balance 1.7.2012	Received as Compensation	Net Change Other	Balance 30.6.2013	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	2,765,002	-	-	2,765,002	100%
Lia Darby	2,621,667	-	-	2,621,667	100%
Kay Philip	1,250,000	-	-	1,250,000	100%
Andrew Heap	-~	-	-	-	-
Greg Melick	1,033,334	-	-	1,033,334*	100%
Ian Campbell	1,000,000	-	-	1,000,000*	100%
Executive					
Ashley Hood	-	-	-	-	-
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	-
Total	**8,670,003**	**-**	**-**	**8,670,003**	**100%**

* at date of resignation
~ at the date of appointment

Key Management Person	Balance 1.7.2011	Received as Compensation	Net Change Other	Balance 30.6.2012	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	2,765,002	-	-	2,765,002	100%
Lia Darby	2,621,667	-	-	2,621,667	100%
Kay Philip	1,250,000	-	-	1,250,000	100%
Greg Melick	1,000,000	-	33,334	1,033,334	100%
Ian Campbell	1,000,000	-	-	1,000,000	100%
Executive					
Ashley Hood	-	-	-	-	-
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	-
Total	**8,636,669**	**-**	**33,334**	**8,670,003**	**100%**

DIRECTORS' REPORT (CONT'D)

Number of Options held by Key Management Personnel - $0.05 Options Expiring 1 September 2014

Key Management Person	Balance 1.7.2012	Received as Compensation	Net Change Other*	Balance 30.6.2013	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	3,000,000	-	-	3,000,000	100%
Lia Darby	-	-	-	-	100%
Kay Philip	800,000	-	-	800,000	100%
Andrew Heap	-~	-	-	-	-
Greg Melick	2,551,065	-	-	2,551,065*	100%
Ian Campbell	-	-	-	-*	-
Executive			-		
Ashley Hood	-	-	-	-	100%
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	100%
Total	**6,351,065**	**-**	**-**	**6,351,065**	**100%**

* at date of resignation
~ at the date of appointment

Key Management Person	Balance 1.7.2011	Received as Compensation	Net Change Other*	Balance 30.6.2012	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	-	-	3,000,000	3,000,000	100%
Lia Darby	-	-	-	-	100%
Kay Philip	-	-	800,000	800,000	100%
Greg Melick	-	-	2,551,065	2,551,065	100%
Ian Campbell	-	-	-	-	-
Executive			-		
Ashley Hood	-	-	-	-	100%
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	100%
Total	**-**	**-**	**6,351,065**	**6,351,065**	**100%**

The directors did not hold any options in the other classes on issue.

7. Options issued as part of remuneration for the year ended 30 June 2013
No options were issued to employees or Key management personnel as part of remuneration.

This is the end of the audited remuneration report.

DIRECTORS' REPORT (CONT'D)

MEETINGS OF DIRECTORS

During the financial year, 5 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Andrew Mortimer	5	5
Lia Darby	5	5
Kay Philip	5	5
Greg Melick	5	5
Ian Campbell	5	5

INDEMNIFYING AND INSURANCE OF OFFICERS

The Group has entered into deeds of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each director against all loss and liability incurred as an officer of the Group, including all liability in defending any relevant proceedings.

The Group has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The disclosure of the amount of the premium is prohibited by the insurance policy.

OPTIONS

At the date of this report, the unissued ordinary shares of Proto Resources & Investments Ltd under option are as follows:

Date of Expiry	Exercise Price	Number under Option
31 December 2013	$0.25	51,727,808
1 September 2014	$0.05	673,920,900
26 March 2017	$0.0055	508,881,261
18 April 2017	$0.0026	14,000,000
20 May 2017	$0.0013	22,800,000
1 January 2018	$0.003	35,000,000
12 September 2018	$0.35	1,428,571

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Since the year ended 30 June 2013 and prior to the date of this report, no ordinary shares of Proto Resources & Investments Ltd have been issued on the exercise of options.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

DIRECTORS' REPORT (CONT'D)

NON-AUDIT SERVICES

No non-audit services were provided by the external auditors during the year ended 30 June 2013.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on the next page of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Andrew Mortimer
Managing Director
Dated this 30th day of September 2013

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Proto Resources & Investments Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2013

Independent Auditor's Report

To the Members of Proto Resources & Investments Limited

Bentleys
THINKING AHEAD

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We have audited the accompanying financial report of Proto Resources & Investments Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Basis for Qualified Opinion

We draw reference to Note 25 Contingent Liabilities and Contingent Assets whereby creditors totalling $369,528 have been removed from the Statement of Financial Position as the Directors contend they are not legitimate creditors due to the Company receiving either duplicate invoices or invoices for which work was not performed.

We have been unable to undertake audit procedures with respect to these creditors as there is no evidence to support this assertion by the Directors and we have not confirmed the balances with the respective creditors as requested by the Directors. Consequently, given this limitation of scope, we believe that creditors is understated and loss before tax understated by $369,528.

Qualified Auditor's Opinion

In our opinion, except for the matters described above in the Basis of Qualification paragraph:

a. The financial report of Proto Resources & Investments Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a loss before tax of $6,370,795 during the year ended 30 June 2013. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Proto Resources & Investments Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue and other income	2	2,616,141	554,458
Compliance and regulatory expense		(136,163)	(303,064)
Consultancy and brokers fees		(1,183,382)	(1,243,443)
Directors fees		(376,868)	(530,822)
Depreciation		(17,385)	-
Employee benefit expense		(306,609)	(276,189)
Share based payments	22	(548,726)	(329,820)
Occupancy expense		(105,527)	(108,908)
Travel and accommodation		(208,326)	(345,672)
Finance costs	3	(838,386)	(1,776)
Realised loss on financial assets	3	(633,622)	(277,573)
Unrealised loss on financial assets	3	(2,003,293)	(821,466)
Exploration costs written off	14	(1,329,315)	(22,214)
Exploration costs		-	(19,317)
Computer expense		(42,146)	(46,225)
Audit fees		(67,717)	(37,248)
Marketing and public relations		(557,886)	(200,604)
Impairment of goodwill		-	(14,672)
Other costs		(602,113)	(433,335)
Provision for doubtful debts		(29,472)	-
Loss before income tax expense	3	(6,370,795)	(4,457,890)
Income tax expense	4	-	-
Loss for the year		(6,370,795)	(4,457,890)
Other comprehensive income/(loss)			
Net loss on revaluation of available for sale financial assets		-	(82,027)
Total other comprehensive income/(loss) for the year, net of tax		**-**	**(82,027)**
Total comprehensive income/(loss) for the year, attributable to members of the parent entity		(6,370,795)	(4,539,917)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPEHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

	Note	2013 $	2012 $
Loss Attributable to:			
Members of the parent		(6,309,494)	(4,450,992)
Non-controlling interest		(61,301)	(6,898)
		(6,370,795)	(4,457,890)
Total comprehensive income / (loss):			
Attributable to:			
Entity holder of parent		(6,309,494)	(4,533,019)
Non-controlling interest		(61,301)	(6,898)
		(6,370,795)	(4,539,917)
Loss Per Share			
Basic and diluted loss per share (cents per share)	7	0.79	0.95

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash	8	165,453	175,916
Trade and other receivables	9	180,036	356,924
Held for trading financial assets	10	180,749	1,084,465
Available for sale financial assets	11	-	212,390
Other assets	12	2,327	14,902
TOTAL CURRENT ASSETS		**528,565**	**1,844,597**
NON-CURRENT ASSETS			
Trade and other receivables	9	-	2,949
Available for sale financial assets	11	252,483	144,889
Investments accounted for using the equity method	28	-	-
Exploration assets	14	7,760,422	7,887,554
Plant and equipment	15	26,629	44,014
Other assets	12	98,596	89,632
TOTAL NON-CURRENT ASSETS		**8,138,130**	**8,169,038**
TOTAL ASSETS		**8,666,695**	**10,013,635**
CURRENT LIABILITIES			
Trade and other payables	16	874,651	839,796
Provisions	17	8,626	8,626
Other liabilities	18	652,367	76,663
TOTAL CURRENT LIABILITIES		**1,535,644**	**925,085**
TOTAL LIABILITIES		**1,535,644**	**925,085**
NET ASSETS		**7,131,051**	**9,088,550**
EQUITY			
Issued capital	21	31,947,295	28,270,440
Reserves	22	4,357,490	5,715,753
Accumulated losses		(29,204,799)	(24,898,788)
Equity attributable to member		7,099,986	9,087,405
Non-controlling interest		31,065	1,145
TOTAL EQUITY		**7,131,051**	**9,088,550**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	Issued Capital	Option reserve	Share based payment reserve	Financial Asset Reserve	Accumulated losses	Non-Controlling Interest	Total
		$	$	$	$	$	$	$
Balance at 1 July 2011		**24,761,148**	**15,000**	**4,827,069**	**(16,034)**	**(20,447,797)**	**-**	**9,139,386**
Loss for the year		-	-	-	-	(4,450,992)	(6,898)	(4,457,890)
Other Comprehensive Income/(Loss)		-	-	-	(82,027)	-	-	(82,027)
Total Comprehensive Income/(Loss)		-	-	-	(82,027)	(4,450,992)	(6,898)	(4,539,917)
Transactions with owners directly recorded in equity								
Shares issued during the year		3,672,914	-	-	-	-	-	3,672,914
Less: Transaction costs arising from issue of shares		(163,622)	-	-	-	-	-	(163,622)
Options issued/(expired) during the year		-	955,745	16,000	-	-	-	971,745
Non-controlling interest on acquisition of Barrier Bay		-	-	-	-	-	8,044	8,044
Balance at 30 June 2012		**28,270,440**	**970,745**	**4,843,069**	**(98,061)**	**(24,898,789)**	**1,146**	**9,088,550**
Balance at 1 July 2012		**28,270,440**	**970,745**	**4,843,069**	**(98,061)**	**(24,898,789)**	**1,146**	**9,088,550**
Loss for the year		-	-	-	-	(6,309,494)	(61,301)	(6,370,795)
Other Comprehensive Income/(Loss)		-	-	-	-	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	-	(6,309,494)	(61,301)	(6,370,795)
Transactions with owners directly recorded in equity								
Shares issued during the year		4,036,817	-	-	-	-	-	4,036,817
Less: Transaction costs arising from issue of shares		(359,962)	-	-	-	-	-	(359,962)
Options issued/(expired) during the year		-	-	548,726	-	-	-	548,726
Transfers to / from option reserve		-	(970,745)	(1,034,305)	98,061	2,003,484	-	96,495
Non-controlling interest on acquisition of Barrier Bay		-	-	-	-	-	91,220	91,220
Balance at 30 June 2013		**31,947,295**	**-**	**4,357,490**	**-**	**(29,204,799)**	**31,065**	**7,131,051**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,924,210)**	**(3,145,390)**
Payments for exploration and evaluation expenditure		(1,044,743)	(1,872,591)
Interest received		7,750	19,179
Dividends received		15,581	2,551
Other revenue		-	26,038
Reimbursement of expenses from a related party		87,146	147,500
Research and development rebate		174,518	259,190
Net cash used in operating activities	26	(2,683,958)	(4,563,523)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(378,534)	(773,746)
Net cash acquired on acquisition of a subsidiary	32	-	(827)
Proceeds from sale of investments		599,838	486,692
Proceeds from sale of tenements		-	100,000
Net cash receipts / (payments) with related entities		(40,000)	61,826
Loan repaid by other entities		-	15,000
Purchase of plant and equipment		-	(8,542)
Net cash used in investing activities		181,304	(119,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,667,000	3,367,375
Proceeds from convertible notes		885,386	-
Repayment of convertible notes		(100,000)	-
Liability to issue securities		100,000	-
Payment of transaction costs associated with capital raising		(60,195)	(168,622)
Proceeds from issue of options		-	971,746
Net cash provided by financing activities		2,492,191	4,170,499
Net increase/ (decrease) in cash held		(10,463)	(512,621)
Cash at beginning of financial year	8	175,916	688,537
Cash at end of financial year	8	**165,453**	**175,916**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Proto Resources and Investments Ltd and controlled entities ("Proto Resources" "Consolidated Group" or "Group"). Proto Resources is a listed public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report.

