

**PROTO RESOURCES & INVESTMENTS LTD**

ABN 35 108 507 517

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**INTERIM  
FINANCIAL  
REPORT**

**31 DECEMBER 2009**

**CORPORATE DIRECTORY**

**Proto Resources & Investments Ltd**

ACN 108 507 517  
ABN 35 108 507 517  
Incorporated in NSW  
**Registered Office**  
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**Share Register**

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**Auditor**

Bentleys  
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West Perth WA 6005

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## **DIRECTORS' REPORT**

The Directors submit their report together with the half year financial report of Proto Resources & Investments Ltd (the "Company" or "Proto") and its consolidated entities for the period ending 31 December 2009.

### **Directors**

The names of each person who has been a Director during the period and to the date of this report are:

- Andrew K Mortimer (Chairman and Joint Managing Director)
- Lia M Darby (Joint Managing Director)
- Patricia K Philip
- Aziz (Greg) Melick
- Ian Campbell
- Gillan Darby (Alternate Director for Lia Darby) – appointed 29 January 2009
- Simon D Gilbert (resigned 11 May 2009)

### **Review of Operations**

#### **1. INTRODUCTION**

The development of Proto Resources & Investments Ltd's ("Proto", "the Company") flagship Barnes Hill nickel-cobalt project continued to be the primary focus of the Company during the second half of 2009. Resource drilling, environmental studies and metallurgical testwork that will contribute to the detailed feasibility study on the project are all advancing. Exploration was also advanced at Mt Vettors in Western Australia and in assessing the deep magnetic anomaly at Lindeman's Bore in the Northern Territory. The completion of a second deep hole (to a depth of 752m) at Lindeman's Bore was a major exploration goal achieved in the half-year.

Strong improvement in the market for nickel has restored confidence in the Company's commodity focus. Proto has retained an emphasis on nickel sulphide and nickel laterite, but is also pursuing mineralisation in other commodities such as iron ore. Proto has also taken advantage of market conditions to add the Waite Kauri North mining licence in WA which already contains a Australasian Joint Ore Reserves Committee ("JORC") compliant Inferred Mineral Resource of 3.9Mt at 1.04% Ni and 0.04% Co. Tenement transfers have been completed for the purchase of Waite Kauri North from Warwick Resources Limited (ASX: WRK). Proto's nickel business is in a promising phase of development, and first production should be well timed to benefit from improved commodity prices and recovering global demand.

#### **2. BARNES HILL PROJECT, TASMANIA (NICKEL LATERITE AND NICKEL SULPHIDE)**

##### **2.1 Project Overview**

The Barnes Hill project is located in northern Tasmania and contains a 12.1Mt JORC compliant nickel laterite Indicated Resource at 0.83% nickel and 0.07% cobalt. The total resource is made up of three interconnected laterite deposits known as Barnes Hill, Mt Vulcan and Scott's Hill. The resource calculation is based on 161 holes drilled by earlier explorers at a density of 100 to 150 metre centres. The Barnes Hill exploration licence (EL 17/2006) covers 76km<sup>2</sup> and is registered 100% to Proto. Proto has also added tenement EL53/2008 at Barnes Hill West, providing additional coverage of the Andersons Creek Ultramafic Complex ("ACUC"). Proto has also applied for a Mining Lease (1872P/M) over the central portion of EL17/2006.

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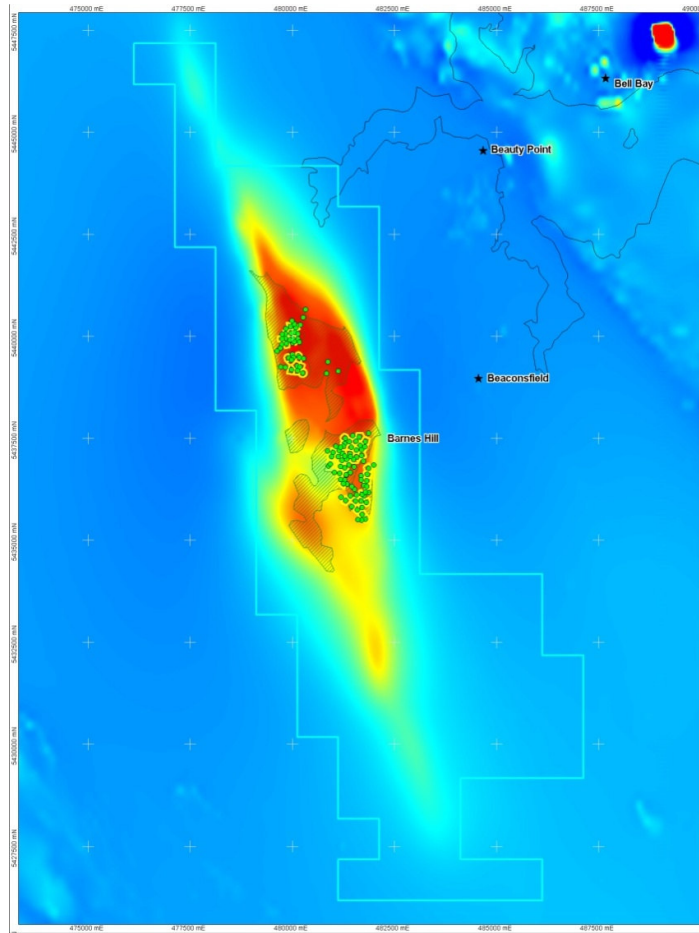
Exploration and development milestones in the second half of 2009 have focused on resources drilling and government approvals processes. In January 2010, Proto received first assay results from the drilling performed in the period. Several high grade nickel and cobalt intercepts were returned including 10m @ 1.0% Ni & 0.078% Co from 3m, 21m @ 0.91% Ni & 0.058% Co from 9m, 16m @ 1.4% Ni & 0.048% Co from 9m and 13m @ 1.5% Ni & 0.092% Co from 11m. By the end of the half-year, the Barnes Hill resource drilling program was approximately 75% completed with 312 holes for 2,489m drilled.

Proto has also submitted a Notice of Intent (“NOI”) for the Barnes Hill project to the Tasmanian Environment Protection Authority in late 2009 with the final Guidelines for the Development Proposal and Environmental Management Plan now released. On 14 October 2009, Proto also announced the details of a progress report on the Barnes Hill definitive feasibility study that had been received from Metals Finance Limited (“Metals Finance”, ASX: MFC). This confirmed the project economics outlined in the 2008 Scoping Study on the Barnes Hill project. Metals Finance has a JV agreement with Proto where it will develop a working flowsheet and fund the completion of a definitive feasibility study in return for a 50% stake in the Barnes Hill project.

