

PROTO

RESOURCES & INVESTMENTS LTD

ANNUAL REPORT
EL24357

FOR THE YEAR ENDED
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1 INTRODUCTION

The Arunta Project is located approximately 250km NNW of Alice Springs in the Northern Territory. The North Arunta Province is dominated by a series of sulphidic Palaeoproterozoic sedimentary sequences intruded by granite plutons and mafic sills. Quaternary and Tertiary cover conceals large areas of bedrock in the area however the region has seen exploration for a variety of commodities including gold, base metals, iron ore, uranium and diamonds.

Modern exploration in the project area includes a variety of exploration methods dominated by geophysics such as airborne magnetic, radiometric and GEOTEM surveys in conjunction with surface sampling and limited percussion drilling.

2 PROPERTY DESCRIPTION AND TENURE

EL24357 of 155 sub-blocks was originally granted to Discovery Nickel Limited in March 2005 for a period of six years. Proto Resources & Investments Ltd then acquired the licence from Discovery as part of the Arunta Project on the 29 October 2006.

Table 1. Tenement Details

Licence Number	Sub-blocks	Grant Date	Expiry Date
24357	155	31 Mar-05	30 Mar-11

3 ACCESSIBILITY AND INFRASTRUCTURE

The tenement is located approximately 235km NNW of Alice Springs in the Northern Territory and covers portions of the Mt Peake (SF53-05), 1:250,000 map sheet. It lies within the Stirling and/or Anningie Perpetual Pastoral Leases and is subject to Native Title. Access to the area is facilitated by the Central Land Council (CLC) through an Exploration Deed Accessibility and Infrastructure.

The project area can be accessed via the all weather Alice Springs-Darwin highway. Additional roads extend up to 100km west of the highway through the project area and are accessible by four wheel drive vehicles (Figure 1).

4 GEOLOGICAL SETTING

The project area lies within the north-central portion of the Paleoproterozoic Arunta Province. The stratigraphy of the Arunta province comprises relics of 2500 Ma Archaean basement overlain by >1800 Ma Palaeoproterozoic, turbiditic sequences of greywacke, quartz, sandstone, siltstone and shale along with mafic rocks and their high-grade metamorphic equivalents. The Arunta also has minor calc-silicates and meta-felsic volcanic units. During the Barramundi Orogeny, the sedimentary units were intruded by mafic rocks which have been deformed and in places metamorphosed to amphibolite facies. During the closing stages of the Barramundi Orogeny (~1830 Ma) granite plutons intruded rocks of the Arunta Province. The main divisions of these Palaeoproterozoic basement rocks (youngest at top) are:

Reynolds Range Group (gneiss, amphibolite, quartzite and calc-silicate)

Lower Hatches Creek Group (sandstone)

Strangeways Range Metamorphics (mafic and felsic granulite, quartzite, calc-silicate)

Atnarpa Igneous Complex (schist, gneiss, amphibolite, quartzite, calc-silicate)

Killi Killi Formation (Atnarpa and Lander Rock beds)

These basement rocks are intruded by granite and gneissic granite and gabbro and dolerite. The Arunta Palaeoproterozoic basement rocks are associated with folding, faulting, igneous intrusion and unconformities which may have generated several suitable host sites for uranium and base metal mineralisation. Regional aeromagnetic surveys conducted over the Arunta Province highlight the numerous “rafts” of mafic rocks included within the metamorphic and igneous complex of the Atnarpa Group. These are thought to be remnants of intruded sills or possibly portions of Archaean basement rocks and are ideal sites for the deposition of mineralised fluids released during the prolonged periods of orogenic activity. The Proto project area is host to several such bodies.

At the project level, rocks of the Palaeoproterozoic Lower Hatches Group, Reynolds Range Group, undifferentiated granitoid and gabbro-dolerite association occur. Neoproterozoic to Palaeozoic rocks of the Georgina Basin cover the Palaeoproterozoic rocks in the south to southeast. In places, Quaternary and Tertiary cover sequences of variable depth (range from a few meters to in excess of 100m) conceal the basement rocks.

