PROTO
RESOURCES & INVESTMENTS LTD

ANNUAL REPORT 2009

ACN 108 507 517

CONTENTS

CHAIRMAN'S LETTER

Dear Fellow Shareholder,

The Financial Year 2009 has been a very difficult but rewarding year. During the twelve months Proto has advanced Barnes Hill by drilling out the first 10% of its nickel resource and giving further confirmation to the scoping study, announced in early June last year. Metallurgical testwork on the Barnes Hill ore has continued to show good recovery and low acid consumption, in line with the Company's overarching view that Barnes Hill is commercially viable and the appropriate earnings platform for the company.

Further to this, Proto's clean technology investment in Barrier Bay Pty Ltd has continued to advance the acid recovery technology, which provides other saleable products as a byproduct and reduced capital expenditure by a smaller tailings operation for nickel laterite processing. This technology has also been nominated as an automatic finalist in the Mining Prospect Awards, to be awarded in November 2009.

During the year Proto was awarded the Northern Territory's largest drilling grant of $100,000 for its 800m deep diamond hole at Lindeman's Bore. This hole was drilled in late May/early June 2009 and successfully intersected mafic intrusions and a several metre wide intersection of cobalt mineralisation. Proto subsequently pegged over 3000 square kilometres of exploration ground in the area after conducting significant due diligence and research to uncover the best exploration targets for Norilsk style nickel/copper/PGE mineralisation.

The Company intends on drilling a second hole at Lindeman's Bore this year into the centre of the aeromagnetic high and we believe that this project and our other Northern Territory ground acquisitions will form a significant part of substantial long term value in the Company.

During the year also we acquired the Waite Kauri North nickel laterite resource from Warwick, a project close to GME and Murrin Murrin. We believe this project represents an attractive low grade high tonnage operation going into the future.

A fuller review of our recent activities and plans for each project can be found in the Directors' report.

I would like to thank our small team of directors, staff, consultants and advisers who have helped Proto in the past year. Notably BBY Ltd in Sydney and VSA Capital in London are now the Company's brokers and advisors. These relationships have been extremely beneficial to Proto, in terms of both advice and support.

I look forward to updating shareholders on the Company's progress as we move forward on all projects.

Andrew Mortimer
Chairman and Managing Director

CORPORATE GOVERNANCE STATEMENT

Proto Resources & Investments Ltd ("Proto," "The Company"), is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company 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 Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company 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 http://www.asx.com.au/about/corporate_governance/index.htm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation of Senior Executives	1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1 Independent Directors	1.2.1
Recommendation 2.2 Independent Chairman	1.2.1
Recommendation 2.3 Role of the Chairman and CEO	1.2.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Performance Evaluation Processes	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2.1, 1.4.10, 2.3 & Directors' Report
Recommendation 3.1 Code of Conduct	4
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	4 and 1.4.9
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	3.1
Recommendation 7.2 Risk Management Reporting	3.1
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 8.3 Reporting on Principle 8	2.2 and 2.2.4

1. BOARD OF DIRECTORS

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company 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 Company. The Board must also ensure that the Company 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 Company.

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 Company 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 Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Ms Kay Philip, Mr Ian Campbell and Mr Greg Melick are Non-Executive Directors and independent directors as they meet the following criteria for independence adopted by the Company. The Board recognises that the following criteria is not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company 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 Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company 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 Company or other group member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company 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 Company and the Independent Directors must ensure that materiality thresholds are not breached.

Mr A Mortimer is Chairman and Executive Director and Ms Lia Darby an Executive Director of the Company and do not meet the Company's criteria for independence. However, their experience and knowledge of the Company 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 company currently does not have a CEO in place and appointed management is separate from the Chairman's position.

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 Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

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 Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.

- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company 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 Company'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 Company 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 Company'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 Company; 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 Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company 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 Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company 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 Company 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 Company that new Directors undergo an induction process in which they are given a full briefing on the Company. 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 Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

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 Company'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 Company. 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 Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; 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 Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information.

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

1.4.9 Trading in Company Shares

On 1 February 2007 the Board reviewed and adopted a Share Trading Policy. 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.

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 2009. A performance evaluation of senior executives was undertaken during the financial period ended 30 June 2009 in accordance with the Board Charter. The objective of this evaluation is to to provide ongoing best practice corporate governance to the Company.

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 Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company 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 Company 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 would be considered by the audit committee. A copy of the Audit Committee Charter is available on the Company'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 Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of five (5) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company 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 Company 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 Company's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company 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 Company 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 Company 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 2009 Mr A Mortimer (Joint Managing Director and Chairperson) and Ms Lia Darby (Joint Managing Director and Company Secretary) 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's 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 Company's website.

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 five (5) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company 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 Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors 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 by resolution of the Board on 1 February 2007 and reviewed during the course of the Global Financial Crisis, especially in the second half of Calendar 2008. The Board resolved that given the Australian and International economic climate, Directors would be given the opportunity to receive equity in lieu of cash director's fees, either in part or in full. The majority of directors took advantage of this opportunity to conserve the Company's cash reserve and increase their equity holding in the Company. The Board considered the equity issues to also benefit the Company by offering an incentive to Directors to increase shareholder value.

The Board further resolved to address the current remuneration strategy as and when appropriate.

2.2.3.1 Senior Executive Remuneration Policy

The Company 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;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- 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 Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year the Non-Director Executives of the Company were Mr Ashley Hood and Mr Pierre Richard.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company 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.

2.2.3.2 Non-Executive Director Remuneration Policy

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. During the year Non-Executive Directors received shares as per approval at the annual general meeting of shareholders in acknowledgement of the duties undertaken over and above those duties expected to be performed by a Non-Executive Director.

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 Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of five (5) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

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 evaluate 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 Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company'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 Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

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

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 Company's risk management strategy was formally reviewed by the Board on 26 May 2009 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website.

4. Company Code Of Conduct

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

The Company is committed to:

- applying the company'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 company's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed by the Board on 29 August 2009 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the company 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 Company. 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 company 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 Company's website.

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 2009.

DIRECTORS

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

- Andrew Kenneth Bruce Mortimer (Chairman and Joint Managing Director)
- Lia Melissa Darby (Joint Managing Director)
- Ian Campbell
- Patricia Kay Philip
- Aziz (Greg) Melick
- Simon David Gilbert (resigned 12 May 2009)

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 persons held the position of company secretary during the financial year:

- Lia Darby (appointed 27 January 2009)
  Details of Ms Darby's experience are set out below under 'Information on Directors'.
- Gil Darby (appointed 25th June 2008; resigned 27 January 2009)
  B.Com (Econ), Dip Lib (Info Science) (UNSW)

Mr Darby works as a company secretary for several small mining companies and is alternate director for Global Nickel. He has experience in the IPO float process and has over 20 years experience in company structuring, management and administration. Mr Darby's prior experience includes managing a significant cash-flow positive business within the University of New South Wales, where he was responsible for the annual budget.

PRINCIPAL ACTIVITIES

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

During the year the company raised a further $1,158,471 by means of issue of new shares and options and acquired an interest in several new exploration assets, allowing it to continue to undertake its explorations activities as announced in several releases to the ASX.

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

OPERATING RESULTS

The consolidated loss of the consolidated group after providing for income tax amounted to $6,054,995 (2008: $5,504,205)

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 2009.

REVIEW OF OPERATIONS

1. Introduction

Proto was extremely active in FY2009, working on several exploration opportunities in Northern Territory and Western Australia, as well as on developments at Barnes Hill, the Company's flagship project in northern Tasmania. Stage one of the Barnes Hill resource drill out was completed in December 2008 with some very encouraging high grades of nickel and cobalt. The Company was also pleased to report iron ore grades that could be incorporated into a resource calculation.

As of the date of this report, the Company is planning the commencement of the final stage of the resource drill out at Barnes Hill, as well as completing various other commitments that will enable the hand over to joint venture partner Metals Finance Corporation.

Over the year Proto also completed a series of ground gravity and aero magnetic surveys at Lindeman's Bore, Northern Territory, preparing an 800m diamond drilling program after receiving a $100,000 funding grant from the Northern Territory government. Some interesting mafic intrusions and cobalt mineralisation were uncovered by the drilling, encouraging the Company to prepare for a second diamond hole, to be drilled late in Calendar 2009.

During the year the Company's Wertago and Arunta tenements were dropped, along with EL 6718 at Tibooburra. The Company also ceased evaluating overseas opportunities, refocussing on its remaining Australian tenements following the impact of the Global Financial Crisis.

Project	Tenement	Interest held by Proto Resources & Investments Limited	Notes
Barnes Hill	EL 17/2006	100%	
Barnes Hill Mining Lease	1872P/M	APPLICATION ONLY	
Barnes Hill West	EL 53/2008	100%	1
Tibooburra	EL 6286	100%	
Tibooburra	EL 6663	100%	
Lindeman's Bore	EL 25307	80%	2
Wave Hill	ELA 27413	APPLICATION ONLY	
Wave Hill	ELA 27414	APPLICATION ONLY	
Waterloo	ELA 27416	APPLICATION ONLY	
Waterloo	ELA 27420	APPLICATION ONLY	
Wave Hill	ELA 27617	APPLICATION ONLY	
Wave Hill	ELA 27618	APPLICATION ONLY	
Menzies	P29/1831	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1832	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1841	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1842	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1843	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1781	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1803	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1897	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1898	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1901	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1902	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1903	90% nickel laterite; 70% gold; 50% nickel sulphide	
Menzies	P29/1904	90% nickel laterite; 70% gold; 50% nickel sulphide	
Mt Vetters	E27/0358	75% gold and uranium; 100% all other metals	

Project	Tenement	Interest held by Proto Resources & Investments Limited	Notes
Mt Vetters	P27/1691	75% gold and uranium; 100% all other metals	
Mt Vetters	P27/1692	75% gold and uranium; 100% all other metals	
Mt Vetters	P27/1693	75% gold and uranium; 100% all other metals	
Mt Vetters	P27/1823	75% gold and uranium; 100% all other metals	
Mt Vetters	P27/1824	75% gold and uranium; 100% all other metals	
Mt Vetters	P27/1825	75% gold and uranium; 100% all other metals	

Notes

1. Proto has been granted Barnes Hill West EL53/2008 adjoining currently held Barnes Hill EL17/2006. The new licence is interpreted to cover western extensions of Andersons Creek Ultramafic Complex, which hosts the known nickel laterite mineralisation at Proto's wholly owned Barnes Hill, Scott's Hill and Mt Vulcan deposits less than 2km to the east of the new tenement area. The new tenement also includes the Pandora Copper Mine which operated in the late 1890's.
2. The necessary drilling of Lindeman's Bore has now been completed, earning Proto its 80% under the farm in agreement with its minority partners. Proto is now further joint venturing into the project with North West Discovery Limited ("NWD"), under a proposed agreement whereby NWD will earn up to 40% of the project in two stages, with an additional 10% to be earned by mutual election.

Further Notes

3. A transfer process is underway for the Waite Kauri North project on M37/1189, following a settlement with Warwick Resources Ltd. Anthropologist clearance work has recently been carried out, being part of Proto's planned exploration programme at the project. The project is located immediately to the north of GME Resources' Waite Kauri lateritic nickel-cobalt project and approximately 20km from Minara's Murrin Murrin nickel operation near Leonora in Western Australia. It is also adjacent to Poseidon Nickel's Waite Kauri lateritic nickel-cobalt project. A JORC compliant Inferred Mineral Resource of 3.9 million tonnes at 1.04% Ni and 0.04% Co, (representing 40,541 tonnes of contained nickel and 1,448 tonnes of contained cobalt) has previously been estimated for the project using a 0.7% Ni cut-off grade.

2. BARNES HILL PROJECT, TASMANIA (NICKEL LATERITE, NICKEL SULPHIDE AND IRON ORE)

2.1 Tenement

Proto is the registered owner of the following tenements;

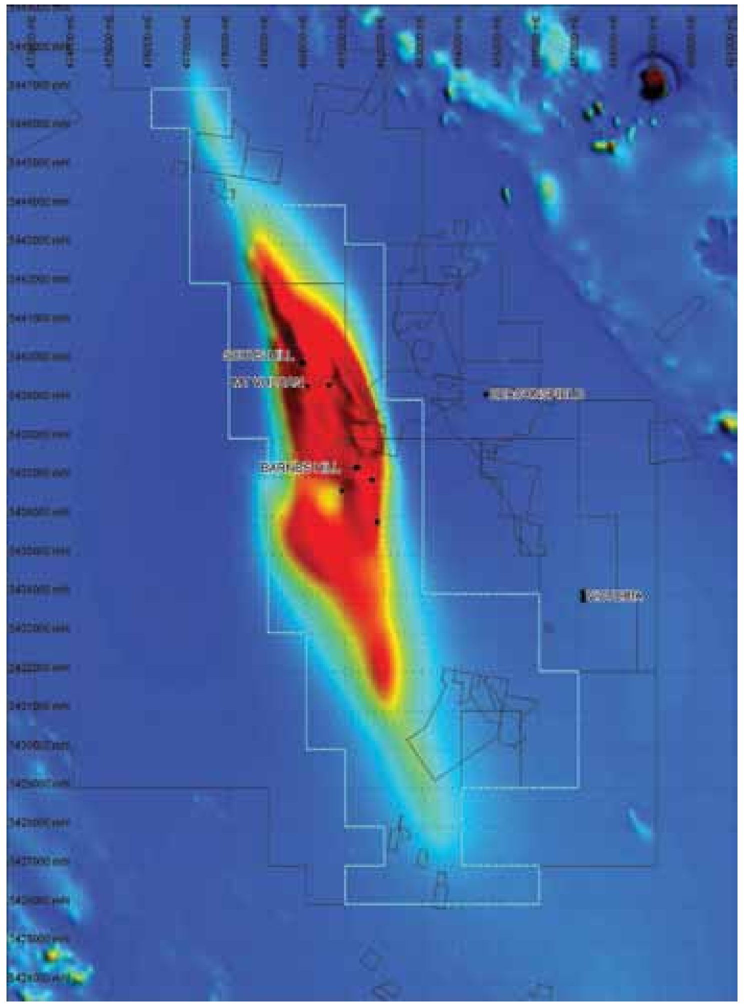
- EL17/2006 Barnes Hill
- EL53/2008 Barnes Hill West

2.2 Site Location and History

The Barnes Hill Project is located in northern Tasmania and contains a 12.1 Mt Australasian Joint Ore Reserves Committee ("JORC") compliant indicated nickel laterite resource at 0.83% nickel and 0.07% cobalt. The total resource is made up of three seperate laterite deposits known as Barnes Hill, Mt Vulcan and Scott's Hill. The Barnes Hill tenement covers 76km2. The licence was granted on 8th August 2006 for a period of five years.

EL 17/2006 sits in the Badger Head region of northern Tasmania, an important structural location, considered to be the area in which the Tamar Fracture System separates the western and eastern Tasmanian terrains. The area has a complex nature, a result of thrusting during the Devonian and later normal faulting in the Jurassic and Tertiary. The Precambrian Badger Head Block possibly overlies younger units of the Cambrian Port Sorell Block. The Andersons Creek Ultramafic Complex is considered to be a thrust slice caught up in this deformation.

The magnetic data over the area is dominated by the response of the Anderson Creek Complex (ACC) with much of the surrounding geology having only subtle responses. Gravity is also dominated by the considerable differences in density between the Precambrian, Cambrian and later Devonian and Permian units. The Devonian geology also contains granites of that age with stark density contrasts to surrounding units especially the ultramafics.



Magnetic image showing extent of Andersons Creek Complex and proximity of Proto tenement and resources.

The ACC is a layered wedge of Cambrian mafic and ultramafic stratigraphy consisting of mainly serpentinite, pyroxenite and gabbro. It has been thrust into a sequence of Cambrian sediments lying on the eastern margin of the Precambrian Badger Head Block. Septa of Cambrian sediments are caught up in the complex. The ACC is probably Early Cambrian in age and one of 15 discrete ultramafic/mafic complexes found mainly in the north west and west of Tasmania. Upper Palaeozoic tectonism has resulted in Ordovician Cabbage Tree Formation sediments being thrust over the eastern margin of the ultramafics.

Aero-magnetics shows the ACC as being a NNW trending lozenge shaped body approximately 20 km long and up to 3 km wide. It outcrops over a NNW length of 6.5 km, a width of 1.5 km, and plunges to the north and south beneath Permian sediments.

