

# PROTO RESOURCES & INVESTMENTS LTD

ABN 35 108 507 517

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# INTERIM FINANCIAL REPORT

31 DECEMBER 2013

## **CORPORATE DIRECTORY**

### **Proto Resources & Investments Ltd**

ACN 108 507 517  
ABN 35 108 507 517  
Incorporated in NSW  
**Registered Office**  
Suite 56 Level 11  
88 Pitt St  
Sydney NSW 2000

### **Share Register**

Advances Share Registry Ltd  
150 Stirling Hwy  
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ASX Codes: PRW, PRWO, and PRWOB

### **Auditor**

RSM Bird Cameron  
Level 21, 55 Collins St  
Melbourne, VIC 3000

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

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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") and its consolidated entity (referred to hereafter as "the Group") for the period ending 31 December 2013.

### **Directors**

The names of Directors who held office during the period and to the date of this report are:

- Andrew K Mortimer (Managing Director)
- Lia M Darby (Non-Executive Director)
- Andrew Heap (Non-Executive Director) (appointed 12 August 2013)
- Patricia K Philip (Non-Executive Director) (resigned 30 December 2013)

### **Review and results of operations**

The net loss of the Group after income tax for the half year ended 31 December 2013 amounted to \$1,256,422 (31 December 2012: \$1,979,196).

### **Review of operations**

#### **Chairman's Summary**

"Proto enjoyed several very positive outcomes in the second half of calendar 2013 (the first half of FY2014). The chairman of the Tasmanian Chamber of Commerce and Industry, Mr Andrew Heap, joined the Proto board of directors. Mr Heap has brought a renewed focus to the iron ore potential of the Barnes Hill project and a great number of high level Tasmanian business contacts needed for the swift development of a mining project in Tasmania, which Proto is looking to do.

Proto Resources has also acquired a new joint venture project in the Northern Territory targeting nickel/copper/platinum element mineralisation. The Rosewood project is very close to one of Proto's existing projects and as a result Proto has a walk up familiarity with the project.

Proto is now expanding its copper focus in Western Australia with the first work conducted on the Mooloogool joint venture with Dourado Resources where Proto is prospecting for Sandfire style copper mineralisation.

While market conditions remain difficult Proto continues to strengthen its resolve and determination to advance its projects and derive its first cash flows. Proto Resources continues to have a high level of strong interest from investors in Australia and overseas who continue to demonstrate a good understanding of Proto's projects and philosophies and an appreciation for the operational significance of what Proto is attempting to do. I look forward to Proto securing an off take agreement for the Barnes Hill iron ore product in the near term and proceeding to plant, design and construction once this has occurred."

## **COMPANY OVERVIEW**

Proto Resources & Investments Ltd ("Proto", the "Company") is pleased to present to Shareholders with an update on the exploration, development and investment progress for the Half Year of FY2014.

Proto Resources has adopted a strict mission statement that balances breakthrough exploration models with the development of real cash flow that is strong and recurring revenue for the company.

Proto Resources has been at the forefront of opening up new exploration regions and has laid the foundation for new business models in historical iron ore sources and well located nickel laterites. We believe that this innovation will make Proto thrive in the long run.