The magnetic data of the licence areas is dominated by the response of the ACUC, being a NNW trending body approximately 20km long and up to 3km wide. Gravity is also dominated by the considerable differences in density between the Precambrian, Cambrian and later Devonian and Permian units. The ACUC is a layered wedge of Cambrian mafic and ultramafic stratigraphy consisting of mainly serpentinite, pyroxenite and gabbro. Variable weathering profiles with differing mineral assemblages and metal concentrations have been developed on different areas of the ultramafic complex. In the Barnes Hill 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. This geology supports the interest in secondary lateritic nickel, primary nickel sulphides and iron ore.

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***Figure 1 – Magnetic Image of the Andersons Creek Ultramafic Complex and EL17/2006 with Historical Drill-Holes and Resource Blocks from the JORC Indicated Resource***

## **2.2 Activity June-December 2009**

In November 2009 Proto commenced the drill-out of the Barnes Hill nickel-cobalt deposit. Drilling is being conducted on a nominal 50m x 50m grid pattern across the Barnes Hill nickel resource. By the end of the year, a total of 312 aircore drill holes for 2,489 metres had been completed as part of this programme. This resource drill-out will seek to not only upgrade portions of the existing Indicated Mineral Resource to a Measured category but also test for possible extensions to the currently defined resource.

This second stage of drilling followed an earlier drilling campaign that had been carried out in late 2008. Assay results of that first stage of 76 aircore drill holes for 1,080 metres were positive not only indicating continuity of nickel-cobalt mineralised zones but also returning significant iron assay results from within the surficial laterite layer. Following this earlier success Proto had added Category 5 – Industrial Minerals to exploration licence EL17/2006 and Company's additional exploration licence EL53/2008 at Barnes Hill West, to ensure the full iron rights were secured within the Company's licence holdings. 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 for both the nickel and the iron ore.

As subsequently announced in January-March, assay results of the first 312 drill holes of the drilling performed in late 2009 have now been received. The assay results received are encouraging and show that

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nickel intersections of greater than 2m at 0.5% nickel are widespread across the northern resource area and that some areas contain even thicker intersections of higher grade nickel (>1% Ni) up to 16m wide as in drill hole BHA146. Peak results in the first 312 holes were:

- Drill hole BHA124      10m @ 1.0% Ni & 0.078% Co from 3m
- Drill hole BHA144      21m @ 0.91% Ni & 0.058% Co from 9m
- Drill hole BHA146      16m @ 1.4% Ni & 0.048% Co from 9m
- Drill hole BHA153      13m @ 1.5% Ni & 0.092% Co from 11m
- Drill hole BHA179      12m @ 1.1% Ni & 0.061% Co from 1m
- Drill hole BHA232      10m @ 0.92% Ni & 0.026% Co from 5m
- Drill hole BHA234      17m @ 0.95% Ni & 0.045% Co from 3m
- Drill hole BHA235      11m @ 1.2% Ni & 0.068% Co from 5m
- Drill hole BHA239      10m @ 0.89% Ni & 0.093% Co from 1m
- Drill hole BHA306      6m @ 1.3% Ni & 0.04% Co from 0m
- Drill hole BHA313      8m @ 1.0% Ni & 0.036% Co from 14m
- Drill hole BHA323      8m @ 1.1% Ni & 0.13% Co from 1m
- Drill hole BHA340      8m @ 1.1% Ni & 0.026% Co from 1m
- Drill hole BHA350      9m @ 1.2% Ni & 0.056% Co from 2m
- Drill hole BHA373      9m @ 1.1% Ni & 0.025% Co from 1m

In the half-year, Proto also submitted its NOI for the proposed development of the Barnes Hill project to the Tasmanian Environment Protection Authority Board (EPA Board). The NOI submittal outlined the fundamentals of the Barnes Hill project to the EPA Board. This led to the issuance of guidelines for the preparation of the project Development Proposal and Environmental Management Plan (“DPEMP”). When completed the DPEMP will form the project development application to the Tasmanian West Tamar Council and supply detailed environmental information to the EPA Board for environmental assessment of the project. The Tasmanian Environment Protection Authority (EPA) responded by releasing draft DPEMP guidelines for public comment and has since confirmed the final set of guidelines. Following positive geological findings, Proto has also started to focus more on the mining and processing required to achieve production. Proto has also held a number of beneficial meetings with community stakeholders.

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*Figure 2– Aircore Drilling at Barnes Hill*

Proto is also continuing to pursue innovative processing technology that will improve reagent recovery and lower the environmental footprint of the Barnes Hill project. During the half-year, Proto collected a 300kg bulk sample that has since been shipped to the laboratory in New South Wales to continue on the commercial testing of this its Clean Technology. This Clean Technology was a runner-up at the 2009 Australian Mining Prospect Awards, and will reduce the expected vehicle movements, reagent usage and brine dam footprint as outlined in the NOI. The technology has already been through several iterations and a rigorously tested flowsheet is expected to be completed in March 2010. The technology promises to make substantial improvements in both the consumption of reagents and in removing additional saleable products from the Pregnant Liquor Solution (“PLS”). This will also reduce the environmental footprint of the Barnes Hill project. Proto continues to hold the view that nickel laterite will become increasingly important in providing for global nickel consumption needs. Proto’s point of departure in moving away from High Pressure Acid Leach (“HPAL”) to adopt a much lower capex approach based on atmospheric leaching, removes much of the risk that has surrounded such projects.

In the half-year, Metals Finance also completed a review and remodelling of the June 2008 Scoping Study and, based on key conceptual assumptions, the project appears to remain financially robust. The base case conceptual model presented in the Company’s announcement of 14 October 2009 provides for a project surplus of \$854 million over the life of the project or an NPV of \$165 million. On this basis, Proto and Metals Finance have recently agreed to extend the term of the joint venture agreement between the parties. Proto and Metals Finance are now in Phase Two or the Final Evaluation Period of this agreement, being the full evaluation period that will lead to a decision to enter into an Operational Phase at Barnes Hill. Bulk sampling and pilot leach test work, in conjunction with detailed engineering design and costing, will begin on completion of the current drilling programme. The resource drill-out was Proto’s largest remaining commitment under the joint venture agreement with Metals Finance.