Group's financial and presentation currency is denominated in Australian Dollars ($).

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented, unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

Accounting Policies

a) **Going Concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a net loss for the year of $6,370,795 (2012: $4,457,890) and net cash outflows from operating activities of $2,683,958 (2012: $4,563,523).

As at 30 June 2013, the Group had a cash balance of $165,453 (2012: $175,916) and a working capital deficiency of $1,007,079 (2012 surplus: $919,512). Included in the working capital balance is $180,749 of held for trading financial assets.

The Group has exploration and expenditure commitments which fall within the next 12 months of $177,000 (2012: $714,931).

The ability of the Group to continue as a going concern is principally dependent upon the following:

- the Group has secured a funding mandate of $300,000 to be completed within 90 days and a further $400,000 by late February 2014;
- the Group adequately securing settlement arrangements with creditors as at 30 June 2013; As at the date of the report the Group had entered into arrangements with three creditors amounting to $284,605 who have agreed to be compensated through the issue of ordinary shares in Proto Resources and Investments Limited.
- the Group successfully accessing its current convertible note funding arrangements;
- the Group managing cashflow and controlling costs in line with available funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due

b) **Principles of Consolidation**

Subsidiaries

A controlled entity is any entity Proto Resources has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

No controlled entities have entered or left the consolidated group during the year.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the parent company using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Proto Resources has not formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities.

d) **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses interest.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable

Depreciation

The depreciable amount of all fixed assets and capitalised lease assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Class of Fixed Asset	Depreciation Rate
Office equipment	33%
Leased fixtures and fittings	33%
Field equipment	33% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e) **Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

f) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 1:STATEMENT OF SINIFIANCT ACCOUNTING POLICIES (cont'd)

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

g) **Financial Instruments**

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;

b) less principal repayments;

c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- Financial assets at fair value through profit and loss

Financial assets are classified 'at fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance valuation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in profit or loss.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

- Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets). They are subsequently measured at fair value with changes in fair value (ie gains and losses) recognised in other comprehensive income.

- Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges. The Group currently has no derivate instruments.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.The Group has not currently provided any guarantees.

h) **Impairment of Assets**

At the end of each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

j) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

l) **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

All revenue is stated net of the amount of goods and services tax (GST).

m) **Borrowing Costs**

All borrowing costs are recognised as expense in the period in which they are incurred.

n) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

p) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

q) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) **Critical Accounting Estimates and Judgments (Cont'd)**

Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d).

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 23.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model.

q) **Adoption of New and Revised Accounting Standards**

New Accounting Standards for Application in Future Periods

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Standards and Interpretations affecting the reported results or financial position

Amendments to AASB 112 'Income Taxes'	The Company is not affected by the adoption of this standard as the Company does not hold investment property.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounting Standards in issue but not yet adopted at the date of authorisation of the financial statements, the Standard and Interpretations noted below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013
AASB 11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013

The Group has not elected to early adopt any new Standards or Interpretations. The Group does not anticipate a material effect from the adoption of these Australian Accounting Standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 2: REVENUE AND OTHER INCOME

	2013 $	2012 $
Other Revenue		
- Interest revenue	16,431	19,179
	16,431	**19,179**
Other Income		
- Office reimbursement	150,588	147,500
- Proceeds from sale of tenement -	1,900,000	100,000
- Research & Development rebate	174,518	259,190
- Other	374,604	28,589
	2,599,710	**535,279**
Total revenue and other income	**2,616,141**	**554,458**

NOTE 3: LOSS FOR THE YEAR

The loss from ordinary activities before income tax has been determined after:

	2013 $	2012 $
Expenses		
Finance costs:		
- other	838,386	1,776
Total finance costs	**838,386**	**1,776**
Rental expense on operating leases		
- minimum lease payments	83,201	
Depreciation of plant and equipment	17,385	27,827
Salaries (administration)	201,886	174,844
Superannuation	69,000	101,346
Other losses		
Unrealised loss on financial assets	(2,003,293)	(499,002)
Realised loss on financial assets	(633,622)	(277,573)
	(2,636,915)	**(776,575)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

	2013 $	2012 $
NOTE 4: INCOME TAX EXPENSE		
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax as reported in the statement of comprehensive income	-	-
b. Reconciliation of income tax expense to prima facie tax payable:		
Loss from ordinary activities before income tax expense	(6,370,795)	(4,457,890)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(1,911,239)	(1,337,367)
Increase in income tax due to:		
- Non-deductible expenses	454,140	157,144
- Current year tax losses not recognised	657,775	1,019,799
- Temporary difference on investment in associate not recognised	-	-
- Derecognition of previously recognised tax losses	127,483	-
- Current year capital losses not recognised	122,722	-
- Movement in unrecognised temporary difference	673,708	304,494
Decrease in income tax expense due to		
- Non-assessable income	(52,525)	(77,757)
- Revaluation of investment through equity	-	-
- Deductible equity raising costs	(72,064)	(66,313)
Income tax attributable to operating loss	-	-
c. Recognised deferred tax assets:		
Tax losses	2,166,648	2,246,925
Other investments	-	-
Accruals	14,308	11,224
Plant and equipment	2,875	5,681
Other Provisions	131,845	53,848
Employee provisions	2,588	2,588
Previously expensed capital raising costs	-	-
Total deferred tax asset	2,318,264	2,320,266
Less: set off of deferred tax liabilities	(2,318,264)	(2,320,266)
Net deferred tax asset	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 4: INCOME TAX EXPENSE (CONT'D)

	2013 $	2012 $
d. Recognised deferred tax liabilities:		
Capitalised exploration expenditure	2,318,264	(2,320,266)
Less: set off of deferred tax assets	(2,318,264)	2,320,266
Total deferred tax liabilities	**-**	**-**
Deferred tax assets have not been recognised in respect of the following:		
Deductible temporary differences	1,445,550	748,622
Tax revenue losses	4,804,797	4,165,351
Tax capital losses	251,010	128,288
	6,501,357	**5,042,261**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2013 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

  no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

Names and positions held of Group's key management personnel in office at any time during the year are :

Andrew Mortimer	Managing Director
Lia Darby	Non-Executive Director
Patricia Kay Philip	Non-Executive Director
Andrew Heap	Non-Executive Director~
Aziz Greg Melick	Executive Director*
Ian Campbell	Chairman, Director*
Kent Hunter	Company Secretary
Ashley Hood	Geologist
Pierre Richard	Chief Operating Officer*

*resigned during year
~appointed during year

a) **Remuneration of Key Management Personnel**

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2013	2012
	$	$
Short-term employee benefits	737,718	1,161,911
Post-employment benefits	49,586	86,595
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	72,200	8,584
	859,504	**1,257,090**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

b. **Options and Rights Holdings**

Number of 25c Options Expiring 31st December 2013 Options Held by Key Management Personnel

	Balance 1.7.2012 No.	Granted as Compen-sation No.	Net Change Other No.	Balance 30.6.2013 No.	Vested
Directors					
Andrew Mortimer	2,765,002	-	-	2,765,002	100%
Lia Darby	2,621,667	-	-	2,621,667	100%
Kay Philip	1,250,000	-	-	1,250,000	100%
Greg Melick	1,033,334	-	-	1,033,334	100%
Ian Campbell	1,000,000	-	-	1,000,000	100%
Executive					
Ashley Hood	-	-	-	-	-
Pierre Richard	-	-	-	-	-
Kent Hunter	-	-	-	-	-
Total	**8,670,003**	**-**	**-**	**8,670,003**	**100%**

* Other refers to options attaching to shares subscribed for in the non-renounceable entitlement offers to shareholders during the year and on-market transactions

	Balance 1.7.2011 No.	Granted as Compen-sation No.	Net Change Other No.	Balance 30.6.2012 No.	Total Vested & Exercisable 30.6.2012
Directors					
Andrew Mortimer	2,765,002	-	-	2,765,002	2,765,002
Lia Darby	2,621,667	-	-	2,621,667	2,621,667
Kay Philip	1,250,000	-	-	1,250,000	1,250,000
Greg Melick	1,000,000	-	33,334	1,033,334	1,033,334
Ian Campbell	1,000,000	-	-	1,000,000	1,000,000
Executive					
Ashley Hood	-	-	-	-	-
Pierre Richard	-	-	-	-	-
Kent Hunter	-	-	-	-	-
Total	**8,636,669**	**-**	**33,334**	**8,670,003**	**8,670,003**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

b. **Options and Rights Holdings**

Number of 5c Options Expiring 31st December 2011 Options Held by Key Management Personnel

Key Management Person	Balance 1.7.2011	Received as Compensation	Net Change Other* No.	Balance 30.6.2012	Vested
	No.	No.		No.	%
Andrew Mortimer	3,016,379	-	(3,016,379)	-	100%
Lia Darby	4,653,828	-	(4,653,828)	-	100%
Kay Philip	1,321,490	-	(1,321,490)	-	100%
Greg Melick	1,969,168	-	(1,969,168)	-	100%
Ian Campbell	-	-	-	-	-
Executive					
Ashley Hood	-	-	-	-	100%
Pierre Richard	13,334	-	(13,334)	-	100%
Kent Hunter	510,000	-	(510,000)	-	100%
Total	**11,484,199**	**-**	**(11,484,199)**	-	**100%**

* Not applicable to 2013 as all Options expired unexercised in prior financial year.