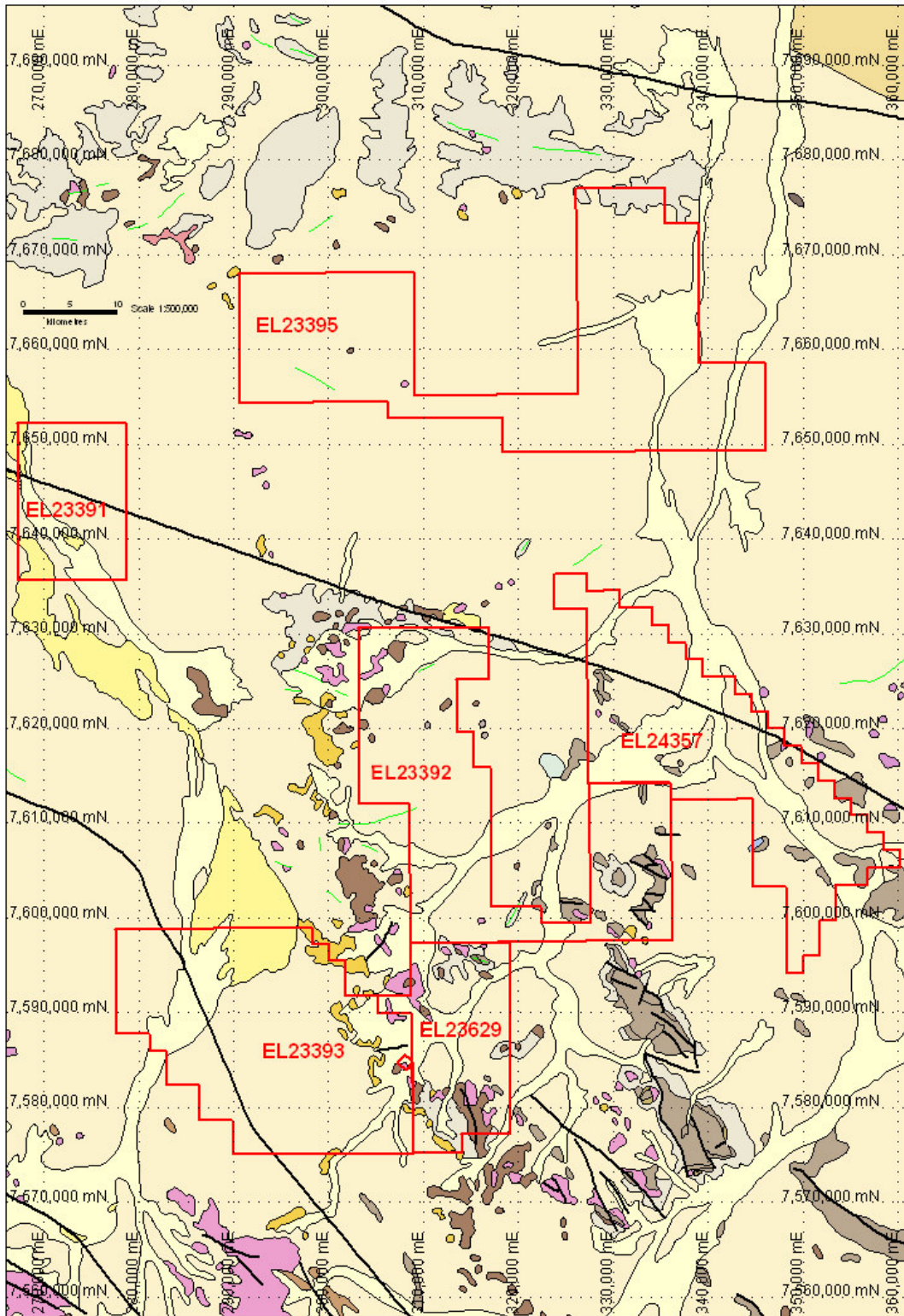


Figure 1 Location Map GDA94 zone53 1:500,000 scale

5 PREVIOUS EXPLORATION

The Arunta Province has been explored for gold, uranium, rare earths and base metals by various companies. The province is considered prospective for a number of base metal mineralisation styles from Proterozoic stratabound Cu-Pb-Zn to skarn-related Cu-Au and Pb-Zn-Cu and acid volcanic Cu-Pb-Zn. The province hosts a number of significant base metals deposits including; Jervois 6.1Mt @ 2.1% Cu, Prospect D 3.2Mt @ 0.6% Cu & 0.2% Ni, Oonagalabi 25Mt @ 0.5% Cu & 1% Zn and Home of Bullion 0.13Mt @ 7.1% Cu, 5% Zn & 2% Pb.

The area also hosts a number of sub-economic occurrences of gold, tin, tungsten, tantalum, mica, nickel, chromite and semi-precious stones.