Variable weathering profiles with differing mineral assemblages and metal concentrations are developed on different areas of the ultramafic complex. In the Barnes Hill - Mt Vulcan area, the weathering profile consists of an upper zone of secondary iron oxides (goethite, hematite, limonite) overlying a clay rich zone dominated by smectite, weathered serpentinite and chlorite, which in turn overlies fresh serpentinite.

Meteoric waters periodically leached soluble ions from the surface (lateritic) zone and enriched these ions (Ni) in the clay zone at the base of the weathering profile.

Most of the higher grade nickel (Ni → 1%) occurs in the Transition Zone and to a slightly lesser extent in the Mottled and Bleached Zones. The nickel is largely contained in clay (smectite), serpentinite and chlorite.

The operating Beaconsfield Gold Mine lies 2km east of the Barnes Hill tenement and similar geological units to those that host gold mineralisation at the Beaconsfield Mine also occur within the project area. In addition to further laterite nickel mineralisation the company also considers the project area prospective for gold and base metal mineralisation.

2.3 Activity in FY2009

In late 2008 Proto carried out the first phase of its resource drilling program at Barnes Hill, a campaign of 75 aircore drill holes for 1,080 metres. Assay results were positive not only indicating continuity of nickel-cobalt mineralised zones but also returning significant iron assay results from within the surficial laterite layer.

Individual samples were taken from each metre drilled and were dispatched to ALS Laboratory Group for multi-element analysis. Results included:

Nickel and cobalt results:

- 16m @ 1.34% Ni & 0.05% Co from 7m
- 7m @ 1.17% Ni & 0.08% Co from 12m
- 9m @ 1.70% Ni & 0.07% Co from 4m
- 5m @ 1.06% Ni & 0.08% Co from 3m
- 9m @ 1.10% Ni & 0.04% Co from 10m
- 16m @ 1.05% Ni & 0.06% Co from 8m
- 17m @ 1.16% Ni & 0.09% Co from 13m
- 11m @ 1.27% Ni & 0.04% Co from 13m

Iron results:

- 16m @ 43.1% Fe from 0m
- 10m @ 42.1% Fe from 0m
- 9m @ 40.3% Fe from 2m
- 18m @ 35.8% Fe from 0m
- 15m @ 39% Fe from 3m
- 7m @ 45% Fe from 7m
- 19m @ 38.7% Fe from 0m
- 11m @ 43.5% Fe from 0m

The iron results above have reaffirmed Proto's intention to continue to assess the potential to develop a small-scale iron ore project to complement the Barnes Hill nickel-cobalt project. The physical location of the Barnes Hill Project, located 10km northwest of Launceston in northern Tasmania, close to port and other infrastructure including smelter facilities just 30km away, suggests strong potential. This iron ore project would provide material economic benefits through the sharing of fixed development costs, with the iron ore providing a second potential revenue stream.

In pursuing this project, the Company also added Category 5 – Industrial Minerals to exploration licence EL17/2006 during the year to ensure the full iron rights within the Company's licence holdings were secured.

Regional soil sampling results from Barnes Hill were also received during the year and are being interpreted. Distribution of nickel and cobalt in soils is likely to assist with further laterite exploration programs.

The soil sampling programme was the first regional scale programme to be completed in the project area and covered the full 8km mapped north-south strike extent of the Andersons Creek Ultramafic Complex along with the fault bound western and eastern contacts of the ultramafic complex. The programme covered areas of mapped ultramafics to the southwest and northwest of the Barnes Hill deposit and north of the Scott's Hill deposit which have not previously been soil sampled.

In addition to the nickel potential of the ultramafics, the Ordovician sedimentary units on the eastern side of the project area are also the host rocks to high-grade gold mineralisation at the operating Beaconsfield Gold Mine located 2 km to the east of the Barnes Hill Project.

2.4 The Nickel Laterite Resource

Previous explorers of the Barnes Hill laterite have drilled 161 holes including 37 diamond drill holes for approximately 580 metres in the late 1960's. More recently, Allegiance Mining NL drilled 1178.4 metres in 116 air core holes along with eight diamond drill holes in 1997. The laterites have been drilled at a density of 100 to 150 metre centres.

The most recent resource estimation was completed by Jervois Mining Ltd using polygonal methods and utilising both King Island Scheelite Ltd and Allegiance Mining NL assay data. The combined resource estimate for the Barnes Hill, Mt Vulcan and Scott's Hill deposits was 12.1 Mt @ 0.83% Ni + 0.07% Co and was classified as indicated. A cut-off grade of 0.6% Ni equivalent was used (Ni Equiv% = Ni% + 3.5 x Co%).

From the calculations it can be extrapolated that 96% of the nickel and 86.4% of the cobalt occur in the saprolite (Transition & Bleached Zones) and weathered serpentinite lithologies. Furthermore, the saprolite and weathered serpentinite at the Barnes Hill deposit contains 8.3 Mt (66.8% of total tonnage) containing 72.5% of the nickel and 57.4% of the cobalt (Douglas McKenna & Partners Pty Ltd).

2.5 Metals Finance Corporation Joint Venture

Proto has in place a formal agreement (the Barnes Hill Joint Venture Agreement) with Australian listed company Metals Finance Corporation to assess development options for the Barnes Hill Project and to provide technical expertise and project development funding.

Proto and Metals Finance are currently in Phase Two or the Final Evaluation Period of the Barnes Hill Joint Venture Agreement, being the full evaluation period that will lead to a decision to enter into an Operational Phase at Barnes Hill. The parties entered into this Final Evaluation Period following Metals Finance's decision to proceed after successfully completing a scoping study at the completion of the Initial Evaluation Period in June 2008.

The purpose of the Final Evaluation Period is to carry out a pilot programme based on the leaching of a bulk sample from the Barnes Hill deposit, to raise the resource definition to a level sufficient to support a detailed feasibility, and to complete the detailed feasibility on the proposed project.

Prior to reaching the stage of decision-making as to whether to enter the Operational Phase, Metals Finance has the responsibility to design a test or pilot plant, to test at the site, to complete a detailed feasibility study on the proposed project, and to carry out any other work Metals Finance considers appropriate or necessary to achieve the purpose of the Final Evaluation Period.

Proto has the responsibility to arrange a suitable site for the pilot test programme, to provide information requested by Metals Finance from time to time, to supply the selected quantity of ore for the required programme, and to complete any necessary mapping and drilling, including the resource drilling to a measured category of which Phase One was completed last year.

Proto is confident of reaching the next decision making point in the course of the second or third calendar quarter 2010, leaving the Barnes Hill project on track for potential development in the third or fourth quarter 2010, with the Operational Phase to then commence.

2.6 Clean Technology

On 30 March 2009, Proto announced commencement of its expanded clean technology test programme which has the capability to revolutionise the treatment of nickel laterite. This builds on development work over the past 24 months. Proto and its associates have been working on new technologies for the treatment of the PLS (Pregnant Liquor Solution) left over once the nickel and cobalt have been removed as the principal value product from nickel laterite processing. Proto strongly believes that the water and acid recoveries will significantly enhance the economics of nickel laterite projects and may even lead to further production of new saleable products from the ore.

The treatment of nickel laterite is an important area for the minerals industry to address as the majority of the world's nickel reserves are based in laterite ore bodies. As such, Proto is firmly of the belief that innovation in the processing technology of nickel laterite will lead to a significant commercial advantage being held by the best innovator in the sector. The nickel laterite processing technology which Proto and its associates are working on is based on a low capex atmospheric leach as distinct from a high cost high pressure autoclave technology currently used for quick leaching and suppression of iron dissolution and adverse consumption of acid.

2.7 Barnes Hill West

Over the year Proto was successful in its application for EL53/2008, now called Barnes Hill West. The licence was applied for to cover the mapped western extensions of the Andersons Creek Ultramafic Complex, the host sequence to the area's known nickel laterite mineralisation. The application covers 44 km2 and lies immediately adjacent to EL 17/2006 above.

The Company's immediate first phase exploration program for the newly granted Barnes Hill West licence will target areas of the greatest interpreted prospectivity for nickel and copper mineralisation using geological mapping, rock chip sampling and geochemical soil sampling. Notably, the historic Pandora Copper Mine lies 5 km southwest of Barnes Hill within the newly granted application area. The mine consists of a historic shaft and adit and was operated in the 1890s on a small scale, with copper reported to occur as chalcopyrite.

3. TIBOOBURRA PROJECT, NEW SOUTH WALES (GOLD)

3.1 Tenements

Proto has 100% ownership of the following granted exploration licences;

- EL6286, EL6663

3.2 Site Location and History

The Tibooburra gold project is situated approximately 320km north of Broken Hill near the township of Tibooburra within the Milparinka-Tibooburra gold district in northwest New South Wales. Both alluvial gold and primary 'lode-gold' have been mined within the district for over 110 years and the goldfield is thought to share geological similarities with the Victorian 'mesothermal' goldfields.

Gold bearing structures have been defined in the Precambrian basement of the contiguous Warratta, Mt Poole and Tibooburra Inliers close to Tibooburra township. The basement rocks are overlain by Jurassic sediments of which the basal conglomerate is known to host alluvial gold mineralisation. This mineralisation is interpreted to represent colluvial and alluvial accumulations of vein quartz derived from auriferous veins eroded from the Precambrian basement. Barren Cretaceous sediments are in turn overlain by gold-bearing Tertiary to Quaternary cover formed from the exhumation of the Precambrian Inliers.

Gold within the project area has previously been found in three distinct geological settings:

- Primary 'lode-gold' associated with quartz veins and alteration zones in Precambrian metasediments
- Alluvial gold in Jurassic basal quartz pebble conglomerates and
- Alluvial and colluvial gold in Tertiary to Quaternary gravels derived from erosion of older material.

Previous work on the project area by Proto has involved Mobile Metal Ion (MMI) sampling along the Phoenix-Pioneer and Warratta reef systems which produced a number of broadly coincident gold-arsenic-silver anomalies which were later drill tested.

The MMI results confirmed previous soil results for the Pioneer-Phoenix and Warratta reefs. Gold levels were of an order of values which suggested that the areas sampled had little to no cover and instead represented Precambrian lithologies at sub-surface.

The Pioneer-Phoenix results highlighted a zone of elevated gold (with coincident arsenic + silver) values trending NNW-SSE containing two discrete coincident gold-arsenic±silver anomalies; one located directly north of the Pioneer workings and one 840m along strike of the working to the north. The shape of both anomalies clearly reflects the narrow, reef-style gold mineralisation known to occur in the area and the coincident gold-silver anomalism confirms the suggestion that the anomalies are related to primary mineralisation because secondary mineralisation tends to have only a minor silver association.

In response to the delineation of interpreted in situ gold anomalism along the Pioneer-Phoenix reef a reverse circulation "RC" programme was designed to test the reefs at depth. In total, 22 holes were drilled for 2,125m. Drilling confirmed the interpreted narrow nature of the mineralisation with economic gold values limited to narrow, sub-vertical quartz veins within the Precambrian slates.

In April 2007 Proto acquired a Gold Processing Plant for the Tibooburra gold project. The Plant comprises a Ball Mill, a Gravity Circuit including a Knelson Concentrator, and a gold room, and is capable of 5 to 10 tonnes per hour (tph) ore depending on feed characteristics. The processing facility is also potentially capable of recovering other precious metals including platinum. The Plant can be used for pilot testing of ores or small-scale production, and is designed so that it can be relatively easily upgraded to 20 tph by essentially retrofitting a larger Ball Mill. As the priority focus for Proto has been Barnes Hill, various options, including lease or sale are being considered for this plant.

3.3 Activity in FY2009

In response to the drilling results above a review of all work was completed by Proto during the year. This review has led to the development of a new exploration strategy for the Tibooburra Project. Most previous exploration has had a narrower approach to the area and concentrated efforts on the small-scale mineralised reefs between the Phoenix and Pioneer workings. Proto proposes to take a step back and approach the area from a broader perspective by systematically soil sampling the entire strike length of the Milparinka Zone occurring within EL6286. The proposed soil program consists of 31 soil lines at 500m spacing with samples collected every 100m (500x100m grid) for 118 line km and covering a strike length of 16km.

Previous soil sampling was designed on a close sample spacing (25-50m) as to detect narrow quartz veins. However, Proto is interested in exploring for a much larger system, hence the wider sample spacing. With a 100% renewal of licence EL6286 granted during the year, the program will be completed in two phases over two years:

- The first year would consist of sampling the entire grid for a total of 118 line km, field checking the results and then ranking the gold targets generated.

- A further 500 infill soil samples would be budgeted for the second year followed by geological mapping and definition of drill targets.

Proto is also considering joint venture opportunities at the Tibooburra project, in response to interest by third parties.

4. LINDEMAN'S BORE, NORTHERN TERRITORY (NICKEL SULPHIDE, COPPER AND PLATINUM GROUP ELEMENTS)

4.1 Tenements

Proto is farming-in on the Lindeman's Bore project which consists of the tenement;

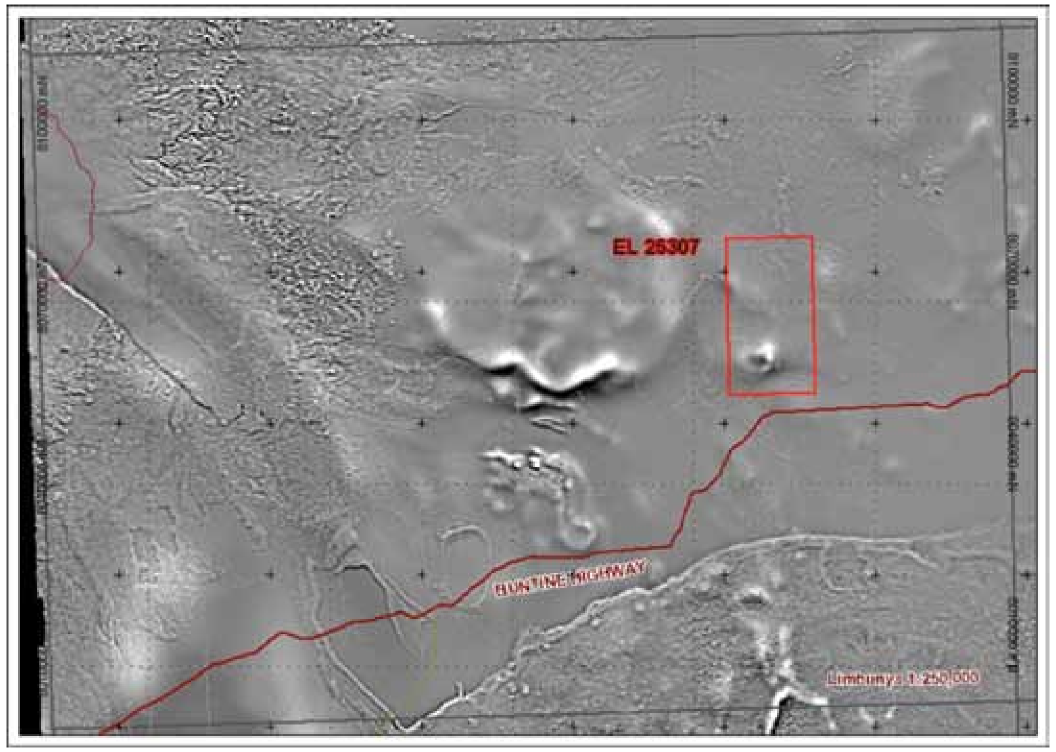
- Granted Exploration Licence: EL 25307
- Following the recent drilling program at Lindeman's Bore, Proto has now earned the right to 80% of this project

4.2 Site Location and History

The Lindeman's Bore Project is located just north of the Buntine Highway near the community of Kalkarindji in the Northern Territory. The project area is interpreted to contain a portion of the regionally extensive Cambrian age Kalkarindji Continental Flood Basalts. This Continental Flood Basalt province is considered prospective Noril'sk-style magmatic nickel-copper-PGE mineralisation.

As of this date Proto has farmed-in to a 80% interest in a Joint Venture agreement with Mr Neil Scriven and Rodney Johnston. Neil Scriven and Rodney Johnston have been associated with mining and exploration in the Northern Territory over the last 20 to 30 years. Johnston and Scriven hold a 20% free carried interest from Proto Resources to decision to mine.