Number of Options held by Key Management Personnel - $0.20 Options Expiring 31 August 2011

Key Management Person	Balance 1.7.2011	Received as Compensation	Net Change Other* No.	Balance 30.6.2012	Vested
	No.	No.		No.	%
Andrew Mortimer	1,150,000	-	(1,150,000)	-	100%
Lia Darby	920,000	-	(920,000)	-	100%
Kay Philip	375,000	-	(375,000)	-	100%
Greg Melick	-	-	-	-	-
Ian Campbell	-	-	-	-	-
Executive					
Ashley Hood	375,000	-	(375,000)	-	100%
Pierre Richard	-	-	-	-	-
Kent Hunter	-	-	-	-	-
Total	**2,820,000**	**-**	**(2,820,000)**	**-**	**100%**

* Not applicable to 2013 as all Options expired unexercised in prior financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

Number of Options held by Key Management Personnel - $0.05 Options Expiring 1 September 2014

Key Management Person	Balance 1.7.2012	Received as Compensation	Net Change Other*	Balance 30.6.2013	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	3,000,000	-	-	3,000,000	100%
Lia Darby	-	-	-	-	100%
Kay Philip	800,000	-	-	800,000	100%
Greg Melick	2,551,065	-	-	2,551,065*	100%
Ian Campbell	-	-	-	-*	-
Executive			-		
Ashley Hood	-	-	-	-	100%
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	100%
Total	**6,351,065**	**-**	**-**	**6,351,065**	**100%**

* at date of resignation
~ at the date of appointment

Key Management Person	Balance 1.7.2011	Received as Compensation	Net Change Other*	Balance 30.6.2012	Vested
	No.	No.	No.	No.	%
Andrew Mortimer	-	-	3,000,000	3,000,000	100%
Lia Darby	-	-	-	-	100%
Kay Philip	-	-	800,000	800,000	100%
Greg Melick	-	-	2,551,065	2,551,065	100%
Ian Campbell	-	-	-	-	-
Executive			-		
Ashley Hood	-	-	-	-	100%
Pierre Richard	-	-	-	-	100%
Kent Hunter	-	-	-	-	100%
Total	**-**	**-**	**6,351,065**	**6,351,065**	**100%**

* All acquisitions represent acceptance of entitlements in non-renounceable entitlement offer pursuant to prospectus dated 17 January 2012.

The Directors did not hold any other class of option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

c. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1.7.2012 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2013 No.	Total held in escrow 30.6.2013 No.
Directors						
Andrew Mortimer	28,611,514	-	-	3,200,000	31,811,514	-
Lia Darby	4,888,828	-	-	-	4,888,828	-
Kay Philip	2,842,919	-	-	-	2,842,919	-
Greg Melick	2,268,019	-	-	1,000,000	3,268,019*	-
Ian Campbell	-	-	-	-	-*	-
Executive						
Ashley Hood	199,624	-	-	-	199,624	-
Pierre Richard	100,000	-	-	-	100,000	-
Kent Hunter	-	-	-	-	-	-
Total	**38,910,904**	**-**	**-**	**4,200,000**	**43,110,904**	**-**

* at date of resignation

~ at the date of appointment

	Balance 1.7.2011 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2012 No.	Total held in escrow 30.6.2012 No.
Directors						
Andrew Mortimer	21,816,133	-	-	6,795,381	28,611,514	-
Lia Darby	4,688,828	-	-	200,000	4,888,828	-
Kay Philip	1,253,335	-	-	1,589,584	2,842,919	-
Greg Melick	1,910,630	-	-	357,389	2,268,019	-
Ian Campbell	-	-	-	-	-	-
Executive						
Ashley Hood	65,000	199,624	-	(65,000)	199,624	-
Pierre Richard	1,600,000	-	-	(1,500,000)	100,000	-
Kent Hunter	-	-	-	-	-	-
Total	**31,333,926**	**199,624**	**-**	**7,377,354**	**38,910,904**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 6: AUDITORS' REMUNERATION

	2013 $	2012 $
Remuneration of the auditor of the Group for:		
— auditing or reviewing the financial report	58,000	36,300
	58,000	**36,300**

NOTE 7: LOSS PER SHARE

a. Loss used to calculate basic EPS	(6,370,795)	(4,457,890)
	No.	**No.**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	801,645,703	471,340,786

NOTE 8: CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank	165,453	175,916
	165,453	**175,916**

NOTE 9: TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
CURRENT		
Sundry (a)	2,734	104,239
Tax receivable (a)	86,483	174,428
Related party receivables	23,152	1,447
Unsecured loan to:		
- Related parties (b)	99,000	65,557
- Related Parties – provision for impairment (c)	(99,000)	-
- Unrelated entity - gross(c)	92,463	162,400
- Unrelated entity – provision for impairment (c)	(24,796)	(151,147)
Total current trade and other receivables	**180,036**	**356,924**
NON-CURRENT		
Unsecured loan to unrelated entity(b)	-	2,949
Total non-current trade and other receivables	-	**2,949**

(a) Expected to be settled within 30 days;

(b) Non-interest bearing with no set term of repayment, expected to be settled within 12 months if current and in excess of 12 months if non-current;

(c) This amount is bearing interest at 10% per annum and was due to be repaid on 31 March 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 10: HELD FOR TRADING FINANCIAL ASSETS

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2013	2012
	$	$
Australian listed shares	155,782	1,044,320
Australian listed options	24,967	40,145
Unlisted investments, at cost	-	-
	180,749	**1,084,465**

NOTE 11: AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the following classes of financial assets:

	2013	2012
	$	$
CURRENT		
Option to acquire exploration project	-	60,000
Unlisted investments, at cost	-	152,390
	-	**212,390**

	2013	2012
	$	$
NON-CURRENT		
Shares in escrow (a)	161,500	**-**
Receivable balance denominated in shares	**-**	59,889
Unlisted investments, at cost (b)	90,983	85,000
	252,483	**144,889**

(a) During the year, the company received 9,500,000 shares as consideration for the sale of a tenement to Victory Mines Limited.

(b) The fair value of unlisted financial assets cannot be reliably measured. As a result, all unlisted investments are reflected at cost, and assessed for impairment when such indicators arise. Refer to note 31 for risks associated with financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 12: OTHER ASSETS

	2013	2012
CURRENT	**$**	**$**
Prepayments to consultants	2,327	14,902
	2,327	**14,902**
NON CURRENT		
Security deposits – lease	97,108	88,423
Security deposits - tenements	1,209	1,209
Other	279	-
	98,596	**89,632**

NOTE 13: CONTROLLED ENTITIES

a. **Controlled Entities**

	Country of Incorporation	Percentage Owned	
Parent Entity:		**2013**	**2012**
Proto Resources & Investments Ltd	Australia	100%	100%
Barrier Bay	Australia	51%	51%

NOTE 14: EXPLORATION ASSETS

	2013 $	2012 $
Exploration expenditure capitalised		
- Exploration and evaluation phase	**7,760,422**	**7,887,554**
A reconciliation of the carrying amount of exploration and evaluation expenditure is set out below;		
- Carrying amount at the beginning of the year	7,887,554	6,149,847
- Additional costs capitalised during the year	1,202,183	1,759,921
- Costs written off during the year	(1,329,315)	(22,214)
Carrying amount at the end of the year	**7,760,422**	**7,887,554**

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

	2013 $	2012 $
NOTE 15: PLANT AND EQUIPMENT		
At cost	44,014	196,087
Accumulated depreciation	(17,385)	(152,073)
Impairment	-	-
Total Property, Plant and Equipment	**26,629**	**44,014**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office Equipment $	Leased Fixtures and Fittings $	Field Equipment $	Total $
Balance at 1 July 2011	**5,682**	**1,721**	**55,356**	**62,759**
Additions	8,542	-	-	8,542
Disposals	-	-	-	-
Depreciation	(3,934)	(1,721)	(21,632)	(27,287)
Impairment	-	-		
Balance at 30 June 2012	**10,290**	**-**	**33,724**	**44,014**
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(4,248)	-	(13,137)	(17,385)
Impairment	-	-	-	-
-Balance at June 2013	**6,042**	**-**	**20,587**	**26,629**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 16: TRADE AND OTHER PAYABLES

	2013 $	2012 $
CURRENT		
Trade and other payables	874,651	839,796
	874,651	**839,796**

Trade creditors are expected to be paid on 30 day terms.

NOTE 17: PROVISION

	2013 $	2012 $
Provision for Annual Leave	8,626	8,626

A provision has been recognised for employee benefits relating to annual leave for employees.

NOTE 18: OTHER LIABILITIES

	2013 $	2012 $
CURRENT		
Settlement of purchase of shares	-	7,099
Convertible note (a)	598,452	-
Other	53,915	69,564
	652,367	**76,663**

(a) In March 2013, the Consolidated Entity entered into a Convertible Securities Agreement with Bergen Global Opportunity Fund II ("Bergen") for the issue of up to six convertible securities with an aggregate face value of up to $4,425,000.

NOTE 19: PARENT ENTITY DISCLOSURES

	2013 $	2012 $
Financial Position		
Assets		
Current assets	620,699	1,842,260
Non-current assets	8,088,706	8,192,081
Total assets	**8,709,405**	**10,034,341**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 20: PARENT ENTITY DISCLOSURES (Cont'd)

	2013 $	2012 $
Current liabilities	1,555,153	925,087
Non-current liabilities	-	-
Total liabilities	**1,555,153**	**925,087**
Equity		
Issued capital	31,947,296	28,270,440
Reserves	4,357,490	5,715,753
Accumulated losses	(29,150,534)	(24,876,939)
Total Equity	**7,154,252**	**9,109,254**
Financial Performance		
Loss for the year	(6,245,690)	(4,429,141)
Other comprehensive income / (loss)	-	(82,027)
Total comprehensive income / (loss)	**(6,245,690)**	**(4,511,168)**

Commitments for expenditure

Parent entity commitments are identical to the consolidated entity's commitments as disclosed at note 24.

Guarantees

The parent entity has not entered into any guarantees in the current or previous financial year.

Contingencies

Parent entity contingencies are identical to the consolidated entity's contingencies as disclosed at note 25.

Loans and receivables

Loans are provided by the Parent entity to its controlled entities for their respective activities. The recoverability of receivables and investments in subsidiaries is dependent upon the successful commercial application of these projects or the sale to third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 21: ISSUED CAPITAL

	2013 No.	2012 No.	2013 $	2012 $
Fully paid ordinary shares with no par value	**1,395,137,571**	**554,832,696**	**33,708,989**	**28,270,440**
Ordinary shares				
At the beginning of reporting period	**554,832,696**	**407,337,026**	**28,270,440**	**24,761,149**
Shares issued during the year				
1,200,000 Shares issued for Investor relations advice deemed price of $0.05 per share		1,200,000		60,000
750,000 Shares issued in relation to Options exercised at $0.04 per share		750,000		30,000
750,000 Shares issued for Investor Relations advice at $0.038 per share		750,000		28,500
1,000,000 Shares issued for Option conversion at $0.034 per share		1,000,000		34,000
1,000,000 Shares issued for Option conversion at $0.034 per share		1,000,000		34,000
1,000,000 Shares issued for Option conversion at $0.034 per share		1,000,000		34,000
750,000 Shares issued for Option conversion at $0.035 per share		750,000		26,250
1,000,000 Shares issued for Option conversion at $0.036 per share		1,000,000		36,000
500,000 Shares issued for Option conversion at $0.037 per share		500,000		18,500
500,000 Shares issued for Option conversion at $0.036 per share		500,000		18,000
500,000 Shares issued for Option conversion at $0.036 per share		500,000		18,000
14,285,714 Shares issued for Option conversion at $0.035 per share		14,285,714		500,000
199,624 Shares issued to employee Ashley Hood		199,624		7,985
1,428,571Shares issued to Sunrise Securities		1,428,571		50,000
21,000,000 Shares issued per private placement at $0.035 per share		21,000,000		735,000
1,400,000 Shares issued to RM Services for Option conversion at $0.05 per share		1,400,000		70,000
34,668 Shares issued to Private investors in Placement conversion at $0.05 per share		34,668		1,733
15,890,909 Shares issued to MWPR conversion at $0.022 per share		15,890,909		349,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 21: ISSUED CAPITAL (CONT'D)