## MT VETTERS PROJECT, WESTERN AUSTRALIA

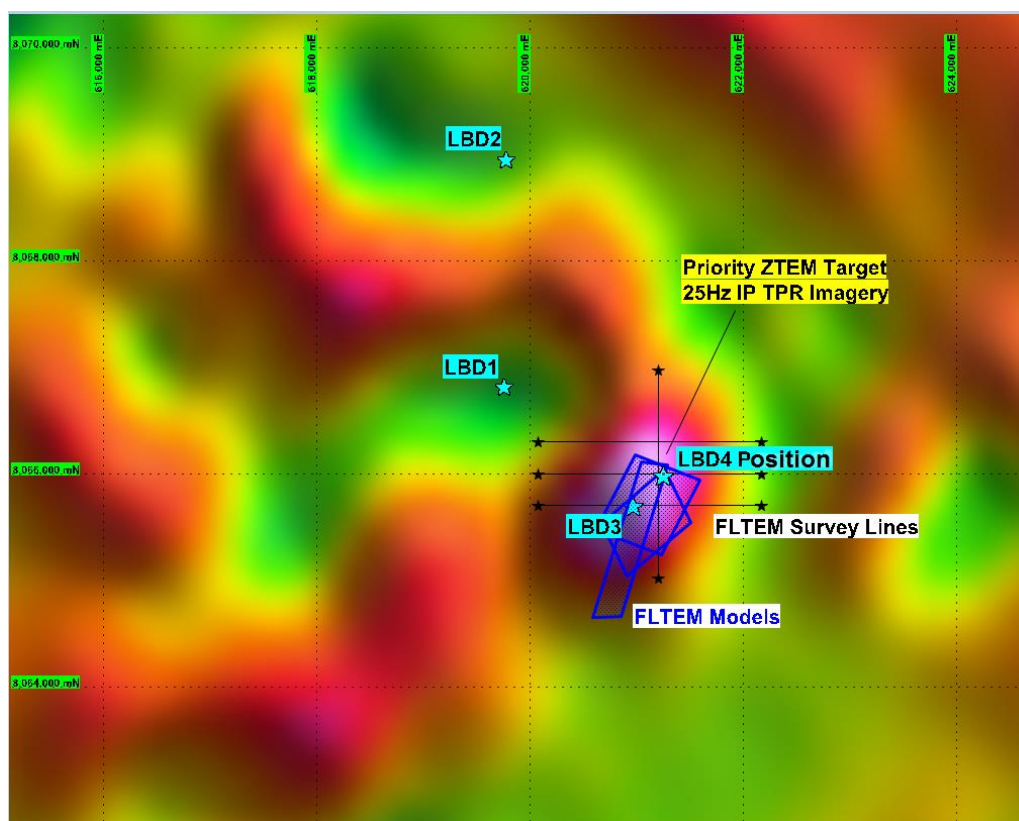
On the 26th of July 2013 the Board of Proto was pleased to announce that it plans to take advantage of cheaper drilling rates as a result of the current exploration market, by continuing with the exploration of its copper and gold tenements in Western Australia and the Northern Territory. The Company is planning further drilling campaigns at Mt Vettors in WA, 30kms north east of Kalgoorlie and also aims to joint venture its non-core project tenements. Recently, Proto has received international interest in some of its projects and will continue to advance these discussions and opportunities.

## LINDEMAN'S BORE PROJECT, NORTHERN TERRITORY

On the 13th of August Proto Resources announced the completion of the fourth deep diamond hole (LBD04) at the Lindeman's Bore project 380km south west of Katherine, Northern Territory. LBD04 was drilled approximately 200m to the NNE of the previous LBD03 hole targeting the northern central axis limit to the ZTEM anomaly (**Figure 1**).

The basal sandstone conglomerate unconformity of the overlying Limbunya sedimentary formation was intersected at a vertical depth below surface of 326m, compared to former drill hole LBD03 at 341m, indicating an undulating palaeo-land surface morphological control to the unconformity surface (**Figure 2**).

No significant mineralisation was encountered in LBD04. However, the alteration assemblages occurring throughout the Inverway Metamorphics are very similar to the occurrences in LBD03, suggesting that LBD04 has been drilled towards the outer northern limit of a hydrothermal alteration halo. The northern part of the ZTEM anomaly targeted could be a response to the amount of hematite alteration within the mafic units of the Inverway Metamorphics, particularly with a significant increase in magnetic susceptibility readings encountered towards the bottom of the hole with magnetometer S.I. units up to  $10 \times 10^{-3}$  present (**Figure 5**).



**Figure 1.** *Geophysics ZTEM anomaly image and FLTEM models with current drill hole locations.*



**Figure 2.** *Limbunya Formation basal unconformity, sandstone-conglomerate rock to 326m depth.*

Previous drill hole LBD03 was completed in 2012, targeting a tabular 500m by 500m electromagnetic (“EM”) anomaly identified through sequential application of a Z-Axis Tipper Electromagnetic (“ZTEM”) survey in 2010, and follow-up ground EM and Gravity surveys performed during 2011-2012. The ZTEM geophysical data returned potentially sulphide-bearing geophysical signatures that encouraged further exploration under the Mississippi Valley style copper-lead-zinc mineralisation (“MVT”) model that Proto is continuing to test at Lindeman’s Bore. The ZTEM anomaly is also supported by a coincident gravity low response (**Figure 3**) which Proto is interpreting as representing a geophysical signature for the hydrothermal alteration activity event, resulting in the altered host rocks inheriting lower density properties compared to surrounding country rock.