In 2010 Proto will also be continuing exploration at Barnes Hill West. Desktop work was finalised during the half-year, with a large-scale soil sampling program ready for implementation. Exploration targets have

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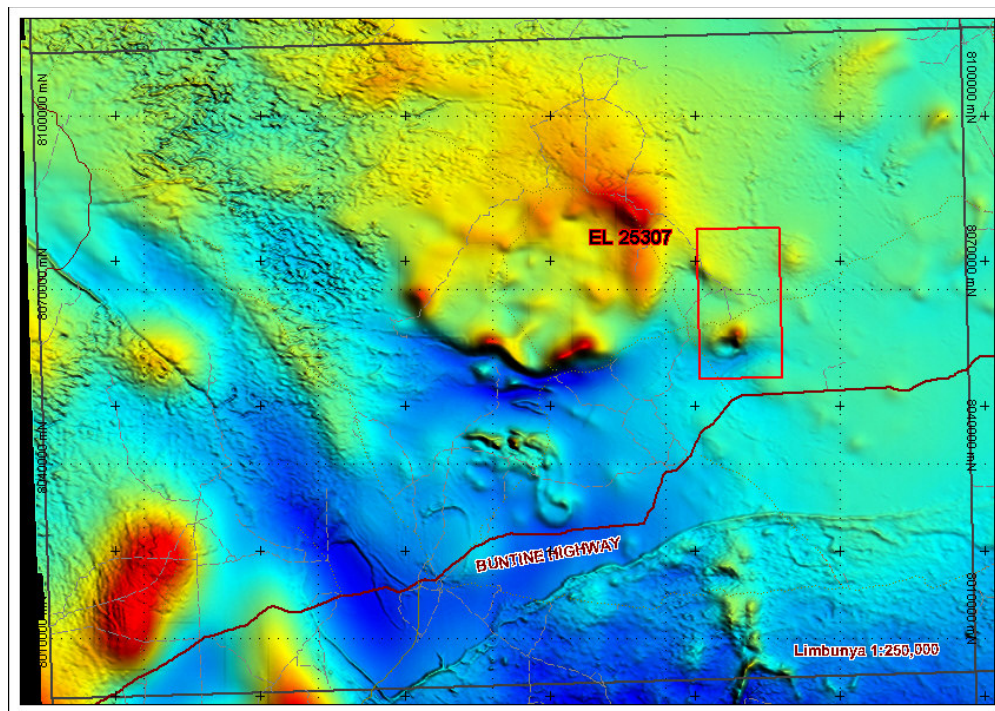
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now been set in relation to the assessment of the prospectivity of the historic Pandora Copper Mine located 2km to the west of the Barnes Hill nickel resource. This work will occur once the drilling of the Barnes Hill resource is completed.

### **3. LINDEMAN'S BORE, NORTHERN TERRITORY (NICKEL SULPHIDE, COPPER AND PGEs)**

#### **3.1 Project Overview**

The Lindeman's Bore Project, on granted exploration licence EL 25307, is located 380km south-west of Katherine, on the Limbunya Cattle Station near the community of Kalkarindji. Proto has also submitted six additional exploration licence applications (ELA27413, ELA27414, ELA27416, ELA27420, ELA27617 and ELA27618) in the region around Lindeman's Bore. The project area is interpreted to contain a portion of the regionally extensive Cambrian age Kalkarindji Continental Flood Basalts. Proto holds 80% of EL25307, with 20% held by private individuals. Proto earned its interest through the completion of two deep diamond drill holes in the vicinity of an identified bulls-eye magnetic anomaly. Proto has also entered an in-principle joint venture with Sydney-based unlisted public company Northwest Discovery Ltd ("NWD"), 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 across three tranches.



**Figure 3 – Location of the Lindeman's Bore Project and the Magnetic Anomaly**

In 2002 Linda Glass published a PhD which drew analogies between the Antrim Plateau Volcanics ("APV") and the giant Noril'sk Ni-Cu-Platinum Group Elements ("PGE") deposit in Russia. The Noril'sk deposit reserves are quoted as 1,310Mt @ 1.77% Ni, 3.57% Cu, 7.3ppm Pd, 1.8ppm Pt. At roughly the same time the PhD was published a company called Ausquest floated on the ASX with part of its objective being to pursue located Noril'sk deposits in continental flood basalts including the APV. The concept initially is based on the fact that as at Noril'sk, the APV demonstrates geochemical signatures contaminated by crustal material. Another suggestive piece of evidence was the depletion of Ni, Cu and PGE in the APV. Exploration at Lindeman's Bore aims to identify potential feeder dykes of the APV.



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The initial target identified was a circular bulls-eye magnetic anomaly located near the centre of an antiform. 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. Modelling of the airborne geophysics and 2008 gravity data by Southern Geoscience Consultants produced a different model, leading to a decision that drilling was needed to advance understanding of the anomaly further. The results of the gravity surveys and previous magnetic data were interpreted by Dr Martin Gole, a consulting geologist specialising in magmatic nickel sulphide deposits, to support a drilling program to intersect the conceptual mineralisation based on the airborne magnetic and ground gravity model. Subsequently, in June 2009 Proto drilled a first diamond hole at Lindeman's Bore, LBD-1, to a depth of 751 metres.

### **3.2 Activity June-December 2009**

During the half-year to December 2009, Proto performed follow-up work from its drilling of the first diamond hole (LBD-1) at Lindeman's Bore. On 10 November 2009, the Company announced the final assay results from LBD-1. Assays identified elevated levels of cobalt, copper and gold, but only background levels of PGE at the coincident geophysical gravity and magnetic anomaly. These previously announced results included:

- 24m @ 4.92g/t Ag from 32m including 4m @ 16.15g/t Ag
- 5m @ 0.13g/t Au from 380m and 6m @ 0.03% Co & 0.05% Cu