	2013 No.	2012 No.	2013 $	2012 $
44,189 Shares issued for Option conversion at $0.05 per share		44,189		2,209
500,000 Shares issued to private investors in a private Placement conversion at $0.022 per share		500,000		11,000
1,000,000 Shares in lieu of cash for corporate finance services		1,000,000		25,000
10,090,908 Shares issued to Private investors in Placement conversion at $0.022 per share		10,090,908		222,000
2 Shares issues to Axino capital conversion at $0.025 per share		2		1
16,800,000 Shares issued to Private investors in Placement conversion at $0.022 per share		16,800,000		369,600
250,000 Shares issued to Placement participants valued at $5,500		250,000		5,500
350,000 Shares issued to Private investors in Placement conversion at $0.021 per share		350,000		7,350
13,000,000 Shares issued to Private investors in Placement		13,000,000		260,000
4,500,000 shares issued to Hugh Minson – employment contract conversion at $0.020 per share		4,500,000		90,000
Shares issued to Private investors in Placement conversion at $0.018 per share		12,055,555		217,000
Shares issued to Private investors in Placement		9,833,337		177,000
Shares issued to Private investors in Placement at $0.018 per share		6,421,875		115,593
Payment for services provided to the Company		5,571,429		119,092
Payment for services provided to the Company		3,888,889		18,807
25,100,000 Shares issued to Jordan Belfort pursuant to an agreement for consulting services	25,100,000	-	301,200	-
Shares issued to Private investors in Placement	5,555,556	-	100,000	-
1,000,000 Shares issued to Landpath for consulting services	1,000,000	-	18,000	-
5,000,000 Shares issued to Zerimar for consulting services	5,000,000	-	65,000	-
1,846,154 Shares issued to Rojan Trading for consulting services	1,846,154	-	24,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 21: ISSUED CAPITAL (CONT'D)				
2,850,000 Shares issued to Ashley Howard for consulting services	2,850,000	-	34,200	-
Shares issued to Private investors in Placement	2,631,579	-	25,000	-
Shares issued to Private investors in Placement	142,642,858	-	998,500	-
1,914,286 Shares issued to Monclar for consulting services	1,914,286	-	13,400	-
2,000,000 Shares issued to CM Equities for consulting services	2,000,000	-	14,000	-
5,000,000 Shares issued to MWPR for public relations	5,000,000	-	35,000	-
40,000,000 Shares issued to Polygon Capital as cost of raising capital	40,000,000	-	280,000	-
Shares issued to Private investors in Placement	1,500,000	-	10,500	-
4,053,000 Shares issued to Capital 19 for consulting services	4,053,477	-	23,470	-
16,000,000 Shares issued to Capital 19 for consulting services	16,000,000	-	112,000	-
15,000,000 Shares issued to MWPR for public relations	15,000,000	-	105,000	-
15,000,000 Shares issued to Belloc for consulting services	15,000,000	-	105,000	-
Shares issued to Private investors in Placement	17,857,142	-	125,000	-
28,125,000 Shares issued as commitment fees for investment financing to Baycrest	28,125,000	-	140,625	-
88,235,294 Shares issued as collateral for investment financing	88,235,294	-	441,176	-
Shares issued to Private investors in Placement	47,057,070	-	282,342	-
Shares issued to Private investors in Placement	2,942,930	-	17,658	-
1,667,667 Shares issued to Jane Morgan for consulting services	1,667,667	-	8,005	-
28,125,000 shares issued as commitment fees for investment financing to Bergen	21,750,000	-	108,750	-
35,000,000 shares issued as collateral for investment financing to Bergen	35,000,000	-	70,000	-
12,500,000 Shares issued to Mining Corporate for accounting and company secretarial service	12,500,000	-	50,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 21: ISSUED CAPITAL (CONT'D)				
12,500,000 Shares issued to Céasar Holdings for marketing	2,370,712	-	9,483	-
1,832,333 Shares issued to Jane Morgan for consulting services	1,832,333	-	7,329	-
20,000,000 Shares issued to MWPR for public relations	18,000,000	-	72,000	-
37,760,417 Shares issued to Bergen pursuant to convertible note agreement	37,760,417	-	75,521	-
57,000,000 Shares issued to Bergen pursuant to convertible note agreement	57,000,000	-	57,000	-
Shares issued to Private investors in Placement	59,000,000	-	118,000	-
20,000,000 Shares issued to MWPR for public relations	20,000,000	-	40,000	-
2,000,000 Shares issued to Done Dimovski for consulting services	2,000,000	-	4,000	-
6,000,000 Shares issued to Paradise Capital for consulting services	6,000,000	-	12,000	-
8,800,000 Shares issued to Blue Ribbon Mines for geology services	8,800,000	-	16,000	-
24,000,000 Shares issued to CM Equity for consulting services	24,000,000	-	48,000	-
4,645,800 Shares issued to AXINO Mines for marketing	4,645,800	-	9,292	-
6,666,600 issued to AMWD for drilling services	6,666,600	-	26,666	-
50,000,000 Shares issued to Bergen pursuant to convertible note agreement	50,000,000	-	40,500	-
Capital raising costs	-	-	(353,162)	(182,429)
At reporting date	**1,395,137,571**	**554,832,696**	**31,947,295**	**28,270,440**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 21: ISSUED CAPITAL (CONT'D)

Options

At 30 June 2012 the following options over unissued ordinary shares were outstanding:

1. 673,920,900 (30 June 2012: 351,311,901) options exercisable at $0.05 by 1 September 2014
2. 51,727,806 (30 June 2012: 51,727,808) options exercisable at $0.25 each by 31st December 2013;
3. 1,428,571 (30 June 2012: 1,428,571) options exercisable at $0.035 by 12 September 2018.
4. 51,333,300 (30 June 2012: nil) options exercisable at $0.0055 by 26 March 2017.
5. 14,000,000 (30 June 2012: nil) options exercisable at $0.0026 by 18 April 2017.
6. 22,800,000 (30 June 2012: nil) options exercisable at $0.0013 by 20 May 2017.
7. 35,000,000 (30 June 2012: nil) options exercisable at $0.003 by 1 January 2018.

For further details regarding options issued, exercised, lapsed and outstanding at year end, refer to note 23 for share based payments.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

	2013	2012
	$	$
Cash and cash equivalents	165,453	175,916
Current trade and other receivables	180,036	356,924
Financial assets at fair value through profit and loss	180,749	1,084,465
Available for sale financial assets	-	212,390
Trade and other payables	(874,651)	(839,796)
Provisions	(8,626)	(8,626)
Other liabilities	(652,367)	(76,663)
Working capital position	**(1,009,406)**	**904,610**

NOTE 22: RESERVES

Share Based Payment Reserve

The share based payment reserve records items recognised as expenses on valuation of share options issued in consideration for the acquisition of tenements, consulting and other services.

Financial Asset Reserve

The financial asset reserve records revaluation of financial assets.

Option Reserve

The option reserve records cash proceeds received for options over ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 23: SHARE BASED PAYMENTS

Share based payments made during the 2013 financial year were as follows:

(i) On 9 July 2012 5,555,556 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to placement participants for no consideration. The options were valued at $22,233 using the Black-Scholes valuation method.

(ii) On 11 July 2012 the Company issued 1,000,000 Shares issued Landpath for consulting services. The value of the shares was $18,000;

(iii) On 3 August 2012 the Company issued 5,000,000 Shares issued to Zerimar for consulting services. The value of the shares was $65,000;

(iv) On 3 August 2012 the Company issued 2,850,000 Shares issued to Ashley Grant Howard for consulting services. The value of the shares was $34,200;

(v) On 3 August 2012 the Company issued 1,846,154 Shares issued to Rojan Trading for consulting services. The value of the shares was $24,000;

(vi) On 7 August 2012 the Company issued 25,100,000 Shares issued to Jordan Belfort pursuant to an agreement for consulting services. The value of the shares was $301,200;

(vii) On 16 August 2012 12,550,000 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to Jordan Belfort. The options were valued at $39,174 using the Black-Scholes valuation method.

(viii) On 27 August 2012 95,778,572 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to placement participants and recipients of share based payments. The options were valued at $139,378 using the Black-Scholes valuation method.

(ix) On 9 November 2012 73,278,572 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to placement participants. The options were valued at $36,961 using the Black-Scholes valuation method.

(x) On 9 November 2012 the Company issued 1,914,286 Shares issued to Monclar for consulting services. The value of the shares was $13,400;

(xi) On 9 November 2012 the Company issued 2,000,000 Shares issued to CM Equity for consulting services. The value of the shares was $14,000;

(xii) On 9 November 2012 the Company issued 5,000,000 Shares issued to MWPR for public relations. The value of the shares was $35,000;

(xiii) On 9 November 2012 2,500,000 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to MWPR. The options were valued at $1,261 using the Black-Scholes valuation method.

(xiv) On 9 November 2012 the Company issued 40,000,000 Shares issued to Polygon Capital as capital raising costs. The value of the shares was $280,000;

(xv) On 10 December 2012 the Company issued 4,053,477 Shares issued to Capital 19 for consulting services. The value of the shares was $23,470;

(xvi) On 10 December 2012 the Company issued 16,000,000 Shares issued to Jakabella Investments for consulting services. The value of the shares was $112,000;

(xvii) On 13 December 2012 the Company issued 15,000,000 Shares issued to MWPR for public relations. The value of the shares was $105,000;

(xviii) On 13 December 2012 the Company issued 15,000,000 Shares issued to Belloc for consulting services. The value of the shares was $105,000;

(xix) On 10 December 2012 30,000,000 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to recipients of share based payments. The options were valued at $9,277 using the Black-Scholes valuation method.

(xx) On 31 December 2012 17,857,142 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to placement participants. The options were valued at $2,961 using the Black-Scholes valuation method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 23: SHARE BASED PAYMENTS (CONT'D)

(xxi) On 27 February 2013 the Company issued 1,667,667 Shares issued to Jane Morgan for consulting services. The value of the shares was $8,005;

(xxii) On 31 December 2012 17,857,142 attaching options exercisable at $0.05 on or before 1 September 2014 were issued to placement participants. The options were valued at $2,961 using the Black-Scholes valuation method.

(xxiii) On 26 March 2013 48,000,000 options exercisable at $0.0055 on or before 26 march 2017 were issued in relation to an investment financing contract. The options were valued at $155,542 using the Black-Scholes valuation method.

(xxiv) On 19 April 2013 the Company issued 12,500,000 Shares issued to Mining Corporate for accounting and company secretarial services. The value of the shares was $50,000;

(xxv) On 19 April 2013 the Company issued 2,370,712 Shares issued to Ceaser Holdings for marketing services. The value of the shares was $9,483;

(xxvi) On 19 April 2013 the Company issued 1,832,333 Shares issued to Jane Morgan for consulting services. The value of the shares was $7,329;

(xxvii) On 19 April 2013 the Company issued 18,000,000 Shares issued to MWPR for public relations. The value of the shares was $72,000;

(xxviii) On 13 May 2013 14,000,000 options exercisable at $0.0026 on or before 18 April 2017 were issued in relation to an investment financing contract. The options were valued at $29,527 using the Black-Scholes valuation method.

(xxix) On 20 May 2013 22,800,000 options exercisable at $0.0013 on or before 20 May 2017 were issued in relation to an investment financing contract. The options were valued at $55,078 using the Black-Scholes valuation method.