Although no significant mineralisation was intersected in LBD04, the strong alteration within the Inverway Metamorphics is intriguing (**Figures 4, 5, 6**). The style of alteration suggests a significant hydrothermal system has pervasively and aggressively invaded and altered the surrounding country rock. The intersection of an intrusive rock unit in previous drill hole LBD02 with high gold and palladium signatures, approximately 2km north of LBD04, could be of significance spatially to a similar rock type seen in LBD04 from 384m to 392m depth (**Figure 7**), assuming that connecting conduits are present. However, no such equivalent Au-Pt-Pd geochemical signature is present with this unit in LBD04. It is worth noting that the Coronation Hill deposit near Pine Creek in the Northern Territory (4.5Mt @ 4.5g/t Au, 0.19 g/t Pt and 0.65 g/t Pd) exhibits quite a wide spread alteration signature and is located in mafic intrusive plugs between 200m-400m below unconformable Meso-proterozoic sediments of the Kombolgie Formation.

The Company remains encouraged by the extent of hydrothermal alteration in the vicinity of the ZTEM anomaly encountered in drill holes LBD03 and LBD04. With the current indications for a hydrothermal alteration halo width of at least 200m for the ZTEM anomaly, an additional LBD05 angled drill hole is planned to further test the central portion of the ZTEM anomaly, east of LBD03 (**Figure 8**).

A down-hole electromagnetic survey will also be planned for the LBD05 hole as a geophysical test for any off-hole conductivity anomalies occurring at depth (i.e. sulphide mineralisation in the Inverway Metamorphic stratigraphy), to provide perhaps further targeting for a follow-up LBD06 drill hole.



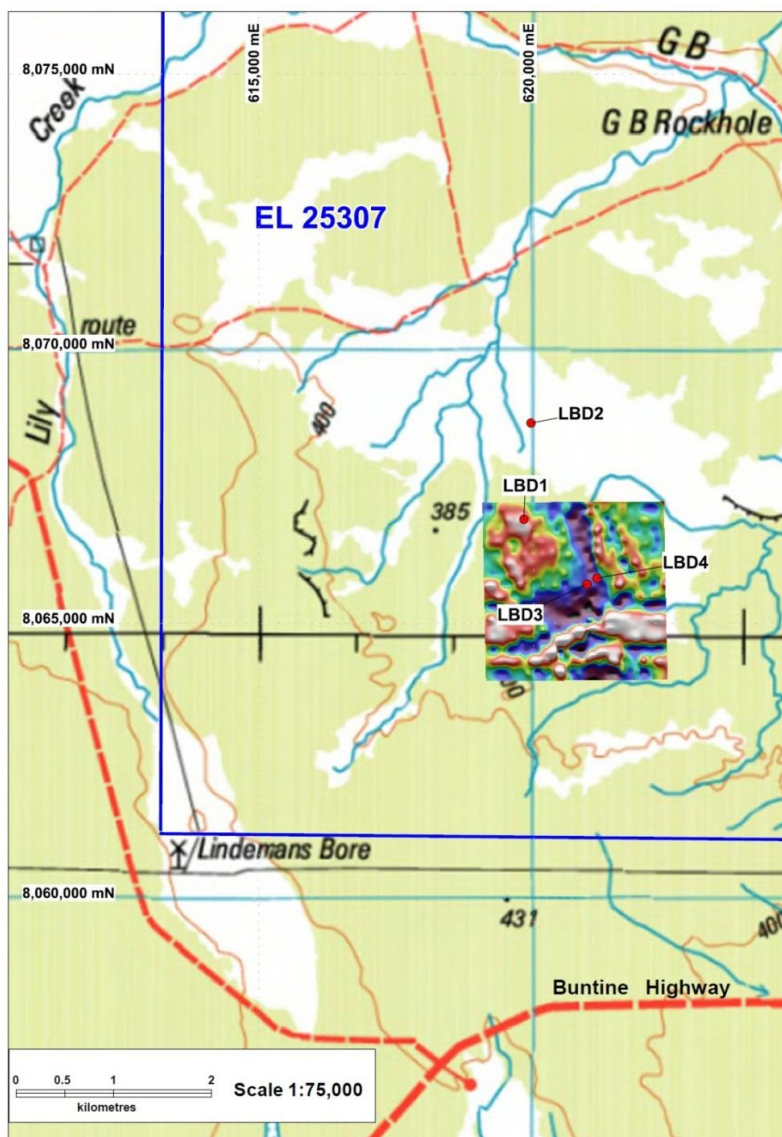


Figure 3. Gravity survey image showing low response signature (purple colours) for LBD03 and LBD04 locations.