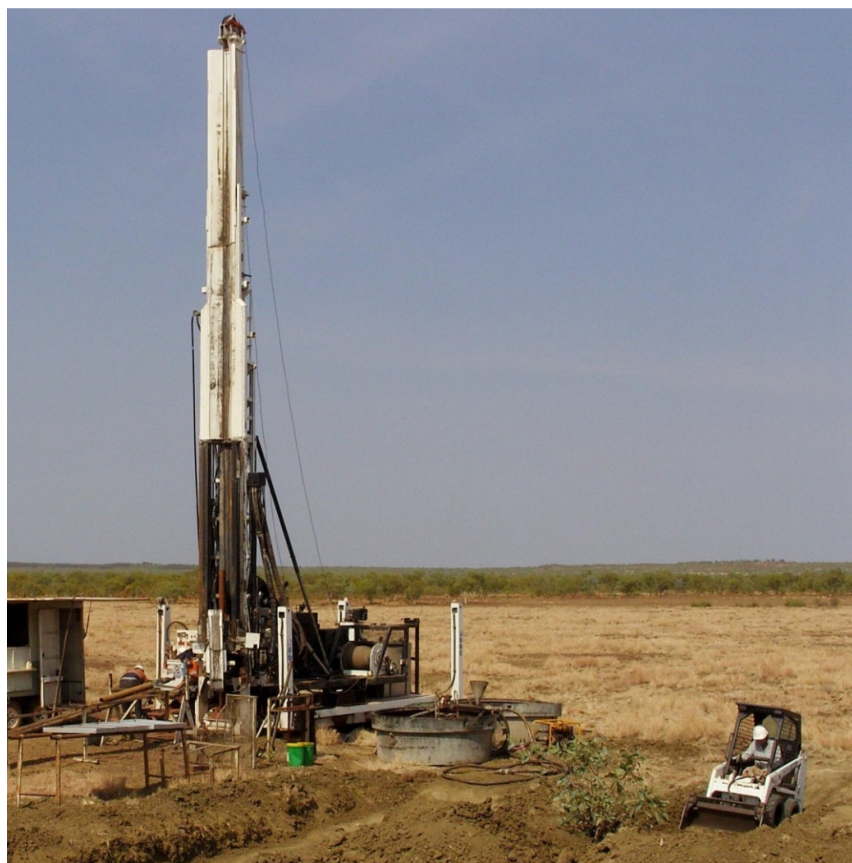
The anomalism at a depth of 380m was within a dolomitic sandstone unit, which is intruded by a series of magnetic mafic sills. This anomaly can now be interpreted as being explained by the intersection of magnetic basaltic sills in hole LBD-1.

In November, drill hole LBD-2 was completed to a final depth of 751.6m. This hole was drilled to test a magnetic target located 1.9km to the north of hole LBD-1. The geological log of drill hole LBD-2 showed that the hole passed through sedimentary rock units of the Proterozoic aged Limbunya Group before passing through an erosional unconformity and into metamorphosed sedimentary and volcanic rock units of the Inverway Metamorphics. Magnetic mafic volcanics were also intersected near the end of the hole. The full hole length of core will be cut, sampled and assayed during January-March 2010.

A fixed loop surface electromagnetic (EM) survey was also completed over the collar positions of drill holes LBD-1 and LBD-2. Analysis of results by Southern Geoscience Consultants has indicated the presence of a moderate off-hole conductor to the north of drill hole LBD-2 which is dipping to the north. A 50 sample soil geochemistry program was also completed around the collar position of drill hole LBD-1 to test the area for silver anomalism. This soil sampling program consisted of seven 100m spaced sample lines located north and south of the collar position of drill hole LBD-1.

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**Figure 4 – *Drilling of LBD-2 in November 2009***

In the half-year, Proto also lodged six Exploration Licence Applications for additional tenement areas surrounding Lindeman’s Bore. The new applications cover a combined area of 6,100 km<sup>2</sup>. These applications were made in two sets. Of the first four applications, two covered areas located east of the Lindeman’s Bore Project area (ELA numbers 27413 & 27414) while two further applications were located north-west of Lindeman’s Bore in the Waterloo area (ELA numbers 27416 & 27420). Together these four applications added 3,005 km<sup>2</sup> of exploration ground in the region. On 13 October 2009, Proto announced that the Company had added two further exploration licence applications to the east of the Lindeman’s Bore project (ELA numbers 27617 & 27618). These addressed an additional area of 3,192 km<sup>2</sup>.

These applications are consistent with Proto’s support for the region and its strong belief in the potential of the area to host Norilsk-style geology. The new applications cover faults that potentially acted as conduits for basaltic magma during extrusion of the Antrim Plateau basalts. In particular, the later applications have addressed portions of the Neave Fault and also an interpreted volcanic vent at Wave Hill, which may have acted as conduits for basaltic magma. Upon grant of the exploration licences, Proto intends to undertake airborne geophysical surveys and modelling as the first exploration phase. This will be followed by surface geological mapping and sampling where appropriate.

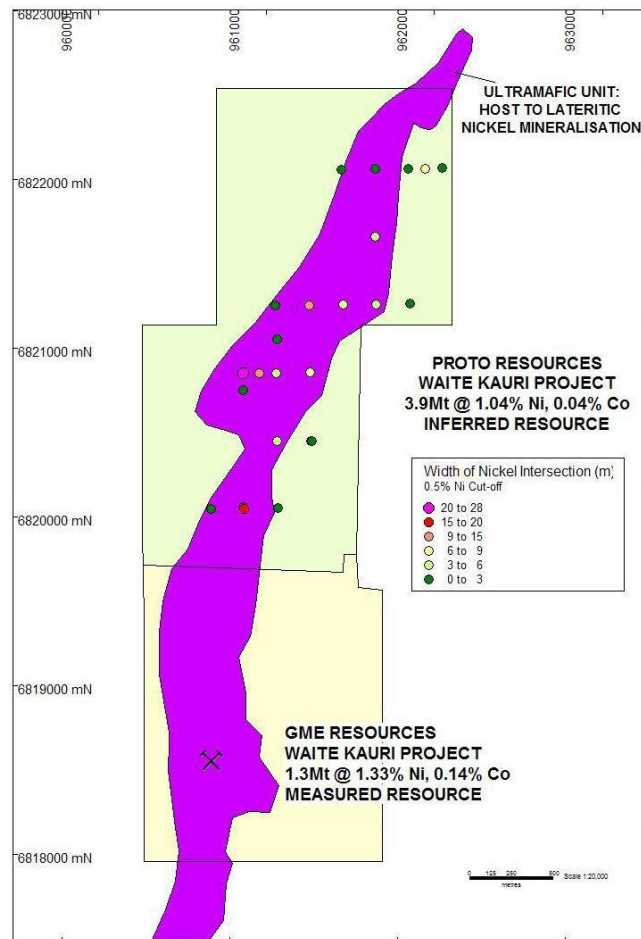
#### **4. WAITE KAURI NORTH NICKEL LATERITE PROJECT**

##### **4.1 Project Overview**

During the second half of 2009, Proto settled on its agreement to purchase Warwick Resources Limited’s (“Warwick”) 100% owned Waite Kauri North project in the Western Australian goldfields north of Kalgoorlie, issuing Warwick four million fully paid shares in Proto following a resolution passed at a

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General Meeting of Shareholders. These tenements have now been transferred to Proto. The project is on a granted mining lease (M37/1189). Waite Kauri North 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 Ltd's Waite Kauri lateritic nickel-cobalt project.