In terms of the exploration within the project area, Falconbridge completed airborne electromagnetic ("EM") GEOTEM surveys on EL23392, EL23393 and EL23629 then vended the tenements into Discovery Nickel Ltd ("Discovery"). Discovery drill tested two conductive targets identified during the Falconbridge surveys and encountered weakly disseminated sulphides at the B1 prospect in EL23392. At this point Discovery applied for tenement EL 24357 believed to contain the strike extension of the stratigraphy hosting the B1 sulphide mineralisation. EL24357 was not granted until March 2005 and in the meantime Discovery flew two further GEOTEM surveys over EL23395 and EL23391 which defined a further 16 conductive targets (Table 2).

In the brief time since Proto acquired the Arunta Project from Discovery in October 2006 they have completed an initial review of available data relating to the licence area.

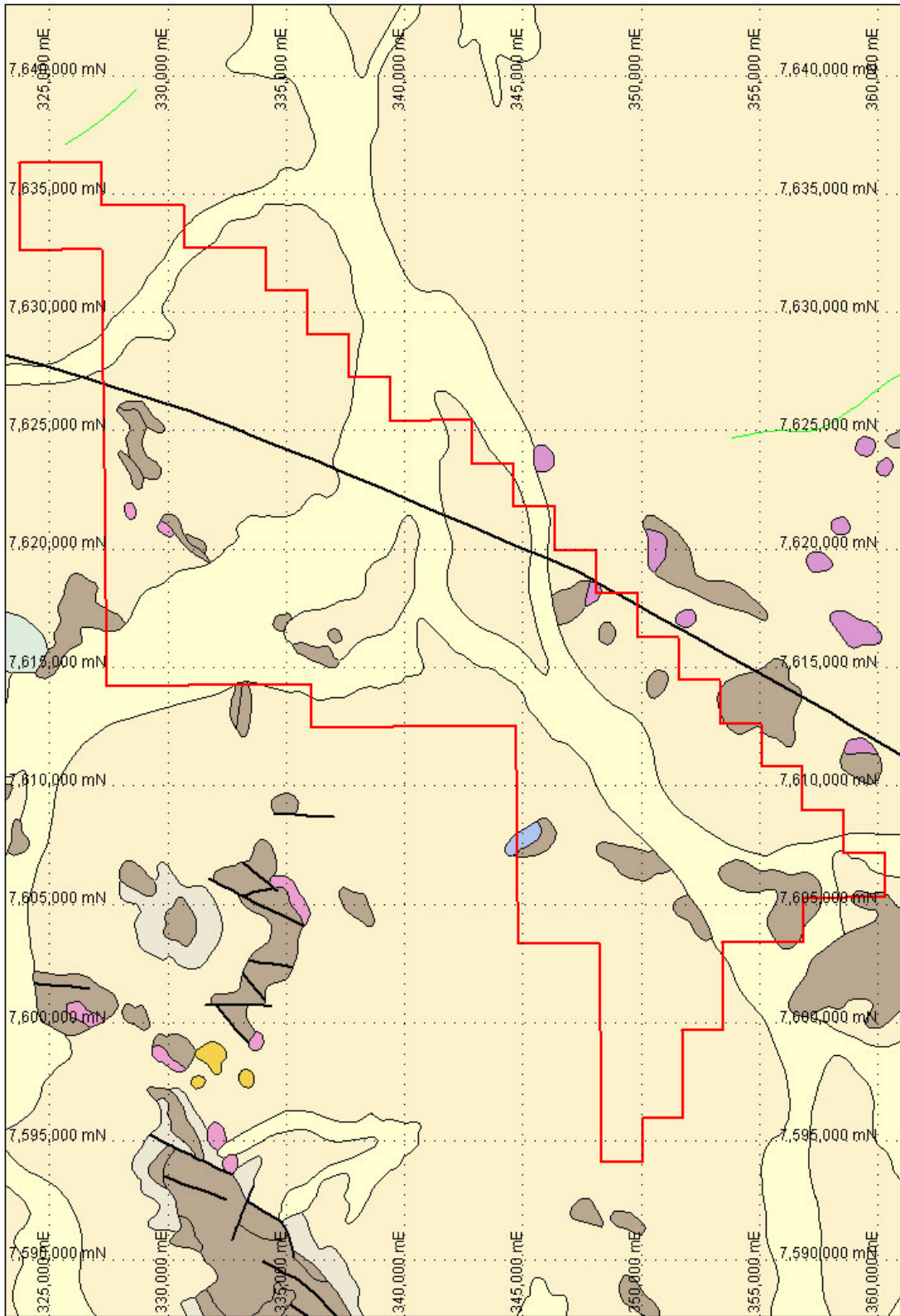


Figure 2. Regional Geology of the Arunta Project GDA94 zone53 1:200,000 scale

Date	Company	Work Completed	Results
Early 1970s	CRA Exploration Pty Ltd	Uranium exploration, mapping, ground scintillometer survey and scout drilling	Uranium values up to 33 ppm uranium intersected in calcrete
1978	Otter Exploration NL Ref CR19790034	Uranium and tin surface sampling at Anningie Tinfield	Geochemistry anomalous for tin and tantalum
1979	CRA Exploration Pty Ltd Ref CR19790196	Uranium exploration mapping, aerial photo interpretation, airborne and ground magnetics, RAB drilling	Radiometric targets identified
1980	CRA Exploration Pty Ltd Ref CR19810022	Drainage sampling at -40 and -80 mesh for molybdenum, arsenic and gold	Maximum values were 5 ppm molybdenum, 10 ppm arsenic and 0.1 ppm gold
1981	Jays Exploration Pty Ltd Ref CR19810186	Mapping and environmental assessment for cassiterite (tin) deposits	Pockets of alluvial cassiterite identified as shedding from the pegmatite source area
1979 - 1983	CRA Exploration Pty Ltd	Airborne magnetics and radiometrics, stream sediment/rock chip samples	Rock chip result (sample 970125) at 1.1 g/t gold reported
1989	Stockdale Prospecting Limited	Regolith mapping with stream sediment and soil sampling for diamonds	A few diamond indicator spinels, and kimberlitic garnets located
1993 - 1994	Poseidon Gold Limited Ref CR19950233	Gold exploration at Ingallan Prospect. Regolith mapping, 83 RAB holes, geochemistry	Maximum values: 6.3 ppm bismuth, 0.2 ppm cadmium, 6.9 ppm molybdenum, 21.77 % iron, 2510 ppm manganese, 290 ppm copper, 38 ppm lead, 200 ppm zinc, 0.2 ppm silver, 12 ppm arsenic and 1 ppb gold