Figure 4. Strong quartz-carbonate-haematite development (hydrothermal-alteration of mafic rock).



Figure 5. Strong magnetometer readings towards base of hole in foliated quartz-carbonated mafic rock.

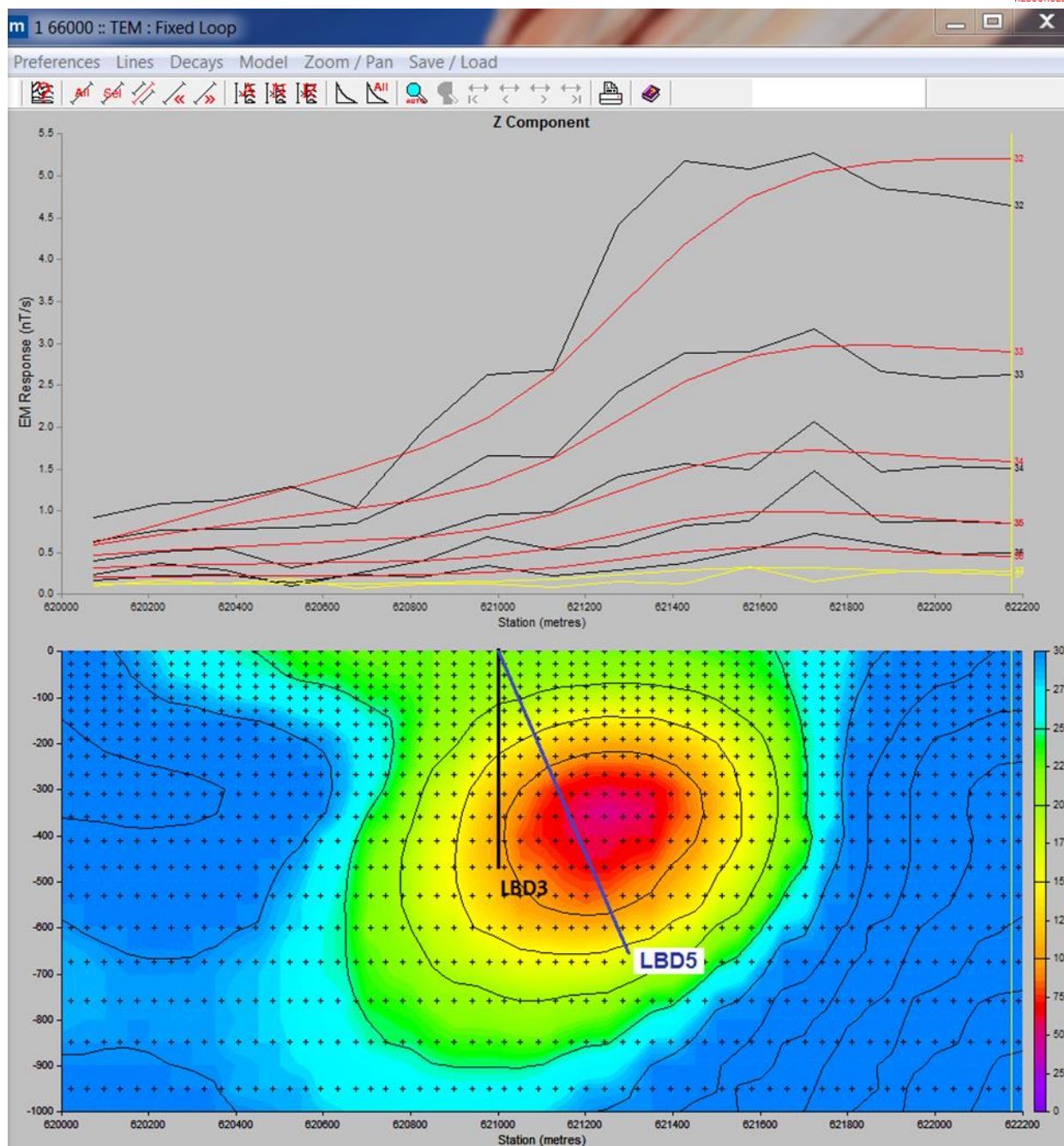


Figure 6. Core samples from LBD004 486.2m to 492.4m



Figure 7. "Leopard spot" textured intrusive rock unit





**Figure 8.** Proposed drill hole LBD05 position in relation to LBD03 drill hole and ZTEM anomaly.

Proto was very pleased to have intersected the high level of alteration that appeared to have been caused by a large hydrothermal system. The next drill hole (LBD05) is designed to test the very centre of the anomaly now that LBD04 has closed off the anomaly's potential for mineralisation to the north.