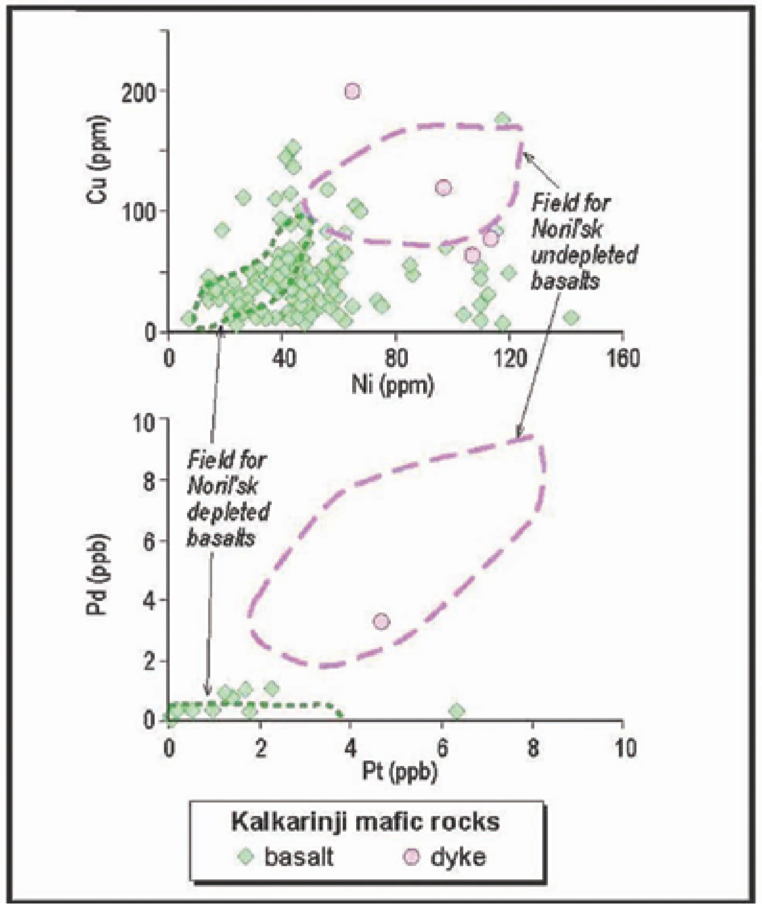
Proto has also now entered into an arrangement with Sydney company North West Discovery to farm into a portion of Proto's interest in the project.



Location of the Lindeman's Bore project area and large magnetic anomaly.

In 2002 Dr Linda Glass published a PHD which drew analogies between the Antrim Plateau Volcanics (APV) and the giant Noril'sk Ni-Cu-PGE deposit in Russia. The Noril'sk deposit reserves are quoted as 1,310Mt @ 1.77% Ni, 3.57% Cu, 7.3 ppm Pd, 1.8 ppm Pt. At roughly the same time the PHD was published a company called AusQuest floated on the ASX with part of its float being the objective to located Noril'sk deposits in continental flood basalts including the APV. The concept is therefore a derivation of these ideas plus the stratigraphic drilling performed by Cutovinos et al in the Victoria River Basin. These two holes reconfirmed the reactive nature of the Proterozoic sediments in Victoria River basin.

The concept initially is based on the fact that as at Noril'sk, the APV demonstrates geochemical signatures contaminated by crustal material. Geochemical data from Glass (2002) and AusQuest show that the basalts of the Kalkarindji CFB are strongly and contaminated by crustal material and have coincident marked depletion in Ni, Cu and PGE. This would appear highly encouraging for the potential of this CFB to host large deposits of magmatic sulphides.



Geochemical data from Glass (2002) and AusQuest showing that the basalts of the Kalkarindji CFB are strongly and contaminated by crustal material and have coincident marked depletion in Ni, Cu and PGE

Also of note is the depletion of Ni, Cu and PGE in the APV. The combined evidence has led to the conclusion that the APV flood basalt province has the potential to host large deposits of magmatic sulphides. The APV has been intruded through Victoria River and Birrindudu basin sediments. As previously stated the sediments are reactive and provide an ideal space for the development of shallow, co-magmatic intrusions that are the likely loci for separation, entrapment and concentration and dense sulphide liquid. Previous exploration by AusQuest theorized that the feeder dykes/sub volcanic vents for the APV were likely to occur along major structures.

Proto's theory preceding the drilling at Lindeman's Bore was that a feeder dyke for the APV can occur anywhere based on present limited knowledge. The drill target was a circular bulls eye magnetic anomaly located near the centre of an antiform and in the immediate vicinity of Antrim Plateau Volcanics. The model proposed was that the magnetic anomaly positioned in the centre of the antiform could be a subvolcanic feeder dyke which has intruded the whole Limbunyah Formation and part of the Wattie Formation. The Company theorized that the reaction between the feeder dyke and the sediments could potentially lead to precipitation of Cu-Ni-PGE sulphides.

Initial modelling of the bulls eye magnetic anomaly by R.C.Deakin and Assoc in 2002 suggested the possibility of a stacked sequence of relatively thin flat lying magnetic units with similar source depths. This theory belies mineralisation that has had the intrusive dyke lava moving up the axial plane of the anticline and reacting with sediments to precipitate mineralised sulphides. Modelling by Southern Geoscience in 2008 of the airborne geophysics (1995) and 2008 gravity data produced further results. This model suggests three separate blocks dipping to the south at 60 degrees and at depths of between 300 to 450 metres. This model is dissimilar to the one suggested by Deakin and Associates but does not discount the geological concept.

Dr Martin Gole, a consulting geologist specialising in magmatic nickel sulphide deposits, provided Proto with a report supporting the geological rationale for exploration of the Kalkarindji Continental Flood Basalt Province for Norilsk-style mineralisation. Overall, the developing geological concept for this project was strong in that there are striking analogies between the geological and geochemical settings of the world's largest concentrations of magmatic Ni-Cu-PGE sulphides at Noril'sk in Russia, and those of the Cambrian continental flood basalts of northwest Australia.

The Lindeman's Bore Project area contains a high definition bullseye magnetic anomaly, which is interpreted to possibly represent sill-hosted nickel-copper-PGE mineralisation. A gravity survey consisting of three lines totalling 138 stations was completed during 2008 and the data modelled by Southern Geoscience showed positive results with a second gravity survey being planned. The modelling by Southern Geoscience in 2008 of the airborne geophysics (1995) and 2008 gravity data produced interesting results. This model suggests three separate blocks dipping to the south at 60 degrees and at depths of between 300 to 450 metres. Overall the models have provided a good indication of the depth to tops and dips of the magnetic and gravity sources. Magnetic data collected along adjacent flight lines indicates the depth to top of the magnetic source varies in an east west direction and could possibly be shallower 1-2 km to the west of the section modelled.

The results of the gravity surveys and previous magnetic data were used to design a drilling program which was initially planned to include one deep exploratory hole, to be drilled to intersect the conceptual mineralisation based on the airborne magnetic and ground gravity model.

4.3 Activity in FY2009

During the year the Northern Territory government awarded Proto the maximum grant of $100,000, to drill a diamond drill hole at Lindeman's Bore. Proto duly proceeded to drill the target, LBD-1, to a depth of 751 metres, after the above geophysical surveying and modelling and geological mapping at surface.

Assay results were received in August 2009 to show elevated levels of cobalt, copper and gold, but only background levels of Platinum Group Elements. The anomalism was at a depth of 380 metres from within a dolomitic sandstone unit, which is intruded by a series of magnetic mafic sills. The highest one-metre half core assay results are 0.22g/t Au, 0.06% Co & 0.07% Cu. These results come from within an 18-metre-wide zone of dolomitic sandstone which appears moderately anomalous on a regional scale. The Company now intends to sample every metre of the diamond hole, having only tested 20% of the metreage of the hole to date.

Proto is also currently planning a second drill hole into the high of the aeromagnetic anomaly, approximately one kilometre northwest of LBD 1, to be commenced before the end of calendar 09. The Company now interprets the elevated magnetic zone at Lindeman's Bore to represent a series of intrusive mafic sills that have intruded the surrounding limestone units and assimilated carbonate from the limestones to form magnetite. Thin section examination indicates that up to 15% magnetite occurs in some of these mafic sills.

During selective half-core sampling of drill core from LBD 1, 23 samples were also taken of the intrusive mafic rock units and sent for whole rock, trace and rare earth element analysis. A report on this geochemical work combined with petrographic examination of thin sections from the mafic rock units has now been received. The new data combined with geological logging indicates that the intrusive mafic sills are not related to the Cambrian Antrim Plateau Basalts, the feeder zones that the Company has been targeting for potential Norilsk-style Ni-Cu-PGE mineralisation. The mafic sills appear to be at least Proterozoic age and pre-date sedimentary units of the Limbunya Group (1640 Ma).

The Company looks forward to further work at the project and to updating the market.

4.4 New Applications

The Company recently lodged Exploration Licence Applications for additional tenement areas surrounding EL 25307 above. The new applications cover a combined area of 3,005 km2. Two applications cover tenements located southeast of the Lindeman's Bore Project area (ELA numbers 27413 & 27414) while two further application areas are located northwest of Lindeman's Bore in the Waterloo area (ELA numbers 27416 & 27420).

The new applications cover faults that potentially acted as conduits for basaltic magma during extrusion of the Antrim Plateau basalts. These faults branch from the major crustal Halls Creek Fault located further west. The faults are the east-west trending Neave Fault covered by the two southern tenement applications and the northeast-trending Blackfellow Creek Fault covered by the two northern tenements.

Upon formal grant of the exploration licences, the Company intends as the first exploration phase, to undertake geophysical modelling and surface geological mapping and sampling.

4.5 NWD Joint Venture

Prior to the Northern Territory drilling campaign, Proto came to an in-principle joint venture with Sydney-based unlisted public company Northwest Discovery Ltd, which has agreed to Farm-in on Proto's interest in the Lindeman's Bore Project.

Proto has given NWD the right to earn up to 50% of the project by funding drilling and exploration costs for a total of $1 million, beginning with a 20% earn-in by funding drilling at the project at a cost of $150,000. Under the terms of the joint venture NWD would be able to earn an additional 20% equity in the project by funding additional expenditure to the value of $450,000, with a further 10% of project equity available at the mutual election of the parties, earned by the expenditure of a further $400,000.

The election period to determine continued expenditure by NWD after the initial programme results are available will be three months, and NWD must commit second tranche of funds within a 12 month period post the election to proceed date.

5. MT VETTERS PROJECT, WESTERN AUSTRALIA (GOLD, NICKEL AND URANIUM)

5.1 Tenements

The Mt Vetters project covers the following tenements;

- Granted Exploration Licence: E27/0358
- Granted Prospecting Licences: P27/1691; P27/1692; P27/1693; P27/1823; P27/1824; P27/1825

5.2 Site Location and History

The Mt Vetters project is located 30km north east of Kalgoorlie in the Yilgarn Craton of Western Australia. The project area contains interpreted extensions of the Black Swan Komatiite Complex that hosts the Black Swan and Silver Swan resources 5km to the north. Silver Swan (indicated resource 640,000t @ 9.5% Ni), Black Swan (probable reserve 10.4 Mt @ 0.83% Ni) and the adjacent Cygnet (probable reserve 1.1Mt @ 2.1% Ni) nickel sulphide deposits are all considered valid target types on the Mt Vetters ground. The Mt Vetters project is owned 75% by Proto and 25% by Cazaly Resources Ltd, except for the elements other than uranium and gold, which are owned 100% by Proto.

Preliminary exploration work was carried out by Discovery Nickel, who, in 2003 collected ground EM (Smartem) over the entire nine kilometre strike length of the magnetic anomaly interpreted to be the extension of the Black Swan Komatiite Complex. The ground EM dataset was dominated by responses related to conductive overburden overlying the target rocks of the Black Swan Komatiite Complex. In the southern half of the EM survey area a 200m long conductor was identified. An RC drill hole tested this conductor in late 2004. No anomalous results were returned from the hole and the conductor was interpreted to be a channel at the base of the overburden containing saline water.

Re-interpretation of available aeromagnetic data in early 2005 showed the possibility of a second mafic trend extending south of the Silver/Black Swan area, missed by the 2004 ground EM. In 2005, additional moving-loop ground EM was collected over this trend.

In addition, a number of RC holes were drilled in the area by Cazaly in 2003. Some are focussed on the main magnetic ultramafic trend, while others focussed on geochemistry to the west. Nickel anomalism was not adequately explained by the shallow drilling.

5.3 Activity in FY2009

During the year, Proto confirmed a joint venture agreement with private company, Mt Vetters Pty Ltd, to explore for nickel at the project. Under the joint venture terms, Mt Vetters Pty Ltd could earn a 50% interest in nickel within the project by sole funding a ground EM program (already completed) and an RC drilling program.

The drilling program at Mt Vetters was to target nickel sulphide mineralisation in interpreted ultramafic rock units by testing EM anomalies and geological and airborne magnetic targets and gold targets. Historic aircore drilling completed at the project by previous explorers having intersected anomalous gold results including 4m @ 1g/t Au from 28m (hole MVAC001) and 8m @ 0.15g/t Au from 28m (hole MVAC002). Hence, the Company assayed all drill samples for a range of elements.

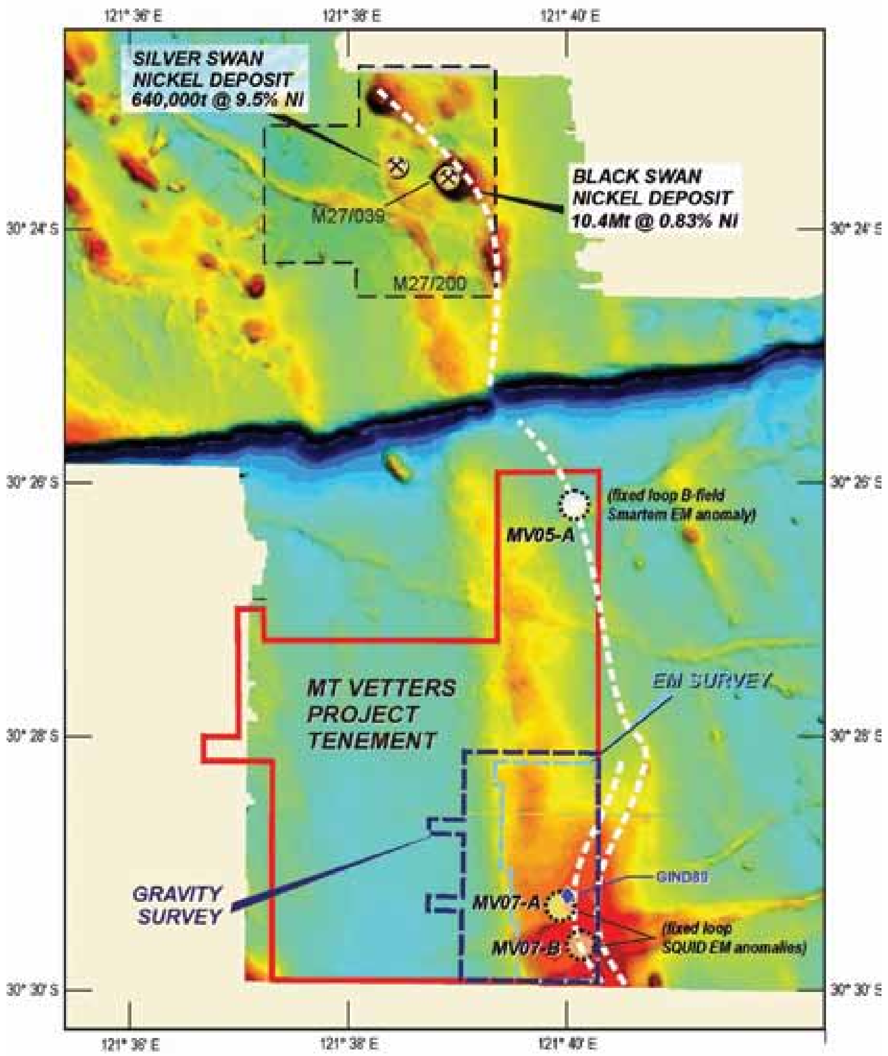
The EM survey funded by Mt Vetters Pty Ltd was supervised and interpreted by leading international geophysicists Southern Geoscience Consultants, of Western Australia. Interpretation of the data indicated the occurrence of a double peaked channelling feature which may have been related to a structural corridor (fault), a deeper zone of weathering, a paleochannel or possibly disseminated sulphides.

In September 2009 assay results were received from the three hole RC drilling program completed in August. Three RC drill holes were completed at the project for a total of 438m. The holes were drilled by Ranger Drilling Services of Perth using a truck mounted Hydco 350 drill rig with auxiliary compressor and booster.