*Figure 5 – Waite Kauri Inferred JORC Resource and Nickel Intersections*

The Waite Kauri North project was previously owned by NiWest Ltd (“NiWest”) prior to Warwick. NiWest completed a reverse circulation (“RC”) drilling programme over the project area in 2001 which included 24 drill holes. Based on its exploration, NiWest identified the mineralisation as siliceous and limonitic. Erosion has resulted in local discontinuities, but mineralisation does extend across the 3km strike length of the host unit. A JORC compliant Inferred Mineral Resource of 3.9Mt 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.

**4.2 Activity June-December 2009**

Economic assessment of M37/1189 is now being undertaken in order to establish development pathways for this JORC compliant Inferred Mineral Resource. The mineralisation also remains open in areas where many of the wider intersections were identified by earlier drilling (see Figure 5). Further exploration will seek to investigate these open directions.

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**5. MT VETTERS PROJECT, WA (GOLD AND URANIUM)**

**5.1 Project Overview**

The Mt Vettters project is located 30km north east of Kalgoorlie in the Yilgarn Craton of Western Australia and consists of the granted exploration licence E27/0358 and prospecting licences P27/1691, P27/1692, P27/1693, P27/1823, P27/1824 and P27/1825. 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 (640,000t @ 9.5% Ni), Black Swan (10.4 Mt @ 0.83% Ni) and the adjacent Cygnet (1.1Mt @ 2.1% Ni) nickel sulphide deposits are all valid target types on the Mt Vettters ground. The Mt Vettters project is owned 75% by Proto and 25% by Cazaly Resources Ltd (“Cazaly”).

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. 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 area.

**5.2 Activity June-December 2009**

In August 2009, Proto undertook drilling at Mt Vettters to investigate targets drawn from the geophysical data. Three RC drill holes were completed at Mt Vettters 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. On September 10 2009, Proto announced the assay results from this programme. The four metre composite assay results received 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. This 1m sample between 125-126m was taken 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 as observed in the field. Following these results Proto and its joint venture partner private company Mt Vettters Pty Ltd elected to focus on uranium potential, discontinuing gold-focused exploration.

Following this ground EM and RC drilling, Proto and its joint venture partner have continued the planning of an initial ground scintillometer or spectrometer survey evaluating a uranium-thorium airborne radiometric anomaly which occurs in the south-western project area. This exploration is planned for early 2010.

**6. MENZIES, WA (NICKEL LATERITE, NICKEL SULPHIDE AND GOLD)**

**6.1 Project Overview**

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 Menzies nickel project included exploration to target known nickel laterite, nickel sulphide and gold mineralisation. The project is located approximately 130km north of Kalgoorlie in Western Australia and consisted of 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 and P29/1904. Proto held the Project in joint venture with Cazaly Resources Ltd, holding 90% of the nickel laterite rights, 50% of the nickel sulphide rights, and 70% of the gold rights.

Attention at Menzies focused on several prospects drawn from work by Golden State Resources NL in 1996. This had identified coincident gold/arsenic anomalies over parts of a poorly explored upper mafic pile and lower meta-komatiite-olivine-orthocumulate flow. Recent attention had focused on the Cepline Prospect originally drilled by BHP which returned assay results of up to 2.9% nickel. Mineralogical studies

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identified the presence of nickel sulphide, however the high-grade results had been 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 and subsequently undertook a program of drilling at Menzies on the most attractive Cepline Prospect. Unfortunately drilling results were weaker than hoped. On review of the drilling results, Proto came to the conclusion that the Cepline Prospect was too small for economic mining and had little new potential to be extended/upgraded into a mineable resource as the outer exploration tenements and prospecting tenements had failed to provide sufficient extensions of the ultramafics.

## **6.2 Activity June-December 2009**

No exploration work was completed at the Menzies project during the second half of 2009. This followed the negative assessment of exploration results, including those of earlier drilling. The relative potential of Menzies was identified to be materially less than Proto’s other nickel laterite projects (particularly given the recent Waite Kauri North acquisition). Consequently, the decision was made to divest the remaining Menzies tenements. In doing so, Proto gave notice to joint venture partner Cazaly that it intended to withdraw from the project. All remaining licences were relinquished during the period and the joint venture over this project with Poseidon Nickel has been formally dissolved. This left Proto with no remaining interest in the Menzies tenements by the end of 2009.

## **7. TIBOOBURRA PROJECT, NSW (GOLD)**

### **7.1 Project Overview**

The Company’s Tibooburra project comprises two contiguous exploration licences and is situated within the historic Milparinka-Tibooburra goldfield. Tibooburra hosts gold mineralisation as both alluvial gold and primary ‘mesothermal lode-gold’. Gold has been mined within the district for more than 110 years and exploration is supported by strong interest in gold due to attractive global prices.

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.

Previous work on the project area by Proto has involved Mobile Metal Ion (“MMI”) sampling along the Phoenix-Pioneer and Warratta reef systems. This produced a number of broadly coincident gold-arsenic-silver anomalies which were later drill tested through an RC drill programme. The 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. Proto also 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 processing 5 to 10 tonnes per hour of ore depending on feed characteristics. The processing facility is also potentially capable of recovering other precious metals including platinum.