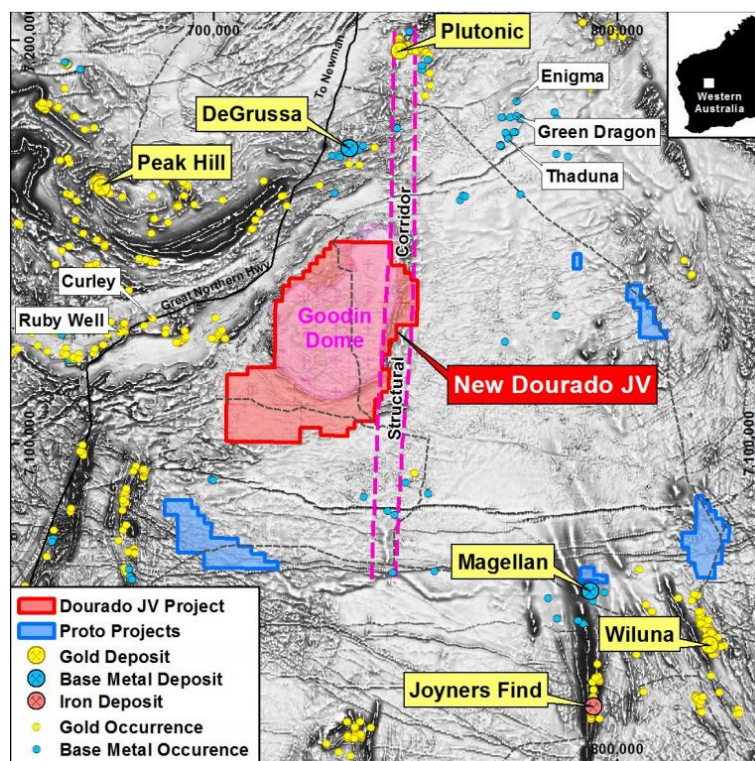
### Acquisition of Goodin Dome-Yerrida Basin Tenements

On the 7th of August Proto announce that subject to ASX and appropriate shareholder approval it has entered into an Binding Term Sheet with Dourado Resources Limited to acquire an initial 51% interest with a right to earn up to 70% in the Mooloolool Exploration Licenses in the Goodin-Dome Yerrida Basin area of Western Australia. The Binding Term Sheet is subject to Shareholder Approval at a General Meeting of Proto.

The northern part of the Mooloolool Licenses are located approximately 40 kilometres south of the DeGrussa Copper Gold Mine operated by Sandfire Resources Limited. Please see Sandfire's website for their JORC compliant statement relating to this Operation. The tenements are prospective for



Proterozoic gold and copper-gold deposits. Only limited reconnaissance geochemical sampling has been undertaken to date and the Mooloogool Licenses remain largely unexplored. Eight Exploration Licenses, (1,461 square kilometres), cover deformed Proterozoic metasediments around the Goodin Dome, a large ellipsoidal granite that may have acted as a fluid source for mineralising solutions in the region. Combined with its existing portfolio of Magellan North, Mt Killara, Great Doolgunna, Casey and Station Bore, Proto's tenement position in the region now totals approximately 1,967 square kilometres.



**FIGURE 1:** Plan showing new Dourado Joint Venture licenses (Mooloogool Licenses) and existing Proto Resources Limited licenses in the Yerrida Basin-Goodin Dome region.

Tenements	Blocks	Area km <sup>2</sup>
E51/1185	47	141
E51/1186	69	207
E51/1213	55	165
E51/1215	60	180
E51/1325	54	162
E51/1340	70	210
E51/1341	70	210
E51/1342	62	186

**TABLE 1:** Table showing Dourado Joint Venture licenses (Mooloogool Licenses).

### Strategic Value

The Mooloogool Licenses (**Figure 1, table 1**) represent a strategic portfolio in an emerging Copper-Gold Province located just 40 kilometres south of DeGrussa Copper Gold Mine operated by Sandfire

Resources Limited. Please see Sandfire's website for their JORC compliant statement relating to this Operation. Please refer to Sandfire's website for their Copper Gold production to date.