Four metre composite spear samples were taken throughout the three RC drill holes completed and were dispatched to ALS Laboratory Group for multi-element assay. Standard samples and duplicate samples were also dispatched for assay for quality assurance/quality control purposes. Composite assay results now received have failed to return significant levels of gold, nickel or other base metal anomalism. A peak gold assay result of 1m @ 0.256g/t Au was returned from within a 4m composite sample assaying 4m @ 0.011g/t Au in hole MVPRC 2. This 1m sample between 125-126m was taken in the field in addition to 4m composite samples collected throughout the entire three holes due to the presence of high levels of quartz vein fragments in that metre.

Further work at the Mt Vetters project in the near term will concentrate on evaluating a uranium-thorium airborne radiometric anomaly which occurs in the southwestern project area. The initial evaluation work on this uranium-thorium anomaly is likely to involve a ground scintillometer or spectrometer survey.

The Company will continue to update the market on further developments at the Mt Vetters project.



Mt Vetters Project tenements with airborne magnetics.

6. MENZIES PROJECT, WESTERN AUSTRALIA (NICKEL LATERITE, NICKEL SULPHIDE AND GOLD)

6.1 Tenements

Proto manages the Menzies Project which includes a total of 31 contiguous prospecting licences;

- Granted Prospecting Licences: P29/1831; P29/1832; P29/1841; P29/1842; P29/1843; P29/1781; P29/1803; P29/1897; P29/1898; P29/1901; P29/1902; P29/1903; P29/1904
- During the year Final Surrender Reports were lodged with the DoIR for licences P29/1775, P29/1804-1810, and P29/1839-1840. The joint venture agreement has been terminated between Cazaly and Proto for the following licences P29/1784, P29/1793-1795, P29/1833 and P29/1899-1900 leaving Proto with no further responsibility for these licences. In addition, Licence P29/1802 has been surrendered as it was due to expire on 23 March 2009 reducing the Menzies tenement holding to 13 contiguous licences.

6.2 Site Location and History

The Menzies nickel project is a multi-commodity advanced exploration project which includes known nickel laterite, nickel sulphide and gold mineralisation. The project is located approximately 130 km north of Kalgoorlie in Western Australia. Proto holds the Project in joint venture with Cazaly Resources Ltd ("Cazaly"), holding 90% of the nickel laterite rights, 50% of the nickel sulphide rights, and 70% of the gold rights. Under the joint venture agreement Cazaly would continue to hold a 10% interest in the nickel laterite rights and would be free carried to completion of a bankable feasibility study.

The Menzies Project is located in the central portion of the Norseman-Wiluna Greenstone Belt within the eastern Goldfields province of the Archean Yilgarn Craton of Western Australia. The Norseman-Wiluna Greenstone Belt is a deformed and metamorphosed volcano-sedimentary sequence, approximately 2690 Ma old, comprising a lower succession of komatiites, tholeiitic intrusive and volcanic igneous rocks with subordinate shale units, and an upper succession of felsic, tholeiitic to calc-alkaline volcanic rocks, and related sediments.

Gold was first discovered at Menzies in 1897. Gold production from the Menzies area has a recorded production of 5,643 ore tonnes treated for approximately 8,600 ounces of fine gold until 1945. Minor work was completed on some shafts after 1950 but no significant production was recorded.

Modern exploration in the Menzies area recommenced in the second half of the 20th century and the area has been explored for various commodities including nickel, copper, zinc and gold. During the 1970s Newmont carried out exploration for base metals. Later in the early 1980s, BHP Exploration Ltd collaborated with GSWA to produce detailed geological maps of the area which lead to the publishing of research papers by Martin and Johnson in 1986.

In 1996, work by Golden State Resources NL identified coincident gold/arsenic anomalies over parts of a poorly explored upper mafic pile and lower meta-komatiite-olivine-orthocumulate flow. By 1997 vacuum drilling of the anomalies had located the Cigar Prospect and the geochemical anomalies were interpreted to be derived from an "exhalite" gossan that had been mapped locally.

In 2004 the area saw a change of exploration focus with Great Australian Resources Ltd ("GAR") following-up a nickel sulphide target at the Cepline Prospect originally drilled by BHP which returned assay results of up to 2.9% nickel. GAR drilled a further 5 holes (MZR01-MZR05) and intercepted minor disseminated and stringer sulphides. Mineralogical studies identified the presence of nickel sulphide, however the high-grade results were returned from nickel laterite intersections, not the sulphide intersections.

In 2008 Proto and Poseidon Nickel Ltd ("Poseidon Nickel") announced a joint venture over Proto's nickel laterite interests at Menzies with the aim of defining and developing a mineable nickel resource. Under the agreement Poseidon Nickel and Proto were to contribute in equal shares to the joint venture and would each finance their share into production. Poseidon Nickel has recently withdrawn from the joint venture to concentrate on its core projects.

In the previous financial year however Proto with Poseidon Nickel was very active on the ground with work focused on the Cepline Prospect where drilling by BHP and Great Australian Resources intercepted nickel laterite mineralisation. As a first pass Proto re-assayed the RC drill chips left at the Cepline Prospect and essentially confirmed the nickel tenor of the reported assay results.

Historical MZR01: 8m @ 1.21% Ni & 0.073% Co from 20m

Repeated MZR01: 11m @ 1.16% Ni and 0.07% Co from 18m incl. 7m @ 1.39% Ni and 0.08% Co

Historical MZR02: 4m @ 1.00% Ni & 0.052% Co from 20m

Repeated MZR02: 5m @ 1.00% Ni & 0.04% Co from 19m

Historical MZR04: 12m @ 1.72% Ni & 0.127% Co from 16m

Repeated MZR04: 14m @ 1.72% Ni and 0.13% Co from 16m incl. 12m @ 1.92% Ni and 0.14% Co

Historical MZR05: 4m @ 1.40% Ni & 0.068% Co from 32m

Repeated MZR05: 7m @ 1.28% Ni & 0.063% Co from 30m

(Historical - Great Australia Resources Limited, GAU; Repeated – re-sampling by Proto 2008)

On the back of the successful re-assays Proto and Poseidon Nickel completed 24 aircore drill holes for 393m at and around the Cepline Prospect. The close-spaced drilling program on the Cepline prospect went some way to extending the known mineralisation. The nickel laterite mineralisation trends north-south with a strike length of approximately 180m and width of approximately 50m. The mineralisation appears closed to the north, but remains open to the south. The mineralised laterite averages 8m in thickness from an average 18m depth below surface for an average grade of 1.23% Ni. The mineralisation occurs in saprolite developed above a tremolitic schist unit and is confined by a north-south trending feature that has prevented erosion of the laterite. Outside of this feature a thin veneer of colluvium (50-100cm) covers sub-cropping bedrock.

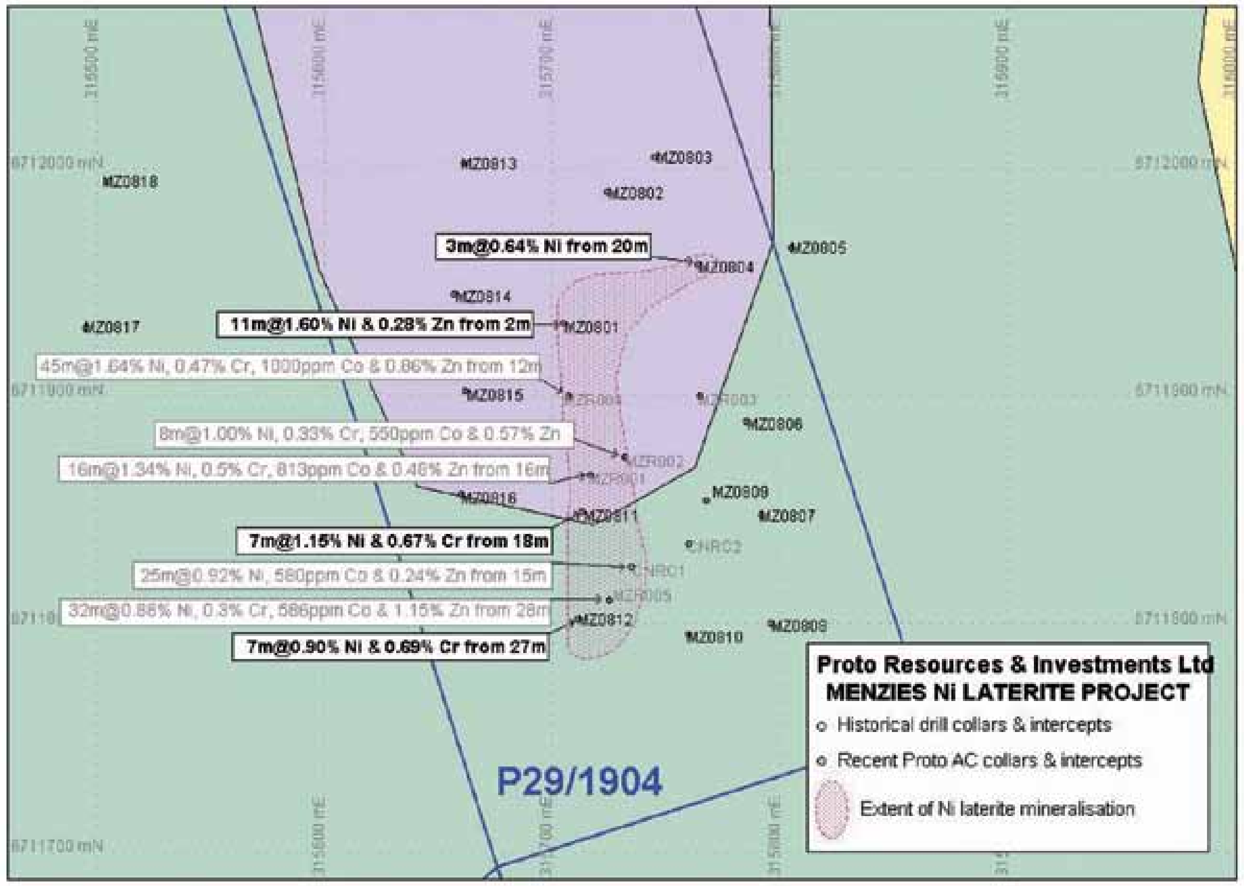
Table of Best Results from Cepline prospect Aircore Drilling

Hole	From	To	Intercept →0.4% Ni cut-off
MZ0801	2	13	12m @ 1.22% Ni, 0.29% Cr, 775ppm Co and 0.22% Zn from 2m
MZ0811	17	26	9m @ 1.08% Ni, 0.22% Cr, 690ppm Co and 0.63% Zn from 17m
MZ0812	26	32	6m @ 0.90% Ni, 0.22% Cr, 466ppm Co and 0.69% Zn from 26m

6.3 Activity in FY2009

No exploration work was completed at the Menzies project during 2009. Proto and Joint Venture partner Poseidon Nickel Ltd have now given notice that they wish to withdraw from funding their interests in the Menzies tenements. Both companies have reviewed all data available and have come to the conclusion that the Cepline Prospect is too small and with little new potential to be extended/upgraded into a mineable resource, with the outer exploration tenements and prospecting tenements having failed to prove extensions of the ultramafics in drilling conducted during the 2008 period. Proto believes further geophysics would not be beneficial to the future of the projects.

No new exploration is therefore planned at Menzies in FY2010.



Projected position of nickel laterite mineralisation at the Cepline Prospect with historic and recent drill collar locations and significant intersections.

The information in this report that relates to Exploration Results is based on information compiled by Andrew Jones, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Jones is a full-time employee of TasEx Geological Services Pty Ltd and 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 Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FINANCIAL POSITION

The net assets of the consolidated group have decreased by $3,483,728 from 30 June 2008 to 30 June 2009. This decrease resulted from a decrease in cash reserves, a decrease in financial assets (the value of shares held in other companies), and an increase in payables.

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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

1. On 3 July 2009 the Company advised the change of name from Proto Resources and Investments Ltd to Proto Resources & Investments Ltd.
2. On 11 September 2008 the Company issued 10,133,334 25c Options (expiry 31st December 2013) at nil consideration to directors and consultants as incentives as approved at the general meeting of shareholders held 15 August 2008. The deemed value of the Options issued to Director was $280,000.
3. On 7 October 2008 the Company announced the completion of a placement of 3,956,213 ordinary fully paid shares at $0.14, with attaching $0.25 31 December 2013 option, to raise approximately $550,000.
4. On 24 October 2008 the Company announced the issue of 3 ordinary fully paid shares pursuant to the exercise of $0.25 31 December 2013 options.
5. On 27 October 2008 the Company announced a Share Purchase Plan under which shareholders would be entitled to purchase up to $5,000 worth of ordinary fully paid shares in the Company to raise up to $1,000,000. On 16 December 2008 the Company announced the issue of 471,429 ordinary fully paid shares pursuant to the Share Purchase Plan to raise $33,000.
6. On 28 November 2008 the Company announced the issue of 3,460,714 ordinary fully paid shares to participants of the $0.14 placement completed on 7 October 2008 for nil consideration. The purpose of the issue was to re-price the placement to reflect the current market price of securities.
7. On 6 January 2009 the Company announced a placement of ordinary fully paid shares at $0.03, with a free attaching option, offered to sophisticated investors to raise approximately $250,000. The issue of 9,640,000 ordinary fully paid shares at $0.03 was subsequently announced on 20 January 2009
8. On 20 January 2009 the Company issued a Short Form Prospectus to facilitate the secondary trading of the Shares and $0.25 options previously issued by the Company and to offer up to 1,000 Shares at $0.03 each and 1,000 attaching options with an exercise price of $0.25 and an expiry date of 31 December 2013.
9. On 9 March 2009 the Company announced the joint venture formed between the Company and private company Mt Vetters Pty Ltd to test nickel sulphide targets at the Mt Vetters Project.
10. On 12 March 2009 the Company announced the issue of 2,800,000 ordinary fully paid shares and 125,000 $0.25 31 December 2013 options to employees and consultants. The issue of 800,000 of these ordinary fully paid shares was approved by shareholders at the November 2008 annual general meeting.
11. On 16 March 2009 the Company announced the issue of 4,800,000 ordinary fully paid shares to employees and consultants and 2,000,000 ordinary fully paid shares issued pursuant to the 6 January 2009 $0.03 placement.
12. On 16 March 2009 the Company announced the acquisition of a 100% interest in the Waite Kauri North nickel mining lease (M37/1189). The mining lease was acquired from Warwick Resources Ltd for consideration of 4,000,000 ordinary fully paid shares in the Company. A facilitation fee of 5,000,000 $0.05 31 December 2011 options is also due in relation to the transaction. The Company announced the completion of the due diligence on 7 April 2009.
13. On 12 May 2009 the Company announced the resignation of Simon Gilbert as non-executive director of the Company.
14. On 15 May 2009 the Company issued a Short Form Prospectus for a pro-rata non-renounceable entitlement issue of up to 31,233,165 shares at an issue price of $0.03 per share with an attaching option exercisable at $0.05 on or before 31 December 2011. The offer was made to the Company's shareholders on the basis of one share for every three shares held. Refer to after balance sheet events for results of the entitlement issue.
15. On 2 July 2009 the Company announced the issue on 29 June 2009 of 395,500 ordinary fully paid shares to participants of the $0.14 placement completed on 7 October 2008 for nil consideration. The purpose of the issue was to re-price the placement to reflect the current market price of securities.

AFTER BALANCE SHEET EVENTS

On 3 July 2009 the Company announced the closure of the non-renounceable entitlement issue to shareholders and shortfall of 5,586,743 to be placed by the underwriter to the issue, BBY Ltd. The issue of the shortfall was subsequently announced on 5 August 2009.

On 31 July 2009 the Company announced the completion of a placement of 30,000,000 ordinary fully paid shares at $0.10, each with attaching $0.05 31 December 2011 option, to raise $3,000,000. The placement shares were issued on 10 August 2009 as announced on 12 August 2009 and placement options issued on 13 August 2009 as announced 17 August 2009.

On 5 August the Company announced the following issues as approved at the general meeting of shareholders held 24 July 2009

- 1,666,667 ordinary fully paid shares as a placement to Mr Andrew Mortimer to raise $50,000;
- 16,614,816 ordinary fully paid shares to directors and consultants in lieu of cash consideration for director and consultancy fees for nil consideration;
- 13,448,150 $0.05 31 December 2011 options attaching to share issues above, for nil consideration;
- 11,640,000 $0.05 31 December 2011 options as attaching options issued to participants in the placement of 11.64M shares completed in February 2009; and
- 500,000 $0.25 31 December 2013 options issued pursuant to a consultancy agreement.

On 17 August 2009 the Company announced the issue of 100,000 ordinary fully paid shares and $0.25 31 December 2013 options to participants of the $0.14 placement completed on 7 October 2008 for nil consideration. The purpose of the issue was to re-price the placement to reflect the current market price of securities.