### **7.2 Activity June-December 2009**

In the second half of 2009, a 100% renewal of licence EL6286 was granted with the new expiry date of 22 August 2010. This was to provide time for the implementation of a large scale soils programme developed for the prospective ‘Milparinka Zone’ within EL6286 that Proto had recently designed. The campaign’s main objective was to be the definition of economic mesothermal lode-gold mineralisation. However, given recent developments at other tenements, Proto decided that it would be better to draw in another exploration company to fast-track this exploration. Consequently, interests in exploration licences E6286

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and E6663 have now been sold to Awati Resources Pty Ltd (“Awati”). Under the terms of the agreement as announced to market on 28 January 2010, Proto retains the rights to alluvial mineralisation within the top 5 metres of the licences, enabling Proto to continue with its planned alluvial mining activities while benefiting from Awati’s expertise in exploring for and discovering gold mineralisation.

*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.*

### **Results**

For the half year to 31 December 2009 the consolidated entities incurred a loss of \$996,549 (2008 – loss of \$5,104,465).

### **Corporate**

On 7 July 2009 the Company issued 25,646,422 ordinary fully paid shares with attaching 5c 31 December 2011 options pursuant to the pro rata non-renounceable entitlement issue prospectus dated 14 May 2009. The shortfall of 5,586,743 shares with attaching options was subsequently issued. The entitlement offer raised \$936,995 before costs.

On 30 July the Company issued the following securities as approved by shareholders at the general meeting held 24 July 2009:

- Placement of 1,666,667 ordinary fully paid shares with attaching 5c 31 December 2011 options to Mr Andrew Mortimer to raise \$50,000,
- 11,640,000 5c 31 December 2011 options to participants in the January 2009 placement,
- 6,514,817 ordinary fully paid shares with attaching 5c 31 December 2011 options to directors in lieu of cash fees,
- 6,099,999 ordinary fully paid shares and 5,266,666 5c 31 December 2011 options to consultants in lieu of cash fees,
- 4,000,000 ordinary fully paid shares to Warwick Resources Limited as per the agreement to purchase the Waite Kauri North nickel project, as announced 7 April 2009, and
- 500,000 25c 31 December 2013 options to consultants as per agreement.

On 10 August 2009 the Company issued 30,000,000 ordinary fully paid shares in a placement to private investors at 10c to raise \$3,000,000. On 13 August 2009 the Company also issued 10,000,003 5c 31 December 2009 options to placement participants on the basis of one option for every three shares subscribed for.

On 13 August 2009 the Company issued 100,000 ordinary fully paid shares and 100,000 25c 31 December 2013 options.

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**& CONTROLLED ENTITIES**  
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On 17 September 2009 and 19 November 2009 the Company issued 276,000 and 500,000 ordinary fully paid shares respectively as consideration for services as per consultancy agreements. These issues were ratified by shareholders at the annual general meeting held 30 November 2009.

On 19 October 2009 the Company issued 700,000 5c 31 December 2011 in lieu of cash for services.

On 7 December 2009 the Company issued 1,800,000 5c 31 December 2011 in lieu of cash for services as approved by shareholders at the annual general meeting held 30 November 2009.

On 8 December 2009 the Company issued 500,000 ordinary fully paid shares as consideration for services as per consultancy agreement.

During the half year, the Company issued a total of 9,094,659 pursuant to the exercise of the Company's 5c 31 December 2011 options.

**Subsequent events**

On 19 January 2010 the Company issued 2,250,000 ordinary fully paid shares and 500,000 5c 31 December 2011 options to consultants in lieu of cash consideration.

On 8 February 2010 the Company issued 150,000 ordinary fully paid shares to consultants in lieu of cash consideration.

On 15 February 2010 the Company issued 500,000 ordinary fully paid shares and 500,000 5c 31 December 2011 options to consultants in lieu of cash consideration.

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

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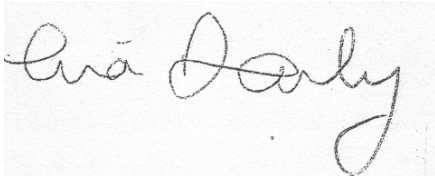
**DIRECTORS' REPORT**

**Auditor's Declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17 for the half year ended 31 December 2009.

Signed in accordance with a resolution of the Board of Directors

**Dated at Perth this 16<sup>th</sup> day of March 2010.**

A handwritten signature in black ink, appearing to read "Lia Darby", is written over a light grey rectangular background.

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**Lia Darby, Director**



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 review of the financial report of Proto Resources & Investments Limited for the half year ended 31 December 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



**BENTLEYS**  
Chartered Accountants



**CHRIS WATTS**  
Director

DATED at PERTH this 16th day of March 2010

**PROTO RESOURCES & INVESTMENTS LTD**  
**& CONTROLLED ENTITIES**  
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**CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

**For the half-year ended 31 December 2009**

	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>
		<b>\$</b>
Revenues from continuing activities	31,163	174,032
Net fair value gain on financial assets	560,903	-
Interest received	35,981	28,150
Profit on sale of financial assets	56,843	-
	684,890	202,182
 <b>Expenses from ordinary activities</b>		
Travel and accommodation	(124,076)	(155,254)
Director and employee benefits expenses	(124,342)	(419,458)
Share based payments	-	(280,000)
Brokers and consulting fees	(205,089)	(1,389,973)
Other expenses from ordinary activities	(606,108)	(529,592)
Exploration expenditure written off	(586,845)	(1,213,827)
Write offs – other	(34,979)	(30,000)
Loss on sale of financial assets	-	(369,927)
Net fair value loss on financial assets	-	(918,616)
	(996,549)	(5,104,465)
<b>Loss before income tax expense</b>		
Income tax expense	-	-
	(996,549)	(5,104,465)
Other comprehensive income	-	-
	(996,549)	(5,104,465)
<b>Total comprehensive income attributable to members of the parent entity</b>	(996,549)	(5,104,465)
 <b>Loss Per Share</b> (cents per share)	(0.58)	(7.35)

The accompanying notes form part of this financial report.