### **Mineralisation Potential**

There is potential for stratiform copper, volcanogenic massive sulphide and mesothermal/hydrothermal gold mineralisation. There also exists the possibility of greenstone hosted Archaean gold mineralisation at depth. The Plutonic Gold Mine (Barrick Gold Corporation) is situated approximately 90 kilometres north of the Mooloogool Licenses on the southern end of the Plutonic Well Greenstone belt. Examination of regional magnetics suggests the possibility that this greenstone belt may extend under cover on the eastern side of the Goodin Dome. Please refer to the Barrick Gold Corporation website for any JORC compliant information.

### **Recent Exploration**

The Mooloogool tenements have seen very little exploration in recent years with the exception of a regional geochemical program by Dourado. Approximately 10 lines of RC drilling were undertaken over 2011 on the Diamond Well tenements by Dourado immediately to the south of the Mooloogool Licenses.

The lithologies encountered included intercalated siltstones, sandstones, shales and some mafic intrusives and elevated copper up to approximately 200ppm. Analysis of historical data has confirmed the presence of elevated copper associated with broadly east-west striking structures which are likely to be the controlling structures of the mineralisation identified in this drill program. Copper assays up to 709 ppm were returned from the Diamond Well tenements immediately to the south of the Mooloogool tenements.

### **Mooloogool**

There has been comparatively limited exploration on the Mooloogool Licenses with the north-western, northern and north eastern margins of the Goodin Dome representing an attractive near term target for exploration for the following reasons.

(i) **Iron Enriched/Deformed Sediments**- It appears that the Goodin Dome may have acted as heat source and shearing along the margins associated with possibly regional NNW striking structures may have provided the loci for copper-gold deposition.

(ii) **Outcrop**-The abundance of outcrop in the Mooloogool package of tenements is likely to make the targeting/identification of prospects/drill targets somewhat easier.

### **Strengthened Yerrida Basin Portfolio**

The Acquisition and Joint venture of the Mooloogool Licenses further strengthens Proto's presence in the region which also includes:

- The Magellan North Project (E53/1581) is situated immediately to the north of the Magellan Lead Mine and is considered prospective for further base metal discoveries. Airborne magnetics reveal deep seated magnetic anomalies in the basement Archaean sequence, situated immediately north of the Magellan lead deposits. The radiometric data show a potential ~NE-SW trending corridor/structure that contains most of the known base metal mineralisation.
- The Mt Killara Project (E53/1580) is located 10km north of the township of Wiluna Gold deposits and contains Killara Formation volcanics. The magnetics indicate a geological package of Proterozoic/Archaean units including ENE-WSW striking Proterozoic dykes. Radiometric data delineates anomalous uranium in the vicinity of the Archaean/Proterozoic