On 17 August 2009 the Company announced the issue of 2,943,948 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 25 August 2009 the Company announced the issue of 4,848,555 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 31 August 2009 the Company announced the issue of 1,202,668 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 7 September 2009 the Company announced the issue of 47,667 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 29 September 2009 the Company applied for ASX quotation of the $0.05 options on issue.

Except for the above, 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 consolidated group, the results of those operations, or the state of affairs of the consolidated 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 consolidated 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 recently enacted 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,nor subsequent financial year. The director will reassess this position as and when the need arises.

INFORMATION ON DIRECTORS

Andrew Mortimer,
BA LLB (Sydney) MAUSIMM

Chairman and Joint 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, 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 and in sourcing its projects and management. Mr Mortimer holds a BA and LLB from Sydney University and is a Member of the Australian Society for Mining and Metallurgy.

Interest in Shares and Options	11,502,951 Ordinary Shares
	1,275,000 $0.20 share options
	2,415,002 $0.25 share options
	5,703,865 $0.05 share options
Directorships held in other listed entities	Global Nickel Investments Limited 26 February 2007 to present

Lia Darby,
BA(Hons) LLB (Hons)

Joint Managing Director and Company Secretary

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 Chairperson of Global Nickel Investments Ltd, an ASX listed company. Ms Darby is also currently Company Secretary of Proto Resources.

Interest in Shares and Options	4,777,734 Ordinary Shares
	920,000 $0.20 share options
	2,621,667 $0.25 share options
	2,742,734 $0.05 share options
Directorships held in other listed entities	Global Nickel Investments Limited 26 February 2007 to present

Patricia Kay Philip,
ONM; BSc; Grad Dip App Geophys; Grad Dip App Finance, FFin

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 holds a part-time position on the Academic Staff 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, Secretary of the Australian-French Association for Science and Technology and Fellow of the Financial Services Institute of Australia.

Ms Philip is a non-executive director providing Geophysical advice and project assistance to the Company.

Interest in Shares and Options	2,130,656 Ordinary Shares
	375,000 $0.20 share options
	1,250,000 $0.25 share options
	1,409,227 $0.05 share options
Directorships held in other listed entities	Austex Oil Limited 1 March 2006 to present
	Stirling Resources Limited (formerly Alexanders Securities Ltd),
	23 May 1988 to 11 February 2009
	Longreach Oil Ltd, 25 November 1986 to 19 December 2008

Aziz Greg Melick,
AM,RFD, S.C.

Non Executive Director

Mr Melick is a graduate of the University of Sydney (BA LLB) and is a barrister with chambers in Hobart and Sydney, 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 42 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 director of St.Johns Ambulance (Tas) Inc.

Mr Melick is actively involved with assistance provided to the Barnes Hill project in Tasmania.

Interest in Shares and Options	2,429,168 Ordinary Shares
	1,033,334 $0.25 share options
	1,629,168 $0.05 share options
Directorships held in other listed entities	None

Ian Campbell

Non Executive Director

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 2008 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 Austal Limited, ASG Group, and Solco, a solar energy Company. He is on the Advisory Board of Australian-based international geothermal developer Green Rock Energy Limited.

Interest in Shares and Options	1,000,000 $0.25c share options
Directorships held in other listed entities	ASG Group Limited, 12 June 2007 to present
	Austal Limited, 1 August 2007 to present
	Patersons Asset Management Limited, 17 July 2007 to present
	Solco Limited, 23 November 2007 to present

Simon Gilbert
BEng (Hons) (Metallurgical Engineering, SA)

Non Executive Director

Mr Gilbert is an experienced metallurgical engineer with many years experience in a broad range of mining operations having specialised in the last twelve years in mine-to-ship mineral economics.

Mr Gilbert has been involved in many varied corporate, operational and developmental roles including identifying process issues, determining root causes, detailed engineering design, construction supervision, commissioning, production, personnel training and handover, liaison with relevant official departments, project management, day-to-day plant metallurgical operations, mine planning, plant audits, equipment evaluations, and pilot plant investigations.

Mr Gilbert is a non-executive director who is responsible for advising the Board on technical and metallurgical issues.

Directorships held in other listed entities	None
Resignation	Resigned 12 May 2009

REMUNERATION REPORT (AUDITED)

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

1. Employment Agreements

Mr Mortimer and Ms Darby currently work for the Company in an executive capacity as Chairman/Joint Managing Director and Joint Managing Director respectively. There are currently no formal contracts in place setting out the period of employment. One month notice is required to be given by either the director of the Company. Termination payments are to be negotiated and set out in the new contracts.

2. Director related entities

During the year the following amounts were paid to director related entities;

- Archenland Pty Ltd (on behalf of Mr Mortimer and Ms Darby) - $130,145 (2008: $291,677) as fees paid to directors
- GMS Gilbert's Metallurgical Services Pty Ltd (on behalf of Mr Gilbert) - $27,250 (2008: $38,604) as fees paid to a director

3. Remuneration policy

The Company'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 consolidated 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 consolidated 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 consolidated entity 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 consolidated 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%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company 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.

4. Performance-based remuneration

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

5. Options issued as part of remuneration for the year ended 30 June 2009

The Company has established an employee share option plan. During the year a total of 125,000 new $0.25 options were issued to employees as part of their remuneration.

6. Details of remuneration for the year ended 30 June 2009:

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

Key Management Person	Short-term Benefits			Post	Share-based payments			
	Director's fees (cash) $	Consulting fees (cash) $	Non-cash benefit $	Super-annuation $	Shares $	Options $	Total $	% Remuneration as Share-based payments
Directors								
Andrew Mortimer								
2009	72,225	-	-	5,964	-	-	78,189	-
2008	90,000	60,000	-	8,100	-	334,000	492,100	67.9
Lia Darby								
2009	57,920	-	-	4,782	-	-	62,702	-
2008	67,500	60,000	-	6,077	-	334,000	467,577	71.4
Simon Gilbert								
2009	27,250	-	-	2,250	-	-	29,500	-
2008	35,417	-	-	3,188	-	167,000	205,605	81.2
Kay Philip								
2009	19,845	-	-	2,250	-	-	22,095	-
2008	36,075	5,500	-	4,590	-	167,000	213,165	78.3
Greg Melick								
2009	12,500	-	-	1,125	-	140,000	153,625	91.1
2008	12,500	-	-	1,125	-	-	13,625	-
Ian Campbell								
2009	50,000	-	-	4,500	-	140,000	194,500	72.0
2008	11,458	-	-	1,031	-	-	12,489	-
Executive								
Ashley Hood								
2009	27,082	-	-	2,437	7,000	2,225	38,744	23.8
2008	91,954	-	-	8,276	-	-	100,230	-
Pierre Richard								
2009	51,270	-	-	4,299	-	-	55,569	-
2008	54,167	-	-	4,875	75,000	-	134,042	60
Total								
2009	**318,092**	**-**	**-**	**27,607**	**7,000**	**282,225**	**634,924**	
2008	**399,071**	**125,500**	**-**	**37,262**	**75,000**	**1,002,000**	**1,638,833**	

For further details please refer to Note 5 of the financial statements.

7. Shareholdings

Number of Shares held by Key Management Personnel - $0.20 Options Expiry 31st August 2011

Key Management Person	Balance 1.7.2008 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other* No.	Balance 30.6.2009 No.
Directors					
Andrew Mortimer	4,380,000	-	-	1,419,086	5,799,086
Lia Darby	1,865,000	-	-	170,000	2,035,000
Simon Gilbert	1,150,000		-	(1,150,000)	-
Kay Philip	750,000	-	-	71,429	821,429
Greg Melick	100,000	-	-	700,000	800,000
Ian Campbell	-	-	-	-	-
Executive					
Ashley Hood	750,000	250,000	-	(800,000)	200,000
Pierre Richard	250,000	-	-	(250,000)	-
Total	**9,245,000**	**250,000**	**-**	**160,515**	**9,655,515**

8. Options

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

Key Management Person	Balance 1.7.2008 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2009 No.
Directors					
Andrew Mortimer	1,275,000	-	-	-	1,275,000
Lia Darby	920,000	-	-	-	920,000
Simon Gilbert	575,000	-	-	-	575,000
Kay Philip	375,000	-	-	-	375,000
Greg Melick	-	-	-	-	-
Ian Campbell	-	-	-	-	-
Executive					
Ashley Hood	375,000	-	-	-	375,000
Pierre Richard	-	-	-	-	-
Total	**3,520,000**	**-**	**-**	**-**	**3,520,000**

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

Key Management Person	Balance 1.7.2008 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2009 No.
Directors					
Andrew Mortimer	3,015,002	-	-	(600,000)	2,415,002
Lia Darby	2,621,667	-	-	-	2,621,667
Simon Gilbert	1,383,334	-	-	-	1,383,334
Kay Philip	1,250,000	-	-	-	1,250,000
Greg Melick	33,334	1,000,000	-	-	1,033,334
Ian Campbell	-	1,000,000	-	-	1,000,000
Executive					
Ashley Hood	250,000	125,000	-	50,000	425,000
Pierre Richard	83,333	-	-	377,084	460,418
Total	**8,636,670**	**2,125,000**	**-**	**(172,916)**	**10,138,337**

MEETINGS OF DIRECTORS

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Committee Meetings					
	Directors' Meetings		Audit Committee		Remuneration/ Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Mortimer	6	6	1	1	1	1
Lia Darby	6	6	1	1	1	1
Simon Gilbert	6	4	1	1	1	1
Kay Philip	6	6	1	1	1	1
Greg Melick	6	5	1	1	1	1
Ian Campbell	6	6	1	1	1	1

INDEMNIFYING AND INSURANCE OF OFFICERS

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

The Company 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 Company, other than conduct involving a wilful breach of duty in relation to the Company. 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
As at 30th June 2008	31st August 2011	$0.20	23,650,555
Issued during the year	31st August 2011	$0.20	-
Exercised during the year	31st August 2011	$0.20	-
As at 30th June 2009	31st August 2011	$0.20	23,650,555

	Date of Expiry	Exercise Price	Number under Option
As at 30th June 2008	31st December 2013	$0.25	33,057,054
Issued	31st December 2013	$0.25	18,070,760
Exercised during the year	31st December 2013	$0.25	(3)
As at 30th June 2009	31st December 2013	$0.25	51,127,811

During the year ended 30 June 2009, the following ordinary shares of Proto Resources & Investments Ltd were issued on the exercise of options. No further shares have been issued as a result of the exercise of options since that date. At balance date an amount of $14,000 remained unpaid on the shares. This amount was subsequently received.

Exercise Date	Exercise Price	Number of Shares Issued
16th October 2008	$0.25	3

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.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were provided by the external auditors during the year ended 30 June 2009.

GOING CONCERN

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing one of its mineral properties and from the continued support of directors.

PROTO RESOURCES & INVESTMENTS LTD AND CONTROLLED ENTITY ABN 35 108 507 517

The Directors believe it is appropriate to prepare these accounts on a going concern basis because, subsequent to balance date the company:

- issued 31,233,165 ordinary shares pursuant to the non-renounceable entitlement issue to raise $936,995;

- issued 30,000,000 ordinary shares in a placement to raise $3,000,000; and

- issued 9,042,838 ordinary shares pursuant to the exercise of options to raise $452,142.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 39 of the directors' report.

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

Lia Darby, Director

Dated this 30th day of September 2009

FINANCIALS

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Proto Resources & Investments Limited and Controlled Entities for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 30th day of September 2009

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

Independent Auditor's Report

To the Members of Proto Resources & Investments Ltd

We have audited the accompanying financial report of Proto Resources & Investments Ltd (the company) and Proto Resources & Investments Ltd and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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.

Chartered Accountants
NUMBER ONE IN NUMBERS

A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership

Liability limited by a scheme approved under Professional Standards Legislation

Praxity ASSOCIATE
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Independent Auditor's Report

To the Members of Proto Resources & Investments Ltd (Continued)

Bentleys
Thinking ahead

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 Ltd for the year ended 30 June 2009, complies with s 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 30th day of September 2009

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Revenue	2	35,276	667,738	35,288	666,669
Exploration costs written off	13	(1,246,033)	(430,632)	(1,197,553)	(430,632)
Consultancy and brokers fees		(1,573,276)	(2,162,932)	(1,573,276)	(2,162,932)
Travel and accommodation		(233,489)	(265,983)	(233,489)	(265,983)
Finance costs		(2,540)	(4,924)	(2,540)	(4,924)
Loss on share trading		(970,592)	-	(970,592)	-
Loss on financial investments at fair value		(367,699)	(987,207)	(367,699)	(987,207)
Other costs		(1,697,092)	(2,246,960)	(1,747,435)	(2,245,140)
Loss before income tax	3	(6,054,995)	(5,430,900)	(6,057,295)	(5,430,149)
Income tax expense	4	-	(73,305)	-	(73,305)
Loss attributable to members of the parent entity		(6,054,995)	(5,504,205)	(6,057,295)	(5,503,454)
Loss Per Share					
Basic loss per share (cents per share)	7	7.62	10.0		

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
ASSETS					
CURRENT ASSETS					
Cash assets	8	263,544	1,551,648	260,717	1,533,846
Trade and other receivables	9	222,475	237,652	222,475	237,652
Financial assets	10	813,908	2,286,480	813,908	2,286,480
Other current assets	11	82,578	106,134	82,578	106,134
TOTAL CURRENT ASSETS		**1,382,505**	**4,181,914**	**1,379,678**	**4,164,112**
NON-CURRENT ASSETS					
Exploration assets	13	3,535,094	3,369,242	3,535,094	3,320,761
Capital works in progress	14	490,000	390,000	490,000	390,000
Investment in subsidiary	12	-	-	-	108,265
Property, plant and equipment	15	138,113	128,221	138,113	128,221
TOTAL NON-CURRENT ASSETS		**4,163,207**	**3,887,463**	**4,163,207**	**3,947,247**
TOTAL ASSETS		**5,545,712**	**8,069,377**	**5,542,885**	**8,111,359**
CURRENT LIABILITIES					
Trade and other payables	23	1,141,490	159,749	1,141,490	202,258
Provisions	24	5,167	-	5,167	-
Financial liabilities	25	4,670	26,845	4,670	26,845
TOTAL CURRENT LIABILITIES		**1,151,327**	**186,594**	**1,151,327**	**229,103**
NON-CURRENT LIABILITIES					
Financial liabilities	25	-	4,670	-	4,670
TOTAL NON-CURRENT LIABILITIES		**-**	**4,670**	**-**	**4,670**
TOTAL LIABILITIES		**-**	**191,264**	**-**	**233,773**
NET ASSETS		**4,394,385**	**7,878,113**	**4,391,558**	**7,877,586**
EQUITY					
Issued capital	16	12,873,977	11,744,935	12,873,977	11,744,935
Option Valuation Reserve	17	4,283,235	2,841,010	4,283,235	2,841,010
Retained losses	19	(12,762,827)	(6,707,832)	(12,765,654)	(6,708,359)
TOTAL EQUITY		**4,394,385**	**7,878,113**	**4,391,558**	**7,877,586**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

Consolidated Group	Note	Share Capital Ordinary $	Share Option Reserve $	Retained Earnings $	Total $
Balance at 1 July 2007		**5,377,890**	**96,875**	**(1,203,627)**	**4,271,138**
Shares issued during the year	16a	6,538,090	-	-	6,538,090
Transaction costs associated with share issue net of tax	16a	(171,045)	-	-	(171,045)
Options issued during the year	16b	-	2,744,135	-	2,744,135
Loss attributable to members of group	19	-	-	(5,504,205)	(5,504,205)
Balance at 1 July 2008		**11,744,935**	**2,841,010**	**(6,707,832)**	**7,878,113**
Shares issued during the year	16a	1,158,471	-	-	1,158,471
Less Transaction costs arising from issue of shares net of tax	16a	(29,429)	-	-	(29,429)
Options issued during the year	16b	-	1,442,225	-	1,442,225
Loss attributable to members of group	19			(6,054,995)	(6,054,995)
Balance at 30 June 2009		**12,873,977**	**4,283,235**	**(12,762,827)**	**4,394,385**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