(xxx) On 24 May 2013 the Company issued 20,000,000 Shares issued to MWPR for public relations. The value of the shares was $40,000;

(xxxi) On 24 May 2013 the Company issued 2,000,000 Shares issued to Done Dimoski for consulting services. The value of the shares was $4,000;

(xxxii) On 24 May 2013 the Company issued 6,000,000 Shares issued to Paradise Capital for consulting services. The value of the shares was $12,000;

(xxxiii) On 24 May 2013 the Company issued 8,800,000 Shares issued to Blue Ribbon Mines for geological services. The value of the shares was $16,000;

(xxxiv) On 24 May 2013 the Company issued 24,000,000 Shares issued to CM Equity for consulting services. The value of the shares was $48,000;

(xxxv) On 24 May 2013 the Company issued 4,645,800 Shares issued to AXINO for marketing services. The value of the shares was $9,292;

(xxxvi) On 24 May 2013 the Company issued 6,666,600 Shares issued to AMWD for drilling services. The value of the shares was $26,666;

(xxxvii) On 24 May 2013 3,333,300 options exercisable at $0.0055 on or before 18 April 2017 were issued in relation to an investment financing contract. The options were valued at $65 using the Black-Scholes valuation method.

(xxxviii) On 24 May 2013 35,000,000 options exercisable at $0.003 on or before 1 January 2018 were issued in relation to an investment financing contract. The options were valued at $nil using the Black-Scholes valuation method.

Share based payments made during the 2012 financial year were as follows:

(xxxix) On 6 September 2012 the Company issued 199,624 shares to Ashley Hood in lieu of wages. The value of the unpaid wages was $7,985;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 23: SHARE BASED PAYMENTS (CONT'D)

(xl) 14 September 2011 the Company issued 1,428,571 shares to consultants in exchange for consulting services provided. The value of these shares is $50,000. A further 714,826 options exercisable at $0.05 before 1 September 2012 and 1,428,571 options exercisable at $0.35 on or before 12 September 2018 valued at $74,884 were also issued;

(xli) On 29 September 2011 the Company issued 300,000 options exercisable at $0.05 on or before 31 December 2011 valued at $719 to Hugh Minson in accordance with his employment contract;

(xlii) On 31 January 2012, the Company issued 1,000,000 shares as consideration for consulting services provided to the Company. The value of these shares is $25,000;

(xliii) On 22 March 2012 the Company issued 350,000 shares at an issue price of $0.021 valued at $7,350 to Hugh Minson in accordance with his employment contract;

(xliv) 26 June 2012 the Company issued 5,571,429 shares to consultants in exchange for consulting services provided. The value of these shares is $100,285. A further 20,428,571 options exercisable at $0.05 before 1 September 2014 valued at $43,520 were issued;

(xlv) On 26 July 2011 the Company issued 1,200,000 shares to consultants in exchange for consulting services. The value of these shares is $60,000; and

(xlvi) On 22 June 2012 the Company issued 3,888,889 shares to consultants in exchange for consulting services. The value of these shares is $54,444.

The total value of share based payments made during the year is $1,983,366 (2012:$461,161). Share based payment expense recorded at 30 June 2013 is $548,726 (2012: $329,820). Some share based payments are recorded directly to the relevant expenses. The following expenses include share based payments in 2013, Administration $5,500, Marketing and PR $270,774, Consulting and Brokers $836,599, Capital Raising $280,000 and Other $42,266.

During 2012, the value of share based payments issued during the year does not agree to share based expense recorded during the year due to the timing of the services received from the vendors to which the share based payments were issued and the capitalisation of a portion of the values of share based payment expense as set out above.

The value of shares and options reflects the value attributed to services where applicable. Where there is no quantifiable value for services received, shares and options are assigned a value based on their market prices. All shares and options issued during 2012 had available market prices and therefore the use of the Black-Scholes valuation method was not required.

All options granted are options to acquire ordinary shares in the Company, which confer a right of one ordinary share for every option held.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

	2013	2012
	$	$
NOTE 24: CAPITAL AND LEASING COMMITMENTS		
Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Not longer than one year	-	-
One to five years	-	-
Greater than five years	-	-
	-	**-**

The Group leases an office in Sydney under a non-cancellable property lease, which expired April 2012 however the Group continues to lease the premises on a monthly basis.

The lease allows for subletting of all lease areas.

As at 30 June 2012 the Group had two bank guarantees in place relating to lease rentals for the Sydney offices totalling $37,544 (2011: $37,544).

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the relevant authorities. These obligations are subject to re-negotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report. The actual expenditures to date on tenements have exceeded the minimum expenditure requirements specified by the relevant authorities during the current tenement grant periods.

	2012	2012
	$	$
Not longer than one year	177,000	714,931
Longer than one year, but no longer than five years	708,000	1,427,550
Longer than five years	-	456,260
	885,000	**2,598,741**

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 25: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At balance date, the Board of Directors' of the Group reviewed the creditors listing and identified 17 creditors amounting to $369,528 which they contend are not legitimate creditors due to the entity receiving either duplicate invoices or invoices for which work was not performed. There is no evidence to support this assertion however the Directors have resolved to reverse these creditors from the Statement of Financial Position until such time as evidence can be obtained supporting the claim by the creditor.

NOTE 26: CASH FLOW INFORMATION

	2013 $	2012 $
a. **Reconciliation of Cash Flow from Operations with Loss after Income Tax**		
Loss after income tax	(6,370,795)	(4,457,890)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation	17,385	27,287
Impairment of receivable	-	20,000
Impairment of goodwill	-	14,672
Unrealised loss on investments	2,003,293	821,466
Realised (gain)/loss on sale of investments	633,622	277,573
Write off - exploration expenditure	1,329,315	22,214
Write offs - other	257,381	125,704
Share based payments	548,726	329,820
Exploration expenditure	(1,728,968)	(1,872,591)
Changes in assets and liabilities;		
(Increase)/decrease in trade and other receivables	2,949	7,433
(Increase)/decrease in prepayments	12,575	1,169
Increase/(decrease) in trade payables and accruals	34,855	119,620
Increase/(decrease) in financial liabilities	575,704	-
Cashflow from operations	**(2,683,958)**	**(4,563,523)**

b. **Non-cash Financing and Investing Activities**

2013 and 2012 share and option issues

During the period the Group sold tenements for non-cash consideration of $1,900,000.

Refer to note 23 for details of share based payments made during the years ending 30 June 2012 and 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 26: CASH FLOW INFORMATION

	2013 $	2012 $
c. **Credit Standby Arrangements with Banks**		
Credit facility	139,000	139,000
Amount utilised	(40,259)	(37,544)
	98,741	**101,456**

d. The credit facility relates to an undrawn lease facility.

NOTE 27: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of one geographical segment being Australia, and four business segments being treasury, Barnes Hill, Lindeman's Bore and Other tenements..

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 27: OPERATING SEGMENTS (CONT'D)

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense
- administrative expenses
- minor receivable and payables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 27: OPERATING SEGMENTS (CONT'D)

(a) Segment performance

Year Ended 30 June 2013	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration – Other	Treasury	Total Operations
	$	$	$	$	$
Revenue					
Interest revenue	-	-	-	16,432	16,432
Research and development rebate	174,518	-	-	-	174,518
Proceeds from sale of tenement	-	-	1,900,000	-	1,900,000
Other	-	-	-	374,603	374,603
Total segment revenue	**174,518**	**-**	**1,900,000**	**391,035**	**2,465,553**
Reconciliation of segment revenue to group revenue					
Office Reimbursement					150,588
Total group revenue					**2,616,141**
Segment net profit before tax	**174,518**	**-**	**1,900,000**	**391,035**	**2,465,553**
Reconciliation of segment result to net profit (loss) before tax					
Amounts not included in segment result but reviewed by the board:					
- loss on share trading	-	-	-	(633,622)	(633,622)
- net fair value loss financial assets	-	-	-	(2,003,293)	(2,003,293)
- exploration expenditure written off	-	(459)	(1,328,856)	-	(1,329,315)
- directors fees	-	-	-	-	(376,868)
- consulting and broking fees	-	-	-	-	(1,183,382)
- finance costs	-	-	-	(838,387)	(838,387)
Unallocated items:					
- Employee expense					(306,609)
- Share based payments					(548,726)
- Computer expense					(42,146)
- Travel expense					(208,326)
- Share registry expense					(48,011)
- Rent expense					(105,527)
- Audit fees					(67,718)
- Marketing & public relations					(577,886)
- Other					(566,532)
Net loss before tax from continuing operations					**(6,370,795)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 27: OPERATING SEGMENTS (CONT'D)

(a) Segment performance (cont'd)

Year Ended 30 June 2012	**Exploration – Barnes Hill**	**Exploration – Lindeman's Bore**	**Exploration – Other**	**Treasury**	**Total Operations**
	$	**$**	**$**	**$**	**$**
Revenue					
Interest revenue	-	-	-	19,179	19,179
Research and development rebate	259,190	-	-		259,190
Other	-	-	100,000	28,589	128,589
Total segment revenue	**259,190**	**-**	**100,000**	**47,768**	**406,958**
Reconciliation of segment revenue to group revenue					
Office Reimbursement					147,500
Total group revenue					**554,458**
Segment net profit before tax	**259,190**	**-**	**100,000**	**47,768**	**406,958**
Reconciliation of segment result to net profit (loss) before tax					
Amounts not included in segment result but reviewed by the board:					
- loss on share trading	-	-	-	(277,573)	(277,573)
- net fair value loss financial assets	-	-	-	(821,466)	(821,466)
- exploration expenditure written off	-	-	(22,214)	-	(22,214)
- directors fees	-	-	-	-	(530,822)
- consulting and broking fees	-	-	-	-	(1,243,443)
- finance costs	-	-	-	(1,776)	(1,776)
Unallocated items:					
- Employee expense					(276,189)
- Share based payments					(329,820)
- Computer expense					(46,225)
- Travel expense					(345,672)
- Share registry expense					(69,515)
- Rent expense					(108,908)
- Exploration cost					(19,317)
- Audit fees					(37,248)
- Marketing & public relations					(200,604)
- Other					(534,056)
Net loss before tax from continuing operations					**(4,457,890)**

NOTE 27: OPERATING SEGMENTS (CONT'D)

(b) Segment assets

As at 30 June 2013	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration – Other	Treasury	Total Operations
	$	$	$	$	$
Segment assets	4,969,630	1,788,848	1,001,324	598,686	8,358,488
Segment asset increases/(decreases) for the period:					
- capital expenditure	142,233	334,922	(604,904)	-	(127,749)
- cash	-	-	-	10,862	10,862
- financial assets at fair value through profit and loss	-	-	-	(903,716)	(903,716)
- available for sale financial assets	-	-	-	(104,516)	(104,516)
	142,233	334,922	(604,904)	(997,370)	(1,125,119)

Reconciliation of segment assets to total assets

Other assets	308,207
Total group assets	**8,666,695**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 27: OPERATING SEGMENTS (CONT'D)

(b) Segment assets

As at 30 June 2012	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration – Other	Treasury	Total Operations
	$	$	$	$	$
Segment assets	4,827,397	1,453,926	1,606,231	1,617,660	9,505,214
Segment asset increases/(decreases) for the period:					
- capital expenditure	525,484	535,928	676,241	-	1,737,653
- cash	-	-	-	(512,621)	(512,621)
- financial assets at fair value through profit and loss	-	-	-	(670,054)	(670,054)
- investment accounted for using equity method	-	-	-	(8,044)	(8,044)
- available for sale financial assets	-	-	-	(147,719)	(147,719)
	525,484	535,928	676,241	(1,338,438)	399,215