**PROTO RESOURCES & INVESTMENTS LTD**  
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**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2009**

	31 Dec 2009	30 June 2009
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,794,951	263,544
Trade and other receivables	305,015	222,475
Financial assets – held for trading	2,132,538	813,908
Other current assets	83,523	82,578
<b>TOTAL CURRENT ASSETS</b>	<b>4,316,027</b>	<b>1,382,505</b>
<b>NON-CURRENT ASSETS</b>		
Exploration assets	4,894,822	3,535,094
Capital works in progress	490,000	490,000
Property, plant and equipment	97,204	138,113
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,482,026</b>	<b>4,163,207</b>
<b>TOTAL ASSETS</b>	<b>9,798,053</b>	<b>5,545,712</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	773,454	1,141,490
Exploration joint venture funding	150,000	-
Provision	4,801	5,167
Financial liabilities	32,374	4,670
<b>TOTAL CURRENT LIABILITIES</b>	<b>960,629</b>	<b>1,151,327</b>
<b>TOTAL LIABILITIES</b>	<b>960,629</b>	<b>1,151,237</b>
<b>NET ASSETS</b>	<b>8,837,424</b>	<b>4,394,385</b>
<b>EQUITY</b>		
Issued capital	17,799,031	12,873,977
Option valuation reserve	4,797,769	4,283,235
Accumulated losses	(13,759,376)	(12,762,827)
<b>TOTAL EQUITY</b>	<b>8,837,424</b>	<b>4,394,385</b>

The accompanying notes form part of this financial report.

**PROTO RESOURCES & INVESTMENTS LTD**  
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**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
 For the half-year ended 31 December 2009

	Ordinary Shares	Option Valuation Reserve	Retained Loss	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	<b>11,744,935</b>	<b>2,841,010</b>	<b>(6,707,832)</b>	<b>7,878,113</b>
Shares issued during the half year	610,385	-	-	610,385
Less transaction costs arising from issue of shares net of tax	(5,100)	-	-	(5,100)
Options issued during the half year	-	1,440,000	-	1,440,000
Total comprehensive income	-	-	(5,104,465)	(5,104,065)
<b>Balance at 31 December 2008</b>	<b>12,350,220</b>	<b>4,281,010</b>	<b>(11,812,297)</b>	<b>4,818,933</b>
<b>Balance at 1 July 2009</b>	<b>12,873,977</b>	<b>4,283,235</b>	<b>(12,762,827)</b>	<b>4,394,385</b>
Shares issued during the half year	5,135,054	-	-	5,135,054
Less transaction costs arising from issue of shares net of tax	(210,000)	-	-	(210,000)
Options issued during the half year	-	514,534	-	514,534
Total comprehensive income	-	-	(996,549)	(996,549)
<b>Balance at 31 December 2009</b>	<b>17,799,031</b>	<b>4,797,769</b>	<b>(13,759,376)</b>	<b>8,837,424</b>

The accompanying notes form part of this financial report.

**PROTO RESOURCES & INVESTMENTS LTD**  
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**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2009

	31 Dec 2009	31 Dec 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Interest received	33,430	27,746
Other income from operating activities	31,663	174,032
Finance costs	(4,670)	(13,169)
Payments for exploration expenditure	(683,410)	(655,736)
Exploration joint venture funds received	70,000	-
Payments to suppliers and employees	(1,181,989)	(1,202,614)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(1,734,976)</b>	<b>(1,669,741)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	-	(33,472)
Payments for purchase of shares held for investment	(1,098,131)	(161,872)
Loans to other entities	(46,424)	-
Loan repaid to related entity	(50,000)	-
Proceeds from sale of investments	265,404	312,698
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(929,151)</b>	<b>117,354</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of ordinary shares	3,912,103	405,184
Payments for transaction costs associated with capital raisings	(203,676)	(5,100)
Proceeds from the conversion of options to ordinary shares	454,733	1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>4,163,160</b>	<b>400,085</b>
Net increase/(decrease) in cash held	1,499,033	(1,152,302)
Cash at 1 July	263,544	1,551,648
Cash at 31 December	1,762,577	399,346

The accompanying notes form part of this financial report.

**PROTO RESOURCES & INVESTMENTS LTD**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 1 – BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT**

**(a) Significant Accounting Policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Proto Resources & Investments Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**(b) Accounting Standards not Previously Applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 1 – BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT**

*Operating Segments*

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

*Business Combinations and Consolidation Procedures*

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

**(c) Statement of Compliance**

The company's interim financial report is a general purpose financial report prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 1 – BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT**

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual financial report of the company as at and for the year ended 30 June 2009.

**(d) Going Concern**

The financial statements 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.

In considering whether the going concern basis is appropriate for preparing this financial report, the directors recognise that current levels of working capital may be insufficient to meet the required level of funding in relation to the potential expenditure commitments required to maintain title to the exploration tenements. However, in the informed opinion of the directors, it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

- Included in the Statement of financial position at 31 December 2009 were financial assets of \$2,132,538 being the fair value of shares and options held in other companies. The directors are of the opinion that these investments can be liquidated as required to fund ongoing operations; and
- The company has reason to believe it can access new funds from the market as required. The company has retained BBY Ltd as its broker in Australia and VSA Capital as its broker in the UK and Europe, both firms having excellent records with capital raising. The company has also retained Cooper Capital in Sydney as its corporate and investment advisor.

The directors of the Company believe that the above measures will provide the necessary funding and that the company has sufficient cash and cash equivalent assets to enable it to fund its ongoing exploration operations for the foreseeable future.

Should the measures be unsuccessful then the Company may not be able to meet its planned and proposed levels of expenditure for the forthcoming year.

Should the Company be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that may be necessary should the Company be unable to continue as a going concern.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 2 - EVENTS OCCURRING AFTER REPORTING DATE**

Since the balance date the following has occurred:

On 19 January 2010 the Company issued 2,250,000 ordinary fully paid shares and 500,000 5c 31 December 2011 options to consultants in lieu of cash consideration.

On 8 February 2010 the Company issued 150,000 ordinary fully paid shares to consultants in lieu of cash consideration.

On 15 February 2010 the Company issued 500,000 ordinary fully paid shares and 500,000 5c 31 December 2011 options to consultants in lieu of cash consideration.

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

**NOTE 3 – SHARE CAPITAL AND OPTIONS**

At 31 December 2009 the company had on issue 184,080,302 ordinary shares.

Additionally, the company had on issue

- 23,650,555 share options with an exercise price of \$0.20 expiring 31 August 2011,
- 51,727,811 share options with an exercise price of \$0.25 expiring 31 December 2013, and
- 59,726,659 share options with an exercise price of \$0.05 expiring 31 December 2011.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 4 – OPERATING SEGMENTS**

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

Reportable segments disclosed are based on aggregating operation segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- (i) Geographic area of exploration
  - a. Barnes Hill
  - b. Lindemans Bore
  - c. Other
- (ii) Investing activities

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

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

*Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Group's financial statements.