Parent Entity	Note	Share Capital Ordinary	Share Capital Share Option Reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2007		**5,377,890**	**96,875**	**(1,204,905)**	**4,269,860**
Shares issued during the year	16a	6,538,090	-	-	6,538,090
Transaction costs associated with share issue net of tax	16a	(171,045)	-	-	(171,045)
Options issued during the year	16b	-	2,744,135	-	2,744,135
Loss attributable to members of parent entity	19	-	-	(5,503,454)	(5,503,454)
Balance at 1 July 2008		**11,744,935**	**2,841,010**	**(6,708,359)**	**7,877,586**
Shares issued during the year		1,158,471	-	-	1,158,471
Less Transaction costs arising from issue of shares net of tax	16a	(29,429)	-	-	(29,429)
Options issued during the year	16a	-	1,442,225	-	1,442,225
Loss attributable to members of group	19	-	-	(6,057,295)	(6,057,295)
Balance at 30 June 2009		**12,873,977**	**4,283,235**	**(12,765,654)**	**4,391,558**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009	Consolidated Group 2008	Parent Entity 2009	Parent Entity 2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,560,105)	(3,046,047)	(1,544,692)	(3,045,505)
Payments for tenements, exploration and evaluation expenditure		(1,051,947)	(1,624,516)	(1,051,947)	(1,624,516)
Interest received		29,093	85,914	28,655	84,845
Dividends received		924	-	924	-
Other revenue		30,227	-	30,227	-
Finance costs		(1,439)	(4,924)	(1,439)	(4,924)
Profit from sale of investments		-	581,824	-	581,824
Net cash provided by (used in) operating activities	22	(2,553,247)	(4,007,749)	(2,538,272)	(2,383,760)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments		(492,257)	(3,078,725)	(492,257)	(3,078,725)
Proceeds from sale of investments		791,538	1,075,574	791,538	1,075,574
Joint venture funds received		80,000	-	80,000	-
Payment of security deposits		(1,209)	-	(1,209)	-
Payment of deposit for plant and equipment		-	(100,000)	-	(100,000)
Purchase of plant and equipment		(93,472)	(114,630)	(93,472)	(114,630)
Net cash provided by (used in) investing activities		284,600	(2,217,781)	284,600	(2,217,781)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		982,747	6,100,475	982,747	6,100,475
Payment of transaction costs associated with capital raising		(23,752)	(171,045)	(23,752)	(171,045)
Repayment of finance lease		(26,845)	-	(26,845)	-
Loan to other entities		(1,607)	-	(1,607)	-
Loan from associated entity		50,000	-	50,000	-
Net cash provided by (used in) financing activities		980,543	5,929,430	980,543	5,929,430
Net (decrease)/increase in cash held		(1,288,104)	(296,100)	(1,273,129)	(296,627)
Cash at beginning of financial year	8	1,551,648	1,847,748	1,533,846	1,830,473
Cash at end of financial year	8	263,544	1,551,648	260,717	1,533,846

The accompanying notes form part of these financial statements.

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 the consolidated group of Proto Resources & Investments Ltd and controlled entity, and Proto Resources & Investments Ltd as in individual parent entity. Proto Resources & Investments Ltd is a listed public Company, incorporated and domiciled in Australia.

Compliance with Australian Accounting Standards ensures that the financial report complies with all International Financial Reporting Standards (IFRS).

The financial report is presented in Australian dollars.

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

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. Principles of Consolidation

A controlled entity is any entity Proto Resources & Investments Ltd 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 12 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.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Proto Resources & Investments Ltd and its wholly-owned Australian subsidiary have 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.

c. Property, Plant and Equipment

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

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.

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:

Class of Fixed Asset	Depreciation Rate
Office equipment	33.3%
Leased fixtures and fittings	33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Exploration and Development Expenditure

Exploration, evaluation and development 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.

e. 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial Instruments

Recognition and initial 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. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

(i) 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. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) 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 using the effective interest rate method.

(iii) 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 using the effective interest rate method.

(iv) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement 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 income statement.

Derecognition

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.

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.

g. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. 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 income statement.

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.

h. 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.

i. 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.

j. 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.

k. 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.

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

l. Borrowing Costs

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

m. 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 balance sheet are shown inclusive of GST.

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

n. Comparative Figures

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

o. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to issue of shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 51

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting period, and the group has decided not to early adopt. The Group and the parent entity's assessment of the impact of these new standards and interpretations is set out below:-

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be booked to goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is in substance no change to group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

(ii) AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB 102, AASB 107, AASB 119, AASB 127, AASB134, AASB 136, AASB 1023, AASB 1038]

AASB 8 and AASB 2008-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The group has not early adopted this standard. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(iii) Revised AASB 123 Borrowing Costs and AASB 2008-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. No material impact on the financial report of the group is expected. The group has not early adopted this standard.

(iv) Revised AASB 101 Presentation of Financial Statements and AASB 2008 8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2008 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The group has not early adopted this standard.

(v) AASB 2009-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations

AASB 2009-1 was issued in February 2009 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group has not early adopted this standard, but it is not expected to affect the accounting for the Company's share-based payments.

(vi) Improvements to Australian Accounting Standards: AASB 2009-5 and AASB 2009-6

In July 2009, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The group has not early adopted this standard. No adjustments are expected to be necessary as the result of applying the revised rules.

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 Company'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 company 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.

r. Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities before income tax of $6,054,995 for the year ended 30 June 2009 (2008: $5,430,900 loss). Included within this loss was the write off of exploration expenditure of $1,246,033 (2008: $430,632).

The net working capital position of the Group at 30 June 2009 was $231,178 deficit (2008: $3,997,653) and the net decrease in cash held during the year was $1,288,104 (2008: a decrease of $296,100).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital and ultimately developing one of its mineral properties and from the continued support of directors.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because, subsequent to balance date the Group:

- issued 31,233,165 ordinary shares pursuant to the non-renounceable entitlement issue to raise $936,995;
- issued 30.000.000 ordinary shares in a placement to raise $3,000,000; and
- issued 9,042,838 ordinary shares pursuant to the exercise of options to raise $452,142.

PROTO RESOURCES & INVESTMENTS LTD AND CONTROLLED ENTITY ABN 35 108 507 517

NOTE 2: REVENUE

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Other revenues				
Realised gain on financial investments at fair value through profit and loss	-	581,824	-	581,824
	-	581,824	-	581,824
Interest revenue from:				
Bank deposits	35,726	85,914	35,288	84,845
Total revenue	35,726	667,738	35,288	666,669

NOTE 3: LOSS FOR THE YEAR

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
The loss from ordinary activities before income tax has been determined after;				
Expenses				
Finance costs:				
— Bank interest	1,101	1,453	1,101	1,453
— Lease interest	1,439	3,471	1,439	3,471
Total finance costs	2,540	4,924	2,540	4,924
Rental expense on operating leases				
— minimum lease payments	29,174	31,613	29,174	31,613
Depreciation of plant and equipment	78,987	56,122	78,987	56,122
Salaries (administration)	123,379	133,399	123,379	133,399
Superannuation	22,865	-	22,865	-
Other losses				
Unrealised losses on financial investments at fair value through profit and loss	(367,699)	(987,207)	(367,699)	(987,207)
	(367,699)	(987,207)	(367,699)	(987,207)

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
a. The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	73,305	-	73,305
Income tax as reported in the income statement	-	73,305	-	73,305
b. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Net profit/(loss)	(6,054,995)	(5,430,900)	(6,057,295)	(5,430,149)
Prima facie tax benefit on profit/(loss) from ordinary activities before income tax at 30%	(1,816,499)	(1,629,270)	(1,817,189)	(1,629,045)
Increase in income tax due to:				
- Non-deductible expenses	708,106	551,100	713,289	551,100
- Losses and temporary differences not recognised	-	1,134,065	-	1,133,830
- Derecognition of previously recognised losses	38,914	-	38,914	-
- Current year tax losses not recognised	1,111,204	-	1,106,711	-
Decrease in income tax expense due to:				
- Immediate write off of capital expenditure	-	(129,190)	-	(129,190)
- Deductible equity raising costs	(41,725)	-	(41,725)	-
Income tax attributable to operating loss	-	73,305	-	73,305
c. Deferred tax assets that have not been recognised	1,863,577	1,134,055	1,863,577	1,133,830

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Directors	
Andrew Mortimer	Chairman and Joint Managing Director
Lia Darby	Joint Managing Director
Kay Philip	Non Executive Director
Aziz (Greg) Melick	Non Executive Director
Ian Campbell	Non Executive Director
Simon Gilbert	Non Executive Director (resigned 12 May 2009)
Executive	
Ashley Hood	Operations Manager
Pierre Richard	Consultant - Finance

Key management personnel compensation is section of the Directors' report disclosed in the Remuneration

The Group has taken advantage of the relief provided by AASB 2009-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 33 to 36.

	Short term benefits	Post-employment benefits	Share-based payment	Net Change Other*
2009				
Total compensation	318,092	27,607	289,225	634,924
2008				
Total compensation	524,571	37,262	1,077,000	1,638,833

b. Options and Rights Holdings

Number of Options 20c Expiring 31st August 2011 Held by Key Management Personnel

	Balance 1.7.2008 No.	Granted as Compen-sation No.	Options Exercised* No.	Net Change Other* No.	Balance 30.6.2009 No.	Total Vested and exercisable 30.6.2009 No.
Directors						
Andrew Mortimer	1,275,000	-	-		1,275,000	1,275,000
Lia Darby	920,000	-	-	-	920,000	920,000
Simon Gilbert	575,000	-	-	-	575,000	575,000
Kay Philip	375,000	-	-	-	375,000	375,000
Greg Melick	-	-	-	-	-	-
Ian Campbell	-	-	-	-	-	-
Executive						
Ashley Hood	375,000	-	-	-	375,000	375,000
Pierre Richard	-	-	-	-	-	-
Total	**3,520,000**	**-**	**-**	**-**	**3,520,000**	**3,520,000**

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

b. Options and Rights Holdings continued

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

	Balance 1.7.2008 No.	Granted as Compen-sation No.	Options Exercised* No.	Net Change Other* No.	Balance 30.6.2009 No.	Total Vested and exercisable 30.6.2009 No.
Directors						
Andrew Mortimer	3,015,002	-	-	(600,000)	2,415,002	3,015,002
Lia Darby	2,621,667	-	-	-	2,621,667	2,621,667
Simon Gilbert	1,383,334	-	-	-	1,383,334	1,383,334
Kay Philip	1,250,000	-	-	-	1,250,000	1,250,000
Greg Melick	33,334	1,000,000	-	-	1,033,334	1,033,334
Ian Campbell	-	1,000,000	-	-	1,000,000	1,000,000
Executive						
Ashley Hood	250,000	125,000	-	50,000	425,000	250,000
Pierre Richard	83,333	-	-	377,084	460,418	460,418
Total	**8,636,670**	**2,125,000**	**-**	**(172,916)**	**10,138,337**	**8,636,670**

c. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2008 No.	Granted as Compen-sation No.	Options Exercised* No.	Net Change Other* No.	Balance 30.6.2009 No.	Total Vested and exercisable 30.6.2009 No.
Directors						
Andrew Mortimer	4,380,000	-	-	1,419,086	5,799,086	-
Lia Darby	1,865,000	-	-	170,000	2,035,000	-
Simon Gilbert	1,150,000		-	(1,150,000)	-	-
Kay Philip	750,000	-	-	71,429	821,429	-
Greg Melick	100,000	-	-	700,000	800,000	-
Ian Campbell	-	-	-	-	-	-
Executive						
Ashley Hood	750,000	250,000	-	(800,000)	200,000	-
Pierre Richard	250,000	-	-	(250,000)	-	-
Total	**9,245,000**	**250,000**	**-**	**160,515**	**9,655,515**	**-**

NOTE 6: AUDITOR'S REMUNERATION

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Remuneration of the auditor of the parent entity for:				
— Grant Thornton: auditing or reviewing the financial report	16,850	20,000	16,850	20,000
— Bentleys: auditing or reviewing the financial report	31,702	-	31,702	-
— other services	-	-	-	-
	48,522	20,000	48,522	20,000

NOTE 7: LOSS PER SHARE

	Consolidated Group	
	2009 $	2008 $
a. Loss used to calculate basic EPS	6,054,995	5,504,205
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	79,498,266	55,107,864

None of the options on issue are dilutive. For the purpose of this report, basic earnings per shares are equal to dilutive earnings per share and not required to be disclosed.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and in hand	263,544	401,137	260,718	383,335
Short-term bank deposits*	-	1,150,511	-	1,150,511
	263,544	1,551,648	260,718	1,533,846

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Other debtors	77,034	139,593	77,034	139,593
GST recoverable	145,441	98,059	145,441	98,059
	222,475	237,652	222,475	237,652

NOTE 10: FINANCIAL ASSETS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Financial assets at fair value through profit and loss				
— shares in listed corporations	486,411	1,761,413	486,411	1,761,413
— Options in listed corporations	14,497	134,567	14,497	134,567
Unlisted investments, at cost				
— shares in other corporations	313,000	390,500	313,000	390,500
Total financial assets	**813,908**	**2,286,480**	**813,908**	**2,286,480**

Held for trading financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments The value of listed investments is determined by reference to the closing prices on the Australian Securities Exchange.

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.

NOTE 11: OTHER CURRENT ASSETS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Security deposits – lease	79,762	76,134	79,762	76,134
Security deposits - tenements	1,209	30,000	1,209	30,000
Other sundry assets	1,607	-	1,607	-
	82,578	**106,134**	**82,578**	**106,134**

NOTE 12: CONTROLLED ENTITIES

a. Controlled Entities Consolidated	**Country of Incorporation**	**Percentage Owned**	
Parent Entity:		2009	2008
Proto Resources and Investments Ltd	Australia		
Subsidiary of Proto Resources and Investments Ltd			
Matilda Resources Pty Ltd	Australia	100%	100%

NOTE 13: EXPLORATION ASSETS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Exploration expenditure capitalised	3,535,094	3,369,242	3,535,094	3,320,761

A reconciliation of the carrying amount of Exploration and/or evaluation expenditure is set out below;

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Carrying amount at the beginning of the year	3,369,242	1,431,002	3,320,761	1,381,243
Additional costs capitalised during the year	1,411,885	2,053,872	1,411,886	2,055,150
Costs written off during the year	(1,246,033)	(430,632)	(1,197,553)	(430,632)
Shares/options issued to acquire exploration rights -	315,000	-	315,000	
Carrying amount at the end of the year	**3,535,094**	**3,369,242**	**3,535,094**	**3,320,761**

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.

Capitalised costs amounting to $1,051,947 (2008: $1,624,516) have been included in cash flows from operating activities in the cash flow statement.

Included in the above 2008 total is the sum of $495,328 for costs incurred to date on the Kahramanmaras Joint Venture in Turkey. Proto has signed a binding agreement to acquire its interest, subject to the appropriate legal process.

NOTE 14: CAPITAL WORKS IN PROGRESS

The total contract price for the purchase a Gravity Gold Processing plant is $490,000, the balance of $100,000 still owing at year end.