Reconciliation of segment assets to total assets

Other assets	508,421
Total group assets	**10,013,635**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

(c) Segment liabilities

As at 30 June 2013	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration – Other	Treasury	Total Operations
	$	$	$	$	$
Segment liabilities	**37,287**	**29,261**	**90,893**	**638,711**	**796,152**
Reconciliation of segment liabilities to total liabilities					
Other liabilities	-	-	-	-	739,492
Total liabilities from continuing operations					**1,535,644**

As at 30 June 2012	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration – Other	Treasury	Total Operations
	$	$	$	$	$
Segment liabilities	**52,925**	**-**	**132,220**	**140,554**	**325,699**
Reconciliation of segment liabilities to total liabilities					
Other liabilities	-	-	-	-	599,387
Total liabilities from continuing operations					**925,086**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 28: EVENTS AFTER THE REPORTING PERIOD

1. On 2 July 2013, the Company issued 60,000,000 ordinary fully paid shares as a repayment for investment financing, 7,000,000 fully paid ordinary shares as payment for services and 125,000,000 fully paid ordinary shares to placement participants.
2. On 5 July 2013 the Company issued 60,000,000 fully paid ordinary shares as a repayment for investment financing.
3. On 11 July 2013 the Company announced its intention to raise $1,089,092 by way of a pro rata non-renounceable offer to existing shareholders of two new fully paid ordinary shares for every three shares held with an attaching new option on the basis of one new option exercisable at $0.0055 on or before 26 March 2017 for every one new share subscribed for.
4. On 15 July 2013 the company issued 82,098,765 fully paid ordinary shares as a repayment for investment financing.
5. On 7 August the Company announced that subject to ASX and shareholder approval, it had entered into a binding termsheet with Dourado Resources Ltd to acquire an initial 51% interest in the Moologool Exploration Licences in the Yerrida Basin area of Western Australia. Should the transaction be approved, the consideration for the transaction is $50,000 cash and $600,000 of Proto shares.
6. On 12 August 2013 Andrew Heap joined the Company as a Non-executive Director.
7. On 16 August 2013 the Non-renounceable offer of shares and options to shareholders closed with a shortfall of 915,432,863 shares and 915,432,863 options exercisable at $0.0055 on or before 26 March 2017. Of the shortfall 64,884,110 fully paid ordinary shares and 64,884,110 options exercisable at $0.0055 on or before 26 March 2017 were taken up immediately. Accordingly the Company issued 247,547,691 fully paid ordinary shares and 247,547,691 options exercisable at $0.0055 on or before 26 March 2017 raising a total of $247,547.
8. On 20 August 2013 the Company issued 74,074,074 fully paid ordinary shares as a repayment for investment financing.
9. On 3 September 2013 the Company announced it had placed a further 210,000,000 fully paid ordinary shares and 210,000,000 options exercisable at $0.0055 on or before 26 March 2017 from the shortfall of the Non-renounceable offer of shares and options to shareholders raising $210,000.

NOTE 29: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a. During the year, the Group received shares in Global Metals Exploration NL in consideration for services and rent provided (a company for which Ms Darby is a director and formerly Global Nickel Investments NL) amounting to $83,194 (2012: nil). The total value of the Group's investment in Global Metals Exploration NL at 30 June 2013 was $20,117 (2012: $114,457).
b. During the year, the Group received shares in Condor Blanco Mines Limited (a company of which Ms Darby and Dr Richard were directors until 16 April 2012) amounting to $53,310 (2012 $19,000). The total value of the Group's investment in Condor Blanco Mines Limited at 30 June 2012 was $38,325 (2012: $147,000).
c. During the year, the Group charged Global Metal Exploration NL (a company for which Mr Mortimer and Ms Darby are directors and formerly Global Nickel Investments NL) for use of the Company's office and administration services amounting to $66,000 (2012: $66,000). At 30 June 2013, the Group had a balance of $44,000 included within trade and other receivables in relation to these charges which was provided for as a doubtful debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 29: RELATED PARTY TRANSACTIONS

d. During the 2013 year the Group advanced a total of $63,639 (2012: $83,726) to Global Metals Exploration NL (a company of which Mr Mortimer resigned during the year and Ms Darby as directors and formerly Global Nickel Investments NL). Of the 2012 balance, $117,671 was repaid during the year leaving a balance of $4,191 which was provided for as a doubtful debt (2012: $49,840).

e. During the 2013 year the Group advanced a total of $4,676 (2012: $11,205) to Condor Blanco Mines Limited (a company of which Ms Darby and Dr Richard were directors until 16 April 2012). Of the 2013 balance, $nil was repaid during the year leaving a balance due to the Group of $15,283 at 30 June 2013.

f. Included within trade and other receivables at 30 June 2013 was an amount due from Ms Darby in the amount of $7,794 which was provided for in full as a doubtful debt. (2012: $7,794).

g. During the 2013 year the Group charged Superstructure International Pty Ltd (a company of which Mr Mortimer and Ms Darby as directors) for use of company office and administration services amounting to $33,000 (2012: $33,000). The Group had a balance of $60,500 which was provided for in full as a doubtful debt.

h. During the 2013 year the Group advanced a total of $128 (2012: $10,783) to Superstructure International Pty Ltd (a company of which Mr Mortimer and Ms Darby as directors). A total of, $2,000 was repaid during the year leaving a balance due to the Group of $3,910 which was provided for in full as a doubtful debt.

i. At 30 June 2013, the Group held 9,689,058 (2012: 9,689,058) options over ordinary shares in Global Metals Exploration NL (a company of which Mr Mortimer and Ms Darby are directors and formerly Global Nickel Exploration NL). The total value of these options at 30 June 2012 is $15,023 (2012: $9,689).

j. During the 2013 year the Group advanced a total of $592 (2012: $nil) to Perth Investment Nominees Pty Ltd (a company of which Mr Mortimer and Mr Hunter are directors). A total of, $nil was repaid during the year leaving a balance due to the Group of $3,910 which was provided for in full as a doubtful debt.

k. During the 2013 year the Group advanced a total of $2,026 (2012: $nil) to Proto Petroleum Pty Ltd (a company of which Mr Mortimer is a director). A total of, $nil was repaid during the year leaving a balance due to the Group of $2,026 which was provided for in full as a doubtful debt.

NOTE 30: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, listed and unlisted investments, and accounts receivable and payable.

The Board of Directors has overall responsibility for the oversight and management of the Group's exposure to a variety of financial risks (including market risk, credit risk and liquidity risk).

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not speculate in the trading of derivative instruments.

Aggregate net fair values agrees to the carrying amounts of financial assets and financial liabilities at balance date.

MARKET RISK

i. Interest rate risk

The Group's exposure to market interest rates relates to cash deposits held at variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 31: FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The tables indicates the impact of how profit and equity values reports at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

At 30 June 2013, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant is not material

At 30 June 2013, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant is not material

Financial instruments held by the Group bear interest at the following rates:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing	
	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	$	$	$	$	$	$
Financial Assets								
Cash and cash equivalents	4.1	4.4	165,453	175,916	-	-	-	-
Loans and receivables	-	-	-	-	-	-	180,036	359,873
Other Assets	4.1	4.2	98,596	89,632	-	-	-	-
Investments	-	-	-	-	-	-	433,232	1,441,744
Total Financial Assets	**-**	**-**	**264,049**	**265,548**	**-**	**-**	**613,268**	**1,801,617**
Financial Liabilities								
Trade and other payables	-	-	-	-	-	-	874,651	839,796
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**874,651**	**839,796**

ii. Price Risk

The Group's is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as current financial assets at fair value through profit and loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio which is done in accordance with the limits set by the Group.

The majority of the Group's equity investments are publicly traded and are included on the ASX 200 Index.

The table below summarises the impact of increases/decreases of the index on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (201 – 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 31: FINANCIAL RISK MANAGEMENT (CONT'D)

	Impact on Post-Tax Profit/(Loss)		Impact on Equity	
Index	2013 $	2012 $	2013 $	2012 $
ASX 200	18,075	108,447	18,075	108,447

The price risk for the unlisted securities is immaterial in terms of possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Group's surplus funds are invested with AA Rated financial institutions.

The credit risk for counterparties included in cash and cash equivalents is detailed below:

	2013 $	2012 $
Financial assets:		
Cash and cash equivalents		
- AA rated counterparties	263,770	265,548

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

LIQUIDITY RISK

The responsibility with liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Group's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 31: FINANCIAL RISK MANAGEMENT (CONT'D)

30 June 2013	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Total contractual cashflow	Carrying amount
Financial Assets						
Cash and Cash equivalents	165,453	-	-	-	165,453	165,453
Other assets	180,036	-	-	-	180,036	180,036
Loans and receivables	-	-	-	-	-	-
Investments	180,749	-	252,483	-	433,232	433,232
Total Financial Assets	**526,238**	**-**	**252,483**	**-**	**778,721**	**778,721**
Financial Liabilities						
Trade and other payables	874,651	-	-	-	874,651	874,651
Other liabilities	652,367				652,367	652,367
Total Financial Liabilities	**1,527,018**	**-**	**-**	**-**	**1,527,018**	**1,527,018**

30 June 2012	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Total contractual cashflow	Carrying amount
Financial Assets						
Cash and Cash equivalents	175,916	-	-	-	175,916	175,916
Other assets	89,632	-	-	-	89,632	89,632
Loans and receivables	356,924	-	2,949	-	359,873	359,873
Investments	1,296,855	-	144,889	-	1,441,744	1,441,744
Total Financial Assets	**1,919,327**	**-**	**147,838**	**-**	**2,067,165**	**2,067,165**
Financial Liabilities						
Trade and other payables	839,796	-	-	-	839,796	839,796
Total Financial Liabilities	**839,796**	**-**	**-**	**-**	**839,796**	**839,796**

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 31: FINANCIAL RISK MANAGEMENT (CONT'D)

i. Net Fair Values

The net fair values of:

- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities - shares	168,968	-	-	168,968
Listed equity securities – options	11,781	-	-	11,781
Receivable denominated in listed equity securities	-	-	-	-
Available for sale financial assets:				
Unlisted equity securities – shares & trust	-	-	55,000	55,000
Unlisted equity securities – SA Capital	-	-	35,984	35,984
Listed equity securities – shares (escrowed)	-	-	161,500	161,500
Total	**180,749**	**-**	**252,484**	**433,233**

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities - shares	1,040,834	-	-	1,040,834
Listed equity securities – options	43,631	-	-	43,631
Available for sale financial assets:				
Unlisted equity securities – shares & trust	-	-	133,529	133,529
Unlisted equity securities – SA Capital	-	-	78,750	78,750
Options to acquire exploration projects	-	-	60,000	60,000
Unlisted equity securities – convertible note	-	-	85,000	85,000
Total	**1,084,465**	**-**	**357,279**	**1,441,744**

The Group intends to hold the investments in unlisted entities over the medium or long term with at least 12 months horizon, unless a liquidation event is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 32: BUSINESS COMBINATION

(a) Summary of acquisition

On 26 August 2011 the parent entity acquired 2% of the issued share capital of Barrier Bay Pty Ltd, moving Proto's total shareholding in Barrier Bay from 49% to 51% and giving Proto control over Barrier Bay.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):

	$
Cash paid prior to 30 June 2011	327,500
Cash paid during the period	15,000
Total purchase consideration	**342,500**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair and carrying value $
Cash	14,174
Trade receivables	2,242
Total assets	16,416
Total liabilities	-
Net assets acquired	**16,416**

	$
Purchase consideration	342,500
Less: provision for impairment of investment in Barrier Bay recorded prior to 30 June 2011	(319,456)
Carrying value of investment at acquisition date	23,044
Less: 51% of net assets acquired	(8,372)
Goodwill	**14,672**

(i) Acquired receivables
The fair value and gross value of acquired trade receivables is $2,242. At acquisition date, the full balance of trade receivables was expected to be collectible.