1991 - 1997	WMC Resources Ltd Joint Venture with Aberfoyle Resources Ltd Refs CR19930085, CR19940184, CR19940383, CR19950107	Gold exploration, surface geochemistry, mapping, airborne magnetics and radiometry, ground IP and EM surveys, Auger and RC drilling	Nickel anomalies in soil, up to 5 m at 0.63% nickel and 3 m at 0.42% nickel with 0.52% copper from drilling. Also geochemistry with up to 11.5% iron, 0.45% manganese and 5.9 ppm uranium
1997	Adelaide Resources NL Ref CR19970427 CR19980060 CR19980311 CR19980568	Ground magnetics, RAB drill holes, vacuum drill holes, regolith mapping	Maximum values: 48ppm copper, 16 ppm lead, 97 ppm zinc, 0.2 ppm silver and 0.001 ppm gold
2001	Falconbridge (Australia) Pty Ltd	Detailed geological and airborne GEOTHERM survey over selected areas	22 airborne EM conductors identified
2003	Discovery Nickel Limited	Initial testing of some EM anomalies in the B1 Prospect	Diamond hole ARD-01 intersected two horizons (25 m and 17 m wide) of sulphide-rich graphitic schist. From 206-216m has +1% sulphide and 249-263 m has above 2% sulphide. Assays for nickel up to 136 ppm and copper up to 405ppm occur in these zones. One result of 20.4ppm uranium occurred at 206-207m

Table 2. Previous Exploration Activities

6 EXPLORATION COMPLETED DURING THE REPORTING PERIOD.

Exploration completed during the current reporting period since acquisition of the licence by Proto has been limited to an initial review of the available data and overview of the historical work completed within the licence area.

7 EXPENDITURE

Annual expenditure on EL24357 for the period 31 March 2006 to 30 March 2007 is limited by the timing of Proto's acquisition of the licence half way through the reporting period in October 2006. Those expenses incurred are related to the initial review upon acquisition of the licence.

Table 3. Expenditure for the period 31 March 2006 to 30 March 2007

GEOLOGY REVIEW	\$2,408.00
ADMINISTRATION	\$311.25
TOTAL	\$2,719.25

8 CONCLUSIONS AND RECOMMENDATIONS

The acquisition of the licence halfway through the reporting period has limited the quantity of work that has been completed. An initial review of the licence upon acquisition has commenced but further review of the regional geology and magnetic data is required to plan for airborne or ground EM surveys.

9 REFERENCES

Northern Territory Geological Survey, 2002. The Arunta Province: open file exploration licence drill hole and geochemical data. Northern Territory Geological Survey, Record 2002