This acquisition is from a director-related entity, AuSIM Resources Pty Ltd, and, in accordance with ASX Listing Rules was approved by shareholders in General Meeting on 23rd July 2007.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
At cost	293,638	208,027	293,638	208,027
Accumulated depreciation	(155,525)	(79,806)	(155,525)	(79,806)
Total Property, Plant and Equipment	**138,113**	**128,221**	**138,113**	**128,221**

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 Fittings $	Land $	Total $
Consolidated Group and Parent Entity:				
Balance at 30 June 2007	15,220	54,493	-	69,713
Additions	114,630	-	-	114,630
Disposals	-	-	-	-
Depreciation	(30,974)	(25,148)	-	(56,122)
Balance at 30 June 2008	**98,876**	**29,345**	**-**	**128,221**
Additions	5,612	27,860	60,000	93,472
Disposals	(4,593)	-	-	(4,593)
Depreciation	(45,932)	(33,055)	-	(78,987)
Balance at 30 June 2009	**53,963**	**24,150**	**60,000**	**138,113**

NOTE 16: ISSUED CAPITAL

	Consolidated Group and Parent entity		Consolidated Group and Parent entity	
	2009 No.	2008 No.	2009 $	2008 $
94,094,995 (2008: 66,571,136) fully paid ordinary shares with no par value	94,094,995	66,571,136	12,873,977	11,744,935

	Consolidated Group and Parent entity		Consolidated Group and Parent entity	
a. Ordinary shares				
At the beginning of reporting period	66,571,136	42,847,600	11,744,935	5,377,890
Shares issued during the year				
12,720,707 shares issued at $0.27 each to subscribers	-	12,720,707	-	3,434,591
1,639,495 shares issued at $0.20 each pursuant to exercise of options	-	1,639,495	-	327,899
500,000 shares issued at $0.20 each pursuant to exercise of options under employee share option plan	-	500,000	-	100,000
250,000 shares issued at $0.64 each in exchange for consulting services provided to the Company with a fair value of $160,000	-	250,000	-	160,000
800,000 shares issued at $0.47 each in exchange for consulting services provided to the Company with a fair value of $376,000	-	800,000	-	376,000
500,000 shares issued at $0.30 each in exchange for exploration rights with a fair value of $150,000 (Menzies)	-	500,000	-	150,000
250,000 shares issued at $0.30 each in exchange for exploration rights with a fair value of $75,000 (Mt.Vetters)	-	250,000	-	75,000
250,000 shares issued at $0.30 each in exchange for consulting services provided to the Company with a fair value of $75,000	-	250,000	-	75,000
6,813,334 shares issued at $0.27 each to subscribers	-	6,813,334	-	1,839,600
3,956,213 shares issued at $0.14 each to subscribers	3,956,213	-	553,870	-
3 shares issued at $0.25 each pursuant to exercise of options	3	-	1	-
3,856,714 shares issued for nil consideration representing the re-pricing of the $0.14 placement to $0.07	3,856,714	-	-	-
471,429 shares issued at $0.07 each to participants in the share purchase plan	471,429	-	33,000	-
11,640,000 shares issued at $0.03 to placement subscribers	11,640,000	-	349,200	-
2,800,000 shares issued to consultants at a fair value of $0.028	2,800,000	-	78,400	-
4,800,000 shares issued to consultants at a fair value of $0.03	4,800,000	-	144,000	-
Less Transaction costs arising from issue of shares net of tax			(29,429)	(171,045)
At reporting date	**94,094,995**	**66,571,136**	**12,873,977**	**11,744,935**

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.

b. Options

Proto Resources & Investments Ltd has an employee share option plan. During the year the Company issued 125,000 $0.25 options exercisable at any time on or before 31 December 2013 at $0.0.178 each to employees with a total fair value of $2,225 pursuant to this plan.

Proto had two classes of share options at balance date, being an option to purchase ordinary shares for $0.25 each any time until 31st December 2013 and the other options on issue are exercisable for $0.20 each any time until 31st August 2011.

At 30th June 2009 there were 23,650,555 (30 June 2008: 23,650,555) unissued shares for which options exercisable at $0.20 each by 31st August 2011 were outstanding.

At 30th June 2009 there were 51,127,811(30 June 2008: 33,057,054) unissued shares for which options exercisable at $0.25 each by 31st December 2013 were outstanding.

For further details regarding options issued, exercised, lapsed and outstanding at year end, refer to note 18 for share based payments. As at the date of this report there were 57,278,480 unissued shares for which options exercisable at $0.05 each by 31st December 2011 were outstanding.

c. 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.

NOTE 17: OPTION VALUATION RESERVE

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

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of year	2,841,010	96,875	2,841,010	96,875
Value of options issued as consideration during the year	-	2,345,7500	-	2,345,750
Proceeds from the issue of new $0.25 options – 19,919,267 issued at $0.02 each	-	398,385	-	398,385
2,000,000 options valued at $0.14 each to directors	280,000	-	280,000	-
8,000,000 options valued at $0.145 each in exchange for consulting services provided to the company	1,160,000	-	1,160,000	-
125,000 options valued to employees pursuant to employment contract	2,225	-	2,225	-
Balance at the end of the year	**4,283,235**	**2,841,010**	**4,283,235**	**2,841,010**

NOTE 18: SHARE BASED PAYMENTS

The following share and option based payments were made during the year;

1. On 11 September 2008 the Company issued 2,000,000 $0.25 options exercisable at any time on or before 31 December 2013 at $0.14 each to directors with a total fair value of $280,000.
2. On 11 September 2008 the Company issued 8,000,000 $0.25 options exercisable at any time on or before 31 December 2013 at a deemed value of $0.145 each to consultants with a total fair value of $1,160,000.
3. On 3 February 2009 the Company issued 250,000 ordinary fully paid shares at a deemed value of $0.028 per share (total of $7,000) and 125,000 $0.25 options exercisable at any time on or before 31 December 2013 at a deemed value of $0.0178 each (total value of $2,225) to employees with a total fair value of $9,225.

The weighted average fair value of the options issued during the year was calculated by using the Black Scholes options pricing model applying the following inputs;

The weighted average fair value of the options issued during the year was calculated by using the Black Scholes options pricing model applying the following inputs;

	Options issued to Directors	Options issued to Consultants	Options issued to Employees
Number of options issued	2,000,000	8,000,000	125,000
Exercise price	$0.25	$0.25	$0.25
Expiry date	31 December 2013	31 December 2013	31 December 2013
Weighted average life of options	1,936 days	1,936 days	1,791 days
Underlying share price (cents) at issue	$0.166	$0.166	$0.0284
Volatility	124.04%	124.04%	124.04%
Risk free rate	6.73%	6.73%	6.73%
Fair value	$0.14	$0.145	$0.0178

The historical volatility of similar sized companies has been used as the basis for determining expected share price volatility. The life of the options is based on the days remaining until expiry.

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

	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	1,825,000	0.20
Granted	10,125,000	0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at the end of the financial period	11,950,000	0.24
Exercisable at the end of the financial period	11,950,000	0.24

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.24 and a weighted average remaining contractual life of 3.89 years.

The weighted average fair value of the options granted during the year was $0.12.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.24
Weighted average life of the option	1,638 days
Underlying share price	$0.14
Expected share price volatility	124.04%
Risk free interest rate	6.73%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

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

NOTE 19: RETAINED LOSSES

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Retained losses at beginning of year	(6,707,832)	(1,203,627)	(6,708,359)	(1,204,905)
Net loss attributable to the members of the company	(6,054,995)	(5,504,205)	(6,057,295)	(5,503,454)
— Retained losses at the end of the year	**(12,762,827)**	**(6,707,832)**	**(12,765,654)**	**(6,708,359)**

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
a. Finance Lease Commitments					
Payable — minimum lease payments					
— not later than 12 months		4,712	28,284	4,712	28,284
— between 12 months and 2 years		-	4,716	-	4,716
— greater than 2 years		-	-	-	-
Minimum lease payments		4,712	33,000	4,712	33,000
Less future finance charges		(42)	(1,485)	(42)	(1,485)
Present value of minimum lease payments		**4,670**	**31,515**	**4,670**	**31,515**
Lease payments due in under one year		4,670	26,845	4,670	26,845
Lease payments due in over one year		-	4,670	-	4,670

The three year finance lease on office fixtures and fittings commenced in September 2007, with full ownership passing at the end.

Non-cancellable operating lease expense commitments

	Consolidated Group		Parent Entity	
Future operating lease commitments not provided for in the financial statements and payable;	2009 $	2008 $	2009 $	2008 $
Within one year	79,146	127,896	79,146	127,896
One year or later and no later than five years	52,047	131,193	52,047	131,193
	131,193	**259,089**	**131,193**	**259,089**

Other operating leases

The Company leases two offices in Sydney under non-cancellable property leases, one with a 3 year term, with rent payable monthly in advance, expiring in August 2009 (as of the time of writing expired) and another with a four year term expiring in April 2011. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 3% per annum. An option exists to renew the leases at the end of their terms for an additional term of three years. The lease allows for subletting of all lease areas.

As at 30 June 2009 the Group had two bank guarantees in place relating to lease rentals for the Sydney offices totalling $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 renegotiation 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, except for Arunta which at the time of writing, has now been dropped.

	2009 $	2008 $
Not longer than one year	528,792	-
Longer than one year, but no longer than five years	810,817	-
	1,399,609	-

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet 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.

Other commitments

On 16 March 2009 the Company announced the acquisition of a 100% interest in the Waite Kauri North nickel mining lease (M37/1189). The mining lease was acquired from Warwick Resources Ltd for consideration of 4,000,000 ordinary fully paid shares in the Company. A facilitation fee of 5,000,000 $0.05 31 December 2011 options is also due in relation to the transaction. The Company announced the completion of the due diligence on 7 April 2009.

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the directors there were no contingent liabilities at 30 June 2009, and the interval between 30 June 2009 and the date of this report.

NOTE 22: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Loss after income tax	(6,054,995)	(5,504,205)	(6,057,295)	(5,503,455)
Cash flows excluded from loss attributable to operating activities				
Non-cash flows in loss				
Depreciation	78,987	56,122	78,987	56,122
Deferred tax asset written off	-	73,305	-	73,305
Unrealised loss/(gain) on investments	367,699	987,207	367,699	987,207
Loss on sale of investments	970,592	-	970,592	-
Loss on investment in subsidiary	-	-	65,755	-
Loss on forgiveness of loan	(90,000)	-	(90,000)	-
Exploration expenditure	1,051,947	1,624,516	1,051,947	1,624,516
Write off - exploration expenditure	1,246,033	-	1,197,553	-
Write off - plant & equipment	4,593	-	4,593	-
Write off - other	30,000	-	30,000	-
Shares/options issued for consulting services	1,440,000	2,019,750	1,440,000	2,019,750
Shares issued for costs	10,900	-	10,900	-
Changes in assets and liabilities;				
(Increase)/decrease in trade and term receivables	72,544	(75,587)	72,544	(75,587)
(Increase)/decrease in prepayments	3,005	-	3,005	-
Increase/(decrease) in trade payables and accruals	414,176	83,378	414,176	83,378
Increase/(decrease) in financial liabilities	5,166	(23,203)	5,166	(24,480)
Cashflow from operations	(2,553,247)	(4,007,749)	(2,538,272)	(2,383,760)

b. Non-cash Financing and Investing Activities

Share and option issues

On 11 September 2008 the Company issued 2,000,000 $0.25 31 December 2013 options at $0.14 each to directors with a total fair value of $280,000.

On 11 September 2008 the Company issued 8,000,000 $0.25 31 December 2013 options at $0.145 each to consultants with a total fair value of $1,160,000.

On 3 February 2009 the Company issued 125,000 $0.25 31 December 2013 options at $0.0.178 each to employees with a total fair value of $2,225..

None of the above transactions are recorded in the cashflow statement.

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
c. Credit Standby Arrangements with Banks				
Credit facility	100,000	100,000	100,000	100,000
Amount utilised	(4,000)	(41,000)	(4,000)	(41,000)
	96,000	59,000	96,000	59,000

The credit facility relates to a lease facility

NOTE 23: TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Sundry payables and accrued expenses	1,091,490	159,749	1,091,490	159,749
Amounts payable to:				
— wholly-owned subsidiaries	-	-	-	42,509
— Associated entities	50,000	-	50,000	-
	1,141,490	**159,749**	**1,141,490**	**202,258**

The loan repayable to the subsidiary was written off at 30 June 2008. The loan to the associated entities are repayable when the associate is in a position to do so. Loans are non-interest bearing.

NOTE 24: PROVISION

	2009 $	2008 $	2009 $	2008 $
CURRENT				
Provision for Annual Leave	5,167	-	5,167	-

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

Provision for annual leave	2009 $
Opening balance at 1 July 2008	-
Additional provisions	10,939
Amounts used	5,772
Carrying amount at the end of the year	5,167

NOTE 25: FINANCIAL LIABILITIES

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Finance lease	4,670	26,845	4,670	26,845
NON CURRENT				
Finance lease	-	4,670	-	4,670
	4,670	31,515	4,670	31,515

NOTE 26: SEGMENT REPORTING

The company operates predominantly in the exploration and mining business segment located in Australia. The Group holds short term investments in certain exploration businesses in order to forge strategic relationships.

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

On 3 July 2009 the Company announced the closure of the non-renounceable entitlement issue to shareholders and shortfall of 5,586,743 to be placed by the underwriter to the issue, BBY Ltd. The issue of the shortfall was subsequently announced on 5 August 2009.

On 31 July 2009 the Company announced the completion of a placement of 30 million ordinary fully paid shares at $0.10, each with attaching $0.05 31 December 2011 option, to raise $3M. The placement shares were issued on 10 August 2009 as announced on 12 August 2009 and placement options issued on 13 August 2009 as announced 17 August 2009.

On 5 August the Company announced the following issues as approved at the general meeting of shareholders held 24 July 2009

- 1,666,667 ordinary fully paid shares as a placement to Mr Andrew Mortimer to raise $50,000;
- 16,614,816 ordinary fully paid shares to directors and consultants in lieu of cash consideration for director and consultancyfees for nil consideration;
- 13,448,150 $0.05 31 December 2011 options attaching to share issues above, for nil consideration;
- 11,640,000 $0.05 31 December 2011 options as attaching options issued to participants in the placement of 11.64M shares completed in February 2009; and
- 500,000 $0.25 31 December 2013 options issued pursuant to a consultancy agreement.

On 17 August 2009 the Company announced the issue of 100,000 ordinary fully paid shares and $0.25 31 December 2013 options to participants of the $0.14 placement completed on 7 October 2008 for nil consideration. The purpose of the issue was to re-price the placement to reflect the current market price of securities.

On 17 August 2009 the Company announced the issue of 2,943,948 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 25 August 2009 the Company announced the issue of 4,848,555 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 31 August 2009 the Company announced the issue of 1,202,668 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 7 September 2009 the Company announced the issue of 47,667 ordinary fully paid shares pursuant to the exercise of the Company's $0.05 31 December 2011 options.

On 29 September 2009 the Company applied for ASX quotation of the $0.05 options on issue.

Except for the above, 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 consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

NOTE 28: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
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. Payments to Archenland Pty Ltd for fees paid to directors Mr Mortimer ($95,767 – 2008: $78,150) and Ms Darby ($80,392 – 2008: $68,612)	(176,159)	(291,677)	(176,159)	(291,677)
b. Payments to GMS Gilbert's Metallurgical Services Pty Ltd for fees paid to director Mr Gilbert	(29,975)	(38,604)	(29,975)	(38,604)
c. Payment to AuSIM Resources Pty Ltd (a related entity of Mr Gilbert) as deposit for purchase of Gravity Gold Processing Plant	-	(100,000)	-	(100,000)
d. Purchase of shares in Global Nickel Investments Limited, a company for which Mr Mortimer and Ms Darby are directors	(34,751)	(68,099)	(34,751)	(68,099)
e. Charged to Global Nickel Investments Limited (a company for which Mr Mortimer and Ms Darby are directors) for use of company office and administration services	260,010	160,484	260,010	160,484
f. Receipt of shares from Global Nickel Investments Limited in lieu of cash payment of a portion of fees (e) totalling $175,010. An amount of $87,334 was forgiven as a result of this transaction.	90,000	-	90,000	-
g. On 27 March 2009 the Company made a loan of $50,000 to Global Nickel investments limited (a company of which Mr Mortimer and Ms Darby as directors). There was no interest payable on this loan which was repaid on 18 June 2009.	(50,000)	-	(50,000)	-
h. Receipt of loan of $50,000 from Global Nickel investments limited (a company of which Mr Mortimer and Ms Darby as directors). There was no interest payable on this loan which was subsequently repaid on 11 August 2009.	50,000	-	50,000	-
i. Purchase of shares in Longreach Oil Limited, a company for which Ms Philip is a director	-	(99,000)	-	(99,000)
j. The Company paid ASIC fees on behalf the following entities of which Mr Mortimer and/or Ms Darby are directors. These amounts are not recoverable.				
- African Millenium Exploration Pty Ltd	(489)	-	(489)	-
- Vanguard Metals Pty Ltd	(964)	-	(964)	-
- Corsair Resources Ltd	(1,000)	-	(1,000)	-
- European Iron Pty Ltd	(277)	-	(277)	-
- European Copper Pty Ltd	(277)	-	(277)	-

NOTE 29 : FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

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

The main purpose of non-derivative financial instruments is to raise finance for group operations.

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

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest rate risk

The group has minimal Interest rate risk which is not disclosed as it is not material. A large proportion of cash reserves are held on at-call deposit.

Liquidity risk

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.

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 balance sheet and notes to the financial statements.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

— only banks and financial institutions with an 'A' rating are utilised for cash deposits

— all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

— customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for counterparties included in trade and other receivables at 30 June 2009 is detailed below:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Trade and other receivables				
AA rated counterparties	-	-	-	-
B rated counterparties	-	-	-	-
Counterparties not rated	222,475	237,652	222,475	237,652
Total	**222,475**	**237,652**	**222,475**	**237,652**

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

Price Risk

The Group and parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet at fair value through profit and loss. Neither the Group nor the parent entity are exposed to commodity price risk.

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

The majority of the Group's and the parent entity's equity investments are publicly traded on the ASX.