(ii) Revenue and profit contribution
The acquired business contributed revenues of nil and losses of $7,826 from acquisition date to 31 December 2011.

(iii) Non-controlling interests
In accordance with the accounting policy set out in note 1, the group elected to recognize the non-controlling interests in Barrier Bay Pty Ltd at its proportionate share of the acquired net identifiable assets.

(iv) Goodwill
The goodwill arising on the acquisition of Barrier Bay Pty Ltd of $14,672 was impaired in full at 31 December 2011 due to Barrier Bay having negative operating cash flows for the period and the uncertainty surrounding the timing of when the Company may become cash flow positive. The impairment of $14,672 is included within administration expenses in the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONT'D)

NOTE 32: BUSINESS COMBINATION (CONT'D)

(b) Purchase consideration – cash inflow

	Consolidated
	$
Cash purchase consideration during the period	15,000
Cash balances acquired	(14,174)
Net outflow of cash on acquisition of subsidiary	**826**

Corporate Directory

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DIRECTORS AND SENIOR MANAGEMENT
Ian Campbell – Chairman
Andrew Mortimer –Managing Director
Aziz (Greg) Melick – Executive Director
Lia Darby – Non-Executive Director
Patricia Kay Philip – Non-Executive Director
Andrew Heap – Non-Executive Director

Ashley Hood – Chief Operating Officer
Pierre Richard – Chief Development Officer

SHARE REGISTRAR
Advanced Share Registry
150 Stirling Hwy, Nedlands WA 6009
Tel: 08 9389 8033 Fax: 08 9389 7871
Web: www.advancedshare.com.au

AUDITORS
Bentleys
Level 1, 12 Kings Park Road, West Perth WA 6005

LAWYERS
Price Sierakowski
Level 24, St Martins Tower,
44 St Georges Terrace, Perth WA 6000

STOCK EXCHANGE CODES – PRW/PRWO/PRWOA

Glossary of abbreviations and technical terms

Abbreviations

ASIC means Australian Securities and Investments Commission.
ASX means ASX Limited (the Australian Securities Exchange) (ACN 008 624 691).
Company means Proto Resources & Investments Ltd (ACN 108 507 517).
Proto means Proto Resources & Investments Ltd (ACN 108 507 517).
Tenement means an Exploration Licence, Prospecting Licence, Mining Lease or any other form of mineral licence or title held or applied for by the Company

Technical Terms

Adelaidean Old term for rocks aged 580 to 1400 Ma.
aeromagnetic Airborne survey of the Earth's magnetic field.
alluvial Derived from river deposition (for example, river sands)
altered/alteration Change of composition by reaction with hydrothermal solutions.
amphibolite Igneous rock consisting of the minerals amphibole and plagioclase with little or no quartz.
anomaly Value or feature higher, lower or different to that expected or to the norm.
Archaean Oldest division of the Precambrian Era. Older than 2500 Ma.
Au Chemical symbol for the element gold.
basement Generally refers to Precambrian igneous and metamorphic rocks. Oldest rocks in an area.
base metal A metal commonly used in industry by itself rather than in alloys e.g. copper, lead, zinc.
basic An igneous rock which is low in silica, generally less than 55% e.g. basalt.
bed A layer of strata in sedimentary rocks often formed in a horizontal orientation.
bedrock Hard layer of igneous or metamorphic rocks beneath a near-surface layer of generally younger unconsolidated sediment.
Biotite common rock forming mineral in most igneous rocks.
breccia A rock fragmented into angular fragments within a finer grained matrix.
bullseye Description of a roughly circular high intensity magnetic anomaly.
Calc-silicate A rock containing mainly calcium-bearing silicate minerals such as diopside and wollastonite.
Cainozoic The geological Era that follows the Mesozoic (sometimes called Tertiary).
Cambrian Major division of the geological time scale from approx. 542ma to 488ma.
Co Chemical symbol for the element cobalt.
colluvial Deposits derived from deep soil formation on the land surface.
conglomerate A rock containing many rounded pebbles or cobbles, often formed by rivers.
core Cylindrical rock sample generally produced by diamond drilling.
cover Generally a near surface blanket of sediments that 'cover up' basement.
craton A large, stable and generally old part of the Earth's crust.
Cretaceous The last period of the Mesozoic Era, when much of the globe was under water.
crust Outer layer of the surface of the Earth.
Cu Chemical symbol for the element copper.
Devonian The geological period before the Carboniferous.
diamond drilling Drilling method using a diamond bit to cut a cylindrical hole; core is taken.
E East.
EL Exploration Licence.
EM Electromagnetic geophysical survey method.
fault Fracture in a rock sequence where one side has moved relative to the other.
Fe Chemical symbol for the element iron.
Felsic Descriptive of light coloured rocks containing an abundance of feldspars and quartz.
fold A bend in strata or in any planar structure.
Gabbro A group of dark-coloured, basic intrusive igneous rocks composed principally of basic plagioclase and clinopyroxene with or without olivine and orthopyroxene.
geochemistry Study of chemical properties of rocks and applications to mineral exploration.
geophysics Study of physical properties of rocks, the Earth and exploration activities.
geosyncline A large linear trough in which a thick succession of sediments accumulated.
Geotherm/GEOTHERM US Geological survey computerised information system.
Gneiss A foliated rock formed by regional metamorphism.
goldfield A large discrete area containing multiple clusters of gold mines.

gossan Weathered near-surface portion of a sulphide-rich deposit consisting essentially of a mass of hydrated iron oxides from which ore minerals have been removed.
grade A measurement or estimate of the quantity of an element in a sample.
granite A plutonic felsic igneous rock composed of quartz, feldspar and mica.
Granulite A medium to coarse-grained metamorphic rock that has experienced high temperature metamorphism, and is composed mainly of feldspars.
Gravity Measurement of the earth's gravitational attraction, reflecting density of underlying rocks.
g/t Abbreviation for grams per tonne, equivalent to parts per million.
high-resolution Describes the detail apparent in a processed magnetic image when it is flown with close-spaced lines; enables a more reliable sub-surface view.
hydrothermal A process when hot water-rich solutions transfer materials or alter rocks.
igneous Descriptor for a rock formed by solidification from a molten rock or magma.
inlier An area of older rocks surrounded by younger rocks.
intrusion An igneous body formed when magma invades other rocks e.g. sills and dykes.
IP Induced polarisation - geophysical survey.
Joint Venture Arrangement between two or more parties to explore or develop a project.
Km(s) Kilometre(s).
Km^2 Square kilometre
Komatiite An ultramafic mantle-derived volcanic rock that typically display low silicon, potassium and aluminium, and high magnesium content.
laterite An iron-rich rock that typically forms at the surface due to intense weathering and leaching of underlying bedrock.
Limonite A mixture of hydrated iron oxides and hydroxides of varying composition. Limonite typically forms the upper portion of a lateritic profile.
lineament Straight or gently curved linear feature on the Earth's surface or on a map.
lithology Rock type - can include chemical composition, texture, colour etc.
lithostratigraphy study and correlation of strata to elucidate earth history on the basis of rock type.
lode A mineral deposit consisting of veins, disseminations or pods.
m metre.
M million.
Ma millions of years before the present.
mafic Descriptive term for a dark coloured igneous rock; low in silica.
magnetic survey A survey of the Earth's magnetic field either from the ground or the air.
magma Naturally occurring molten rock e.g. a lava flow or fountain.
meta- Prefix to a recognisable rock type to denote affected by metamorphism.
Metalliferous Bearing quantities of metal.
metamorphism The process by which pre-existing rocks are changed by heat and pressure.
metasediment A metamorphosed sediment.
mineralisation An anomalous concentration of metals of economic interest. Not ore unless it can be mined at a profit.
ML Mining Lease.
Mt million tonnes.
N North.
Ni/NiS Nickel/Nickel Sulphide.
Ordovician Geological time from approx 488ma to 443ma.
ore A rock containing minerals of economic interest, extractable at a profit.
orebody A solid and fairly continuous mass of ore.
Orogeny A process where part of the earth's crust is deformed over a specific period of time.
outcrop Similar to exposure, where rocks can be seen naturally at the Earth's surface.
Oz Ounce.
Palaeo- A prefix indicate of relatively great age, ancient conditions or fossil forms.
Palaeozoic The first Era of fossil-bearing rocks (before the Mesozoic).
Palaeoproterozoic The oldest portion of the Proterozoic Era (Palaeo = old).
Pb Chemical symbol for the element lead.
Pegmatites descriptive of an exceptionally coarse grained rock.
Pelites An aluminous metamorphosed sedimentary rock.
phyllites Mud stone that has been altered by the formation of platy minerals (e.g. mica).

pluton A large igneous intrusion formed at great depth in the crust.
ppb parts per billion.
ppm parts per million.
Precambrian Era of geological time before the Cambrian, from about 4600 to 545 Ma.
prospect A mining property in which potential for ore discovery is demonstrated.
prospective Said of a region or prospect thought to have a high chance of ore discovery.
Proterozoic Era of geological time between the Archaean and Cambrian from 2500 to 545 Ma.
province A large area or region unified in some way and able to be conceptualised.
Pyrite an iron sulphide material.
Pyrrhotite an iron sulphide material**.**
Quaternary The Fourth Era, latest of the geological eras following the Cainozoic or Tertiary.
quartz Silicon dioxide, the commonest mineral in the Earth's crust.
RC Reverse Circulation; form of percussion drilling; drill cuttings are recovered through the drill rods.
REE Rare Earth Elements.
resources A well-defined estimate of mineralisation, not necessarily economic.
RM Radiometric geophysical survey method.
S South.
sampling Collection of a representative part of material, often for analysis or reference.
Saprolite A chemically weathered rock. Saprolites form in the lower zones of soil profiles and represent deep weathering of the bedrock surface.
Saprock The first stage of weathering. It consists of partially weathered and as yet unweathered minerals and so retains the fabric and structural features of the fresh rock.
Schist A strongly foliated crystalline rock.
sedimentary Variety of rocks formed at the Earth's surface, by deposition of sediment.
shear (zone) Fracture (or zone of fracturing) along which movement has taken place.
Sphalerite a sulphide mineral of zinc and iron.
stratigraphic The study of rock strata, especially of their distribution and age.
structural corridor Large scale linear zone or belt recognised by geological feature alignment.
structure Total description of orientation and relative position of an area's rock units.
sulphides Minerals containing sulphur and metallic elements, often ore minerals.
supergene Process involving water, with or without dissolved material, percolating down from surface.
targets Exploration targets consist of a location that can be tested by drilling; generally represent an anomaly from a survey or a geological concept.
tectonic Term used to relate a particular phenomenon to a structural or orogenic concept.
tectonic corridor A zone subjected to forces involved in the structural modification of rocks.
tenement Exploration or mining land title allowing various actions e.g. an EL.
Tertiary geological time from approximately 65 to 1 million years ago.
Turbidite Describes the sediments deposited by submarine mass flow.
Ultramafic rock Igneous rocks with no free quartz and generally very little feldspar.
underground In relation to mining where the ore is broken beneath the surface.
vein Thin sheet-like infill of a fissure or crack, commonly with quartz and sulphides.
volcanism/volcanic All natural processes and/or products resulting from volcanic activity.
weathered Decomposed by action of external agencies.
Zn Chemical symbol for the element zinc.