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

*Segment assets*

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

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**NOTE 4 – OPERATING SEGMENTS**

*Segment liabilities*

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

*Unallocated items*

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

- Head office and administration costs

*Comparative information*

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2009**

**(a) Segment performance**

Half Year Ended 31 December 2009	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest revenue	-	-	-	35,981	35,981
Realised gain on sale of financial assets	-	-	-	56,843	56,843
<b>Total segment revenue</b>	-	-	-	<b>92,824</b>	<b>92,824</b>
<i>Reconciliation of segment result to net profit before tax</i>					
Unallocated revenue	-	-	-	-	31,163
<b>Total group revenue</b>	-	-	-	-	<b>31,163</b>
<b>Segment net profit before tax</b>	-	-	-	<b>92,824</b>	<b>123,987</b>
<i>Reconciliation of segment result to net loss before tax</i>					
Amounts not included in segment result but reviewed by the board:					
- net fair value gain/(loss) on financial assets	-	-	-	560,903	560,903
- exploration expenditure written off	-	-	(586,845)	-	(586,845)
- write offs - other	-	-	-	-	(34,979)
Unallocated items:					
- other	-	-	-	-	(1,059,615)
<b>Net loss before tax from continuing operations</b>					<b>(996,549)</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

Half Year Ended 31 December 2008	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest revenue	-	-	-	28,150	28,150
Realised gain on sale of financial assets	-	-	-	-	-
<b>Total segment revenue</b>	-	-	-	<b>28,150</b>	<b>28,150</b>
<i>Reconciliation of segment result to net profit before tax</i>					
Unallocated revenue	-	-	-	-	174,032
<b>Total group revenue</b>	-	-	-	-	<b>174,032</b>
<b>Segment net profit before tax</b>	-	-	-	<b>28,150</b>	<b>202,182</b>
<i>Reconciliation of segment result to net loss before tax</i>					
Amounts not included in segment result but reviewed by the board:					
- net gain/(loss) on share trading	-	-	-	(369,927)	(369,927)
- net fair value gain/(loss) on financial assets	-	-	-	(918,616)	(918,616)
- exploration expenditure written off	-	-	(1,213,827)	-	(1,213,827)
- write offs - other	-	-	-	-	(30,000)
Unallocated items:					
- other	-	-	-	-	(2,774,277)
<b>Net loss before tax from continuing operations</b>					<b>(5,104,465)</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**(b) Segment assets**

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2009	\$	\$	\$	\$	\$
<b>Segment assets</b>	<b>2,254,233</b>	<b>976,178</b>	<b>1,664,411</b>	<b>3,927,489</b>	<b>8,822,311</b>
Segment asset increases/(decreases) for the half year:					
- capital expenditure	704,850	559,872	97,474	-	1,362,196
- financial assets at fair value through profit and loss	-	-	-	1,318,630	1,318,630
	<hr/> 704,850	<hr/> 559,872	<hr/> 97,474	<hr/> 1,318,630	<hr/> 2,778,300
<i>Reconciliation of segment assets to total assets</i>					
Other assets					<hr/> 975,742
<b>Total asset from continuing operations</b>					<hr/> <b>9,798,053</b>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 30 June 2009	\$	\$	\$	\$	\$
<b>Segment assets</b>	1,549,382	416,306	1,569,406	1,077,452	4,612,546
Segment asset increases/(decreases) for the half year:					
- capital expenditure	211,596	334,315	114,759	-	660,670
- financial assets at fair value through profit and loss	-	-	-	(223,203)	(223,203)
	<hr/> 211,596	<hr/> 334,315	<hr/> 114,759	<hr/> (223,203)	<hr/> 437,467
<i>Reconciliation of segment assets to total assets</i>					
Other assets					<hr/> 933,166
<b>Total asset from continuing operations</b>					<hr/> <b>5,545,712</b> <hr/>

**PROTO RESOURCES & INVESTMENTS LTD**  
**& CONTROLLED ENTITIES**  
 ABN 35 108 507 517

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2009**

**(c) Segment liabilities**

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2009	\$	\$	\$	\$	\$
<b>Segment liabilities</b>	-	<b>150,000</b>	-	<b>32,374</b>	<b>182,374</b>
<i>Reconciliation of segment liabilities to total liabilities</i>					
Other liabilities	-	-	-	-	778,255
<b>Total liabilities from continuing operations</b>					<b>960,629</b>

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 30 June 2009	\$	\$	\$	\$	\$
<b>Segment liabilities</b>	-	-	-	-	-
<i>Reconciliation of segment liabilities to total liabilities</i>					
Other liabilities					1,151,237
<b>Total liabilities from continuing operations</b>					<b>1,151,237</b>

**NOTE 5 - DIVIDEND**

No Dividend has been paid during or recommended for the half year ended 31 December 2009.



**PROTO RESOURCES & INVESTMENTS LTD**  
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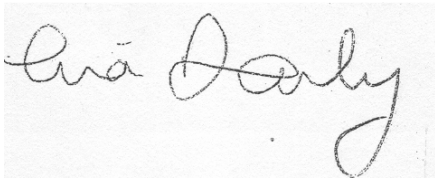
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**DIRECTORS' DECLARATION**

In the opinion of the Directors:

1. The Financial Statements and Notes as set out from pages 18 to 32:
  - a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001; and
  - b) give a true and fair view of the Consolidated entities' financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. 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.

A handwritten signature in cursive script that reads "Lia Darby". The signature is written in dark ink on a light-colored background.

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**Lia Darby, Director**

**Perth**

Dated this 16th day of March 2010

## Independent Auditor's Review Report

### To the Members of Proto Resources & Investments Limited

We have reviewed the accompanying half-year financial report of Proto Resources & Investments Limited ("the Company") and Controlled Entities ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

**Bentleys Audit  
& Corporate (WA) Pty Ltd**  
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#### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Proto Resources & Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of Proto Resources & Investments Limited for the half-year ended 31 December 2009 included on the website of Proto Resources & Investments Limited. The directors of the Company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the Company's website.

# Independent Auditor's Review Report

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

## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Proto Resources & Investments Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

## Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 Going Concern to the financial report, uncertainty exists whether Proto Resources & Investments Limited and Controlled Entities will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

**BENTLEYS**  
Chartered Accountants

**CHRIS WATTS**  
Director

DATED at PERTH this 16th day of March 2010