At 30 June 2009, had the ASX200 Index increased/decreased by 10% (2008:10%) with all other variables held constant and all of the group's equity instruments moved in correlation with the index, the post-tax loss for the year would increase/decrease by $81,391 (2008:$56,163) as a result of gains on equity securities classified as at fair value through profit and loss.

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.

b. Financial Instruments

i. Derivative Financial Instruments

The group does not have any Derivative financial instruments.

The group does not have any exposure to foreign exchange contracts.

ii. 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 balance sheet.

	Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate	
Consolidated Group	2009 %	2008 %	2009 $	2008 $
Financial Assets:				
Cash and cash equivalents	4.0	7.1	-	1,150,511
Receivables	-	-	-	-
Investments	-	-	-	-
Total Financial Assets			-	1,150,511
Financial Liabilities:				
Trade and sundry payables	-	7.1	-	-
Lease liabilities	8.25	8.25	-	-
Total Financial Liabilities			-	-

	Within 1 Year		1 to 5 years	
	2009 %	2008 %	2009 $	2008 $
Financial Assets:				
Cash and cash equivalents	-	-	-	-
Receivables	-	-	-	-
Investments	-	-	-	-
Total Financial Assets	-	-	-	-
Financial Liabilities:				
Trade and sundry payables	-	-	-	-
Lease liabilities	4,670	24,512	-	7,003
Total Financial Liabilities	4,670	24,512	-	7,003

	Over 5 Years		Non Interest Bearing	
	2009 $	2008 $	2009 $	2008 $
Financial Assets:				
Cash and cash equivalents	-	-	263,544	401,137
Receivables	-	-	222,475	237,652
Investments	-	-	813,908	2,286,480
Total Financial Assets			1,299,927	2,925,269
Financial Liabilities:				
Trade and sundry payables	-	-	1,141,490	159,749
Lease liabilities	-	-	-	-
Total Financial Liabilities	-	-	1,141,490	159,749

	Total	
	2009 $	2008 $
Financial Assets:		
Cash and cash equivalents	263,544	1,551,648
Receivables	222,475	237,652
Investments	813,908	2,286,480
Total Financial Assets	1,299,927	4,075,780
Financial Liabilities:		
Trade and sundry payables	1,141,490	159,749
Lease liabilities	4,670	31,515
Total Financial Liabilities	1,146,160	191,264

Parent Entity	Fixed Interest Rate Maturing: Weighted Average Effective Interest Rate 2009 %	Weighted Average Effective Interest Rate 2008 %	Floating Interest Rate 2009 $	Floating Interest Rate 2008 $
Financial Assets:				
Cash and cash equivalents	4.0	7.1	-	1,150,511
Receivables	-	-	-	-
Investments	-	-	-	-
Total Financial Assets			-	1,150,511
Financial Liabilities:				
Trade and sundry payables	-	7.1	-	-
Amounts payable related parties	-	-	-	-
Lease liabilities	8.25	8.25	-	-
Total Financial Liabilities				

	Within 1 Year 2009 %	Within 1 Year 2008 %	1 to 5 years 2009 $	1 to 5 years 2008 $
Financial Assets:				
Cash and cash equivalents	-	-	-	-
Receivables	-	-	-	-
Investments	-	-	-	-
Total Financial Assets	-	-	-	-
Financial Liabilities:				
Trade and sundry payables	-	-	-	-
Amounts payable related parties	-	-	-	
Lease liabilities	4,670	24,512	-	7,003
Total Financial Liabilities	4,670	24,512	-	7,003

	Over 5 Years 2009 %	Over 5 Years 2008 %	Non Interest Bearing 2009 $	Non Interest Bearing 2008 $
Financial Assets:				
Cash and cash equivalents	-	-	260,718	383,335
Receivables	-	-	222,475	237,652
Investments	-	-	813,908	2,286,480
Total Financial Assets	-	-	1,297,101	2,907,467
Financial Liabilities:				
Trade and sundry payables	-	-	1,141,490	159,749
Amounts payable related parties	-	-	-	42,509
Lease Liabilities	-	-	4,610	-
Total Financial Liabilities	-	-	1,146,100	202,258

	Total 2009 $	Total 2008 $
Financial Assets:		
Cash and cash equivalents	260,718	1,533,846
Receivables	222,475	237,652
Investments	813,908	2,286,480
Total Financial Assets	1,297,101	4,057,978
Financial Liabilities:		
Trade and sundry payables	1,091,490	159,749
Amounts payable related parties	50,000	42,509
Lease liabilities	4,670	31,515
	1,146,160	233,773

Trade and sundry payables are expected to be paid as followed:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Less than 6 months	1,041,490	159,749	1,041,490	202,258
6 months to 1 year	100,000	-	100,000	-
1 - 5 years	-	-	-	-
Over 5 years	-	-	-	-
	1,141,490	**159,749**	**1,141,490**	**202,258**

iii. 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.

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

	2009		2008	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets:				
Available-for-sale financial assets at fair value	813,908	813,908	813,908	813,908
Financial Liabilities				
Lease liabilities	4,690	4,690	4,690	4,690

PRINCIPAL REGISTERED OFFICE

Proto Resources & Investments Ltd

Suite 1901, 109 Pitt St,

Sydney, NSW 2000

Tel: 02 9225 4000 Fax: 02 9232 5359

Email: info@protoresources.com.au

Web: www.protoresources.com.au

DIRECTORS AND SENIOR MANAGEMENT

Andrew Mortimer – Chairman and Joint Managing Director

Lia Darby – Joint Managing Director

Kay Philip – Non-Executive Director

Greg Melick – Non-Executive Director

Ian Campbell – Non-Executive Director

Ashley Hood – Operations Manager

Pierre Richard – Consultant (Finance)

SHARE REGISTRAR

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell St, Adelaide, SA 5000

Enquiries within Australia: 1300 556 161

Enquiries outside Australia: 61 3 9415 4000

Email: web.queries@computershare.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/PRWOB

Abbreviations

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (the Australian Securities Exchange) (ACN 008 624 691).

Cazaly means Cazaly Resources Limited (ACN 101 049 334).

Company means Proto Resources & Investments Ltd (ACN 108 507 517).

Discovery Metal means Discovery Metal Limited (ACN 104 924 423).

Falconbridge means Falconbridge (Australia) Pty Ltd (ACN 000 697 772).

Lionore means Lionore Mining International Ltd (ARBN 105 421 341).

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

Western Mining means Western Mining Corporation Limited (ACN 004 184 598).

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

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.

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.

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)

Km² Square kilometre

laterite An iron-rich rock that typically forms at the surface due to intense weathering and leaching of underlying bedrock.

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.

lithstratigraphy 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

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

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.

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 company declare that:

1. the financial statements and notes, as set out on pages 41 to 74, 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 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. the Joint Managing Directors have each declared that:
   a. the financial records of the company 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 company 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.

Lia Darby, Director

Dated this 30th day of September 2009

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 22 September 2009.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary Shares
1 – 1,000	55
1,001 – 5,000	195
5,001 – 10,000	312
10,001 – 100,000	1,000
100,001 – and over	353
	1,915

b. The number of shareholdings held in less than marketable parcels is 569

c. The name of the substantial shareholder listed in the holding company's register as at 22 September 2009 is:

Shareholder	Ordinary Shares
Andrew Kenneth Bruce Mortimer	11,502,951
(representing 6.28% of the issued share capital)	

d. 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.

e. 20 Largest Shareholders as at 22 September 2009 — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Merrill Lynch (Australia) Nominees Pty Limited ←Berndale A/C→	5,467,728	2.99
2. Andrew Kenneth Bruce Mortimer	4,797,949	2.63
3. Lia Melissa Darby	2,486,667	1.36
4. SA Capital Funds Management Limited ←SACFM No 1 Fund A/C→	2,379,052	1.30
5. Lia Melissa Darby	2,291,067	1.25
6. Andrew Kenneth Bruce Mortimer	2,266,667	1.24
7. Andrew Kenneth Bruce Mortimer	2,160,000	1.18
8. Citicorp Nominees Pty Limited	2,100,000	1.15
9. Mrs Virginia Warnecke	2,100,000	0.98
10. Klip Pty Ltd ←Beirne Super Fund A/C→	2,089,500	1.14
11. McMahon International Pty Ltd ←McMahon International A/C→	2,000,000	1.09
12. Sunvest Corporation Limited	1,890,600	1.03
13. Mr Robert Munslow + Ms Janet Mary Munslow ←Electec (Munslow) S/F A/C→	1,825,000	1.00
14. Ashley Hood	1,619,000	0.89
15. Mr Aziz Gregory Melick	1,362,500	0.75
16. Mr Mahender Rao Aechoor Munuswamy	1,338,065	0.73
17. Mr Michael Wild	1,333,333	0.73
18. Andrew Kenneth Bruce Mortimer	1,233,334	0.68
19. Mr David Nigel Bruce Mortimer + Mrs Jill Katherine Mortimer ←Mortimer S/F A/C→	1,216,667	0.67
20. McMahon International Pty Ltd ←McMahon International A/C→	1,151,872	0.63
	43,109,001	23.55

2. The name of the company secretary is Lia Darby.

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

4. Registers of securities are held at the following address;

South Australia, Computershare Investor Services Pty Limited, Level 5, 115 Grenfell St, Adelaide, SA 5000

5. Stock Exchange Listing

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

6. Unquoted Securities

The Company has one class of unquoted securities, being options exercisable at $0.05 on or before 31 December 2011. As at 22 September 2009 there are 57,278,480 $0.05 options on issue.

7a. Options over Unissued Shares ($0.20 options – expiry 31st August 2011)

A total of 23,650,555 $0.20 options are on issue. Each option can be exercised upon the payment of $0.20 and will receive one ordinary share. The expiry date for the options is 31st August 2011.

Listed below are the 20 largest $0.20 option holders as at 22 September 2009.

Name	Number of Options Held	% Held of total options on issue
1. Petard Pty Ltd	1,179,000	4.99
2. Andrew Kenneth Bruce Mortimer	1,150,000	4.86
3. Vassago Pty Ltd ←Aston A/C→	1,000,000	4.23
4. Ms Lia Melissa Darby	920,000	3.89
5. Mr John Sexton and Mrs Yvonne Sexton ←Sexton Developments S/F A/C→	837,500	3.54
6. Mr Wildfred Maurice Iddon	752,753	3.18
7. Uang Pty Ltd	675,000	2.85
8. Renlyn Bell Investments Pty Ltd ←G & R Bonaccorso Family A/C→	600,000	2.54
9. Novus Capital limited	500,000	2.11
10. International Business Network (Services) Pty Ltd	450,000	1.90
11. Gregory J Wood and Associates Pty Ltd	400,000	1.69
12. MND Australia Pty Ltd	400,000	1.69
13. MAPD Nominees Pty Ltd	389,000	1.64
14. Ashley Hood	375,000	1.59
15. Ms Kay Philip	375,000	1.59
16. Neil Roland MacKenzie and Susan Amanda MacKenzie Atf for Neil MacKenzie Super Fund	365,625	1.55
17. Mrs Maria Viteritta	361,000	1.53
18. Mr Alfi Prestipino	350,000	1.48
19. Carmant Pty Ltd ←Carmant Super Fund A/C→	300,000	1.27
20. Janis Carew James	300,000	1.27
	11,679,878	49.39

7b. Options over Unissued Shares ($0.25 options – expiry 31st December 2013)

A total of 43,190,388 $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 31st December 2013.

Listed below are the 20 largest $0.25 option holders as at 22 September 2009.

Name	Number of Options Held	% Held of total options on issue
1. Andrew Kenneth Bruce Mortimer	2,766,667	5.35
2. Ms Lia Melissa Darby	2,621,667	5.07
3. Mr Peter George McFee and Ms Brenda Ann McFee	2,000,000	3.87
4. Mr Robert Gemelli	1,850,000	3.58
5. Mr Ronald Arthur Jacobs	1,569,026	3.03
6. Peter Gebhardt and Carlene Gebhardt (Petard Super Fund A/C)	1,518,433	2.94
7. Clodene Pty Ltd	1,287,082	2.49
8. Ms Patricia Kay Philip	1,250,000	2.42
9. Ian Campbell (Ian Campbell Family A/C)	1,000,000	1.93
10. Aziz Gregory Melick	1,000,000	1.93
11. Mr Peter Neugebauer	1,000,000	1.93
12. Professional Payment Services Pty Ltd	1,000,000	1.93
13. Mr George Phillip Kay	986,655	1.91
14. DJ Coughlan Drilling Pty Ltd	981,667	1.90
15. Salavente Pty Ltd (GRB Super Fund A/C)	917,314	1.77
16. Mr Peter Lancelot Gebhardt	800,000	1.55
17. Global Nickel Investments Limited	800,000	1.55
18. Clodene Pty Ltd	750,000	1.45
19. Berne No 132 Nominees Pty Ltd ←399632 A/C→	690,000	1.33
20. Carmant Pty Ltd	690,000	1.33
	25,488,511	49.27

7c. Unlisted Options over Unissued Shares ($0.05 options – expiry 31st December 2011)

A total of 57,278,480 $0.25 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 31st December 2011.

Listed below are the 20 largest $0.05 option holders as at 22 September 2009.

	Name	Number of Options Held	% Held of total options on issue
1.	Mr Andrew Kenneth Bruce Mortimer	3,913,863	6.83
2.	Bellset Nominees Pty Ltd	3,333,333	5.82
3.	Mr Neil Scriven and Ms Robyn McDonald	2,666,667	4.66
4.	Ms Lia Melissa Darby	2,121,067	3.70
5.	Mr Ashley Keith Hood	1,954,000	3.41
6.	SA Capital Funds Management Limited ←SACFM No 1 Fund A/C→	1,812,385	3.16
7.	Subiaco Capital Pty Ltd	1,766,666	3.08
8.	Tulla Resources Group Pty Ltd ←Tulla Resources Invest A/C→	1,433,334	2.50
9.	Mrs Patricia Kay Philip	1,385,417	2.42
10.	Mr Aziz Gregory Melick	1.362,500	2.38
11.	Merrill Lynch (Australia) Nominees Pty Limited ←Berndale A/C→	1,000,000	1.75
12.	Mr Benjamin John Thompson	1,000,000	1.75
13.	Fortis Clearing Nominees P/L ←Settlement A/C→	841,667	1.47
14.	Brazilliant Pty Ltd	833,334	1.45
15.	Beirne Trading Pty Ltd (UBS Wealth Mgmt A/C→	750,000	1.31
16.	DJ Coughlan Drilling Pty Ltd	750,000	1.31
17.	Ms Lia Melissa Darby	621,667	1.09
18.	Mining Corporate Pty Ltd	600,000	1.05
19.	Mr Angelo Rousselis	600,000	1.05
20.	Mr Andrew Kenneth Bruce Mortimer	566,667	0.99
		29,312,567	51.18

SCHEDULE OF MINERAL TENEMENTS

AS AT 30 SEPTEMBER 2009

Project	Tenement	Interest held by Proto Resources & Investments Limited
Barnes Hill	EL 17/2006	100%
Barnes Hill Mining Lease	1872P/M	APPLICATION ONLY
Barnes Hill West	EL 53/2008	100%
Tiboburra	EL 6286	100%
Tiboburra	EL 6663	100%
Lindeman's Bore	EL 25307	80%
Wave Hill	ELA 27413	APPLICATION ONLY
Wave Hill	ELA 27414	APPLICATION ONLY
Waterloo	ELA 27416	APPLICATION ONLY
Waterloo	ELA 27420	APPLICATION ONLY
Wave Hill	ELA 27617	APPLICATION ONLY
Wave Hill	ELA 27618	APPLICATION ONLY
Menzies	P29/1831	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1832	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1841	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1842	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1843	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1781	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1803	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1897	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1898	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1901	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1902	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1903	90% nickel laterite; 70% gold; 50% nickel sulphide
Menzies	P29/1904	90% nickel laterite; 70% gold; 50% nickel sulphide
Mt Vetters	E27/0358	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1691	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1692	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1693	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1823	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1824	75% gold and uranium; 100% all other metals
Mt Vetters	P27/1825	75% gold and uranium; 100% all other metals

P Prospecting Licence

E Exploration Licence

M Mining Licence

PROTO
RESOURCES & INVESTMENTS LTD

Street: Suite 1901, Level 19, 109 Pitt St
SYDNEY NSW 2000
Postal: PO Box R1870, Royal Exchange,
Sydney NSW 1225
Phone: +61 2 9225 4000
Fax: +61 2 9235 3889
Email: info@protoresources.com.au
Web: www.protoresources.com.au