DIRECTORS' DECLARATION

The directors of the Consolidated Group declare that:

1. the financial statements and notes, as set out on pages 42 to 98 are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2012 and the performance for the year ended on that date of the company and Consolidated Group; and
   c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
   a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrew Mortimer
Managing Director
Dated this 30th day of September 2013

SHAREHOLDER INFORMATION

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 26 September 2013.

Shareholding

Distribution of Shareholders	Number (as at 3 September 2012)
Category (size of holding)	**Ordinary Shares**
1 – 1,000	165
1,001 – 5,000	120
5,001 – 10,000	170
10,001 – 100,000	755
100,001 – and over	657
	1,867

The number of shareholdings held in less than marketable parcels is 1,506.

There are no substantial shareholders listed in the holding company's register as at 26 September 2013.

a. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

20 Largest Shareholders as at 26 September 2013 — Ordinary Shares

Rank	Name	Units	% of Units
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	652,189,822	28.85
2	BBY NOMINEES LIMITED	359,743,806	15.91
3	BERGEN GLOBAL OPPORTUNITY FUND II LLC	74,074,074	3.28
4	KIJENIA PTY LTD <KIJENIA SUPER FUND A/C>	42,528,000	1.88
5	MRS VIRGINIA WARNECKE	40,500,000	1.79
6	MR RALPH ERWIN TONKIN	38,500,000	1.7
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,892,531	1.59
8	CITICORP NOMINEES PTY LIMITED	29,971,096	1.33
9	GRANT ANDREW CATHCART	29,750,000	1.32
10	SELECT INVESTMENTS SUPER PTY LTD <SELECT INVESTMENTS S/F A/C>	29,500,000	1.3
11	MR THOMAS JOHN REANEY	25,000,007	1.11
12	MR ALAN BRIEN + MRS MELINDA BRIEN <A & M BRIEN SUPER FUND A/C>	23,848,440	1.05
13	MR ANDREW KENNETH BRUCE MORTIMER	19,390,668	0.86
14	MR STUART CHARLES SANDS HICKS	18,030,000	0.8
15	MS YU LIU	16,500,000	0.73
16	MAGPIE (WA) PTY LTD <AARON A/C>	16,000,000	0.71
17	MR PAUL THOMAS LLOYD	12,007,334	0.53
18	MR ANTHONY RADFORD DALE	12,000,000	0.53
19	ILLAWONG INVESTMENTS PTY LTD <THE COCKS S/FUND NO 1 A/C>	12,000,000	0.53
20	MR DAVID BRUCE MAGNUSSON + MRS LEANNE CATHERINE MAGNUSSON <MAGNUSSON SUPER FUND A/C>	11,750,000	0.52
	Total	**1,499,175,778**	**66.32**

Options over Unissued Shares ($0.0055 options – expiry 26 March 2017)

A total of 508,881,261 $0.0055 options are on issue. Each option can be exercised upon the payment of $0.25 and will receive one ordinary share. The expiry date for the options is 26 March 2017.

Listed below are the 20 largest $0.0055 option holders as at 26 September 2013.

Rank	Name	Units	% of Units
1	BBY NOMINEES LIMITED	200,000,000	39.3
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	111,211,260	21.85
3	BERGEN GLOBAL OPPORTUNITY FUND II LLC	48,000,000	9.43
4	KIJENIA PTY LTD <KIJENIA SUPER FUND A/C>	17,011,200	3.34
5	GRANT ANDREW CATHCART	11,900,000	2.34
6	MR THOMAS JOHN REANEY	10,000,000	1.97
7	MR ANDREW KENNETH BRUCE MORTIMER	10,000,000	1.97
8	MR MATTHEW BURFORD	10,000,000	1.97
9	BODEN CORPORATE SERVICES PTY LTD <BODEN FAMILY A/C>	9,900,000	1.95
10	MR QIU LING YANG	6,666,680	1.31
11	WILLIAM GEOFFREY KROON	5,890,000	1.16
12	MR NIKOLAOS AGIANNIDIS	4,173,334	0.82
13	MR MITCHELL JOHN WOODWARD	4,133,334	0.81
14	AUSTRALIAN MINERAL & WATERWELL DRILLING	3,333,300	0.66
15	MR PETER ALBERT ERNEST GRAHAM	2,500,000	0.49
16	TATLOW NOMINEES PTY LTD <TATLOW SUPER FUND A/C>	2,381,660	0.47
17	STARLIGHT HOLDINGS LIMITED	2,100,000	0.41
18	DAKIMA CONSULTING PTY LTD <BILL FURSE SUPER FUND A/C>	2,081,334	0.41
19	MR PETER STEWART MARTIN	2,000,000	0.39
20	MR PAUL THOMAS LLOYD	2,000,000	0.39
	Total	**465,282,102**	**91.44**

Options over Unissued Shares ($0.05 options – expiry 1 September 2014)

A total of 373,920,900 $0.05 options are on issue. Each option can be exercised upon the payment of $0.05 and will receive one ordinary share. The expiry date for the options is 1 September 2014.

Listed below are the 20 largest $0.05 option holders as at 26 September 2013.

Rank	Name	Units	% of Units
1	BBY NOMINEES LIMITED	167,000,000	24.78
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	117,924,240	17.5
3	BBY NOMINEES LIMITED	50,000,000	7.42
4	FIRST STATE PTY LIMITED	35,714,285	5.3
5	LITTLE BOXES PROPERTY GROUP PTY LTD	27,750,000	4.12
6	BELLOC PTY LIMITED	24,172,727	3.59
7	MWPR PTY LTD	17,500,000	2.6
8	GOFFACAN PTY LTD	14,800,000	2.2
9	SA CAPITAL FUNDS MANAGEMENT LIMITED <SACFM NO 1 FUND A/C>	14,000,000	2.08
10	MEGA INVESTMENTS (AUST) PTY LIMITED <MEGA INVESTMENT A/C>	12,500,000	1.85
11	LBT CORP PTY LTD	12,421,889	1.84
12	AUSTRALASIAN NOMINEES PTY LTD <THE AUSTRALASIAN A/C>	10,000,000	1.48
13	GLOBAL EQUITY TRADING FINANCE LTD	8,500,000	1.26
14	ORCA CAPITAL GMBH	8,000,000	1.19
15	MR PETER GEBHARDT + MRS CARLENE GEBHARDT <PETARD SUPER FUND A/C>	7,750,000	1.15
16	RED AND WHITE HOLDINGS PTY LTD <BLOOD SUPER FUND A/C>	7,571,429	1.12
17	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,142,857	1.06
18	SC STRATEGY CONSULT AG	6,000,000	0.89
19	MR PATRICK JAMES PETER SMITH	5,948,564	0.88
20	MR MICHAEL REGINALD KING	5,000,000	0.74
	Total	**559,695,991**	**83.05**

Options over Unissued Shares ($0.25 options – expiry 31 December 2013)

A total of 51,727,806 $0.25 options are on issue. Each option can be exercised upon the payment of $0.25 and will receive one ordinary share. The expiry date for the options is 31 December 2013.

Listed below are the 20 largest $0.25 option holders as at 26 September 2013.

Rank	Name	Units	% of Units
1	MR ROBERT GEMELLI	3,980,668	7.7
2	MS LIA MELISSA DARBY	2,621,667	5.07
3	MR ANDREW KENNETH BRUCE MORTIMER	2,516,667	4.87
4	MRS KATHERINE TAKACS	2,200,000	4.25
5	MR PETER GEORGE MCFEE + MS BRENDA ANN MCFEE	2,092,332	4.04
6	JANNARN PTY LTD <PRABHAKAR SUPERFUND A/C>	1,598,798	3.09
7	MR PETER GEBHARDT + MRS CARLENE GEBHARDT <PETARD SUPER FUND A/C>	1,518,433	2.94
8	MRS PATRICIA KAY PHILIP	1,250,000	2.42
9	PETARD PTY LTD	1,115,600	2.16
10	MR MATTHEW GILBERT COOPER + MRS KIM COOPER	1,053,852	2.04
11	LJR CONSTRUCTIONS PTY LTD	1,000,000	1.93
12	VIGCORP (SA) PTY LTD <TODERICO INVESTMENT A/C>	1,000,000	1.93
13	MR PETER NEUGEBAUER	1,000,000	1.93
14	MR AZIZ GREGORY MELICK	1,000,000	1.93
15	MR IAN CAMPBELL <IAN CAMPBELL FAMILY A/C>	1,000,000	1.93
16	MR GEORGE PHILLIP KAY	986,655	1.91
17	SALAVENTE PTY LTD <GRB SUPERANNUATION FUND A/C>	917,314	1.77
18	MR THOMAS KOUTSOUPIAS + MRS JUSTINE LEAH KOUTSOUPIAS <GOOGLI'S S/F A/C>	903,438	1.75
19	MS JOANNE CATHERINE MARTIN	837,003	1.62
20	MR PETER LANCELOT GEBHARDT	800,000	1.55
	Total	**29,392,427**	**56.83**

CORPORATE DIRECTORY

1. The name of the company secretary is Kent Hunter.

2. The address of the principal registered office in Australia is Suite 1901, 109 Pitt St, Sydney, NSW 2000. Telephone 02 9225 4000.

3. **Registers of securities are held at the following address;**

Advanced Share Registry, 150 Stirling Hwy, Nedlands, WA 6009

4. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

5. **Unquoted Securities**

The Company has the following classes of unquoted securities on issue:

(i) 14,000,000 options exercisable at $0.026 on or before 18 April 2017

(ii) 22,800,000 options exercisable at $0.013 on or before 20 May 2017

(iii) 35,000,000 options exercisable at $0.035 on or before 1 January 2018

(iv) 1,428,571 options exercisable at $0.035 on or before 12 September 2018

SCHEDULE OF MINERAL TENEMENTS

AS AT 30 SEPTEMBER 2013

Project	*Tenement*	*Interest held by Proto Resources & Investments Ltd*
Barnes Hill	EL 17/2006	100% Renewal Pending
Barnes Hill West	EL 53/2008	100%
Barnes Hill	1872P/M	100%
Lindeman's Bore	EL 25307	80%
Waterloo	ELA 27420	100%
Great Doolgunna	E51/1455	30%
Casey	E51/1457	100%
Mt Killara	E53/1580	100%
Magellen North	E53/1581	100%
Station Bore	E69/2872	50%

P Prospecting Licence
E Exploration Licence
M Mining Licence