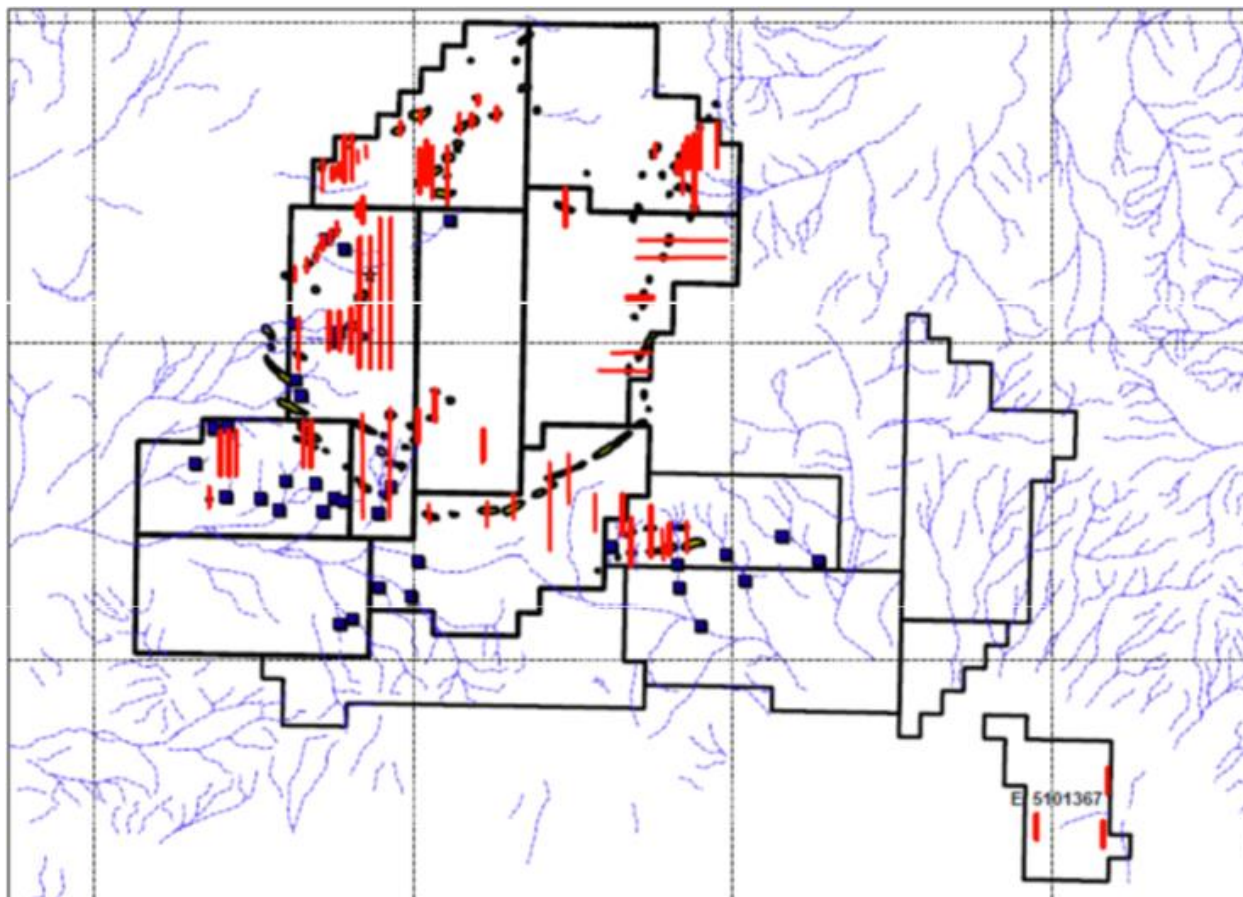
unconformity.

- The Great Doolgunna Project (E51/1455) (Victory Mines Limited (“Victory”) 70% (ASX: VIC): Proto Resources & Investments 30%) lies 60km southeast of the DeGrussa Cu-Au Deposit and adjoins Great Western Exploration Limited’s (ASX: GTE) Doolgunna Project. Previous exploration has defined a broad polymetallic geochemical soil anomaly to the east of the tenement. Airborne magnetics show magnetic lineaments apparently striking ~NE-SW. Victory is required to spend A\$500,000 before Proto is required to contribute.
- The Casey Project (E51/1457) lies 55km northeast of Meekatharra and covers the portion of the southwest margin of the Yerrida Basin and comprises intercalated Proterozoic and Archaean units. The Proterozoic sequence strikes ESE-WNW and abuts Archaean granites to the west.
- The Station Bore Project (E69/2872) (Victory Mines Limited 70% (ASX: VIC): Proto Resources & Investments 30%) lies 13km southeast of the Great Doolgunna project and covers part of the Mibbeyan drainage system. The magnetics show Proterozoic dyke units striking ~NE-SW. There is a NNW-SSE striking feature on the eastern margin of the tenement which could represent a potential unconformity/structural boundary in addition to a strong magnetic anomaly in the north. Victory is required to spend A\$1.0 million before Proto is required to contribute.

### **Proposed Exploration**

Subject to the settlement of this acquisition, Proto is planning to infill and extend the geochemical sampling program that was commenced by Dourado on the Mooloogool Licenses in addition to undertaking detailed geological mapping and sampling with a focus on the deformed ironstone sequences that bound the Goodin Dome. Geochemical sampling of the magnetic high’s and/or radiometric anomalies will also be a priority for this first phase of exploration. Remote sensing has picked up areas of clay alteration overlying interpreted intrusive lithologies. This will also be a target for geochemical sampling.





**FIGURE 2:** Plan showing planned geochemical sampling lines on the Mooloolool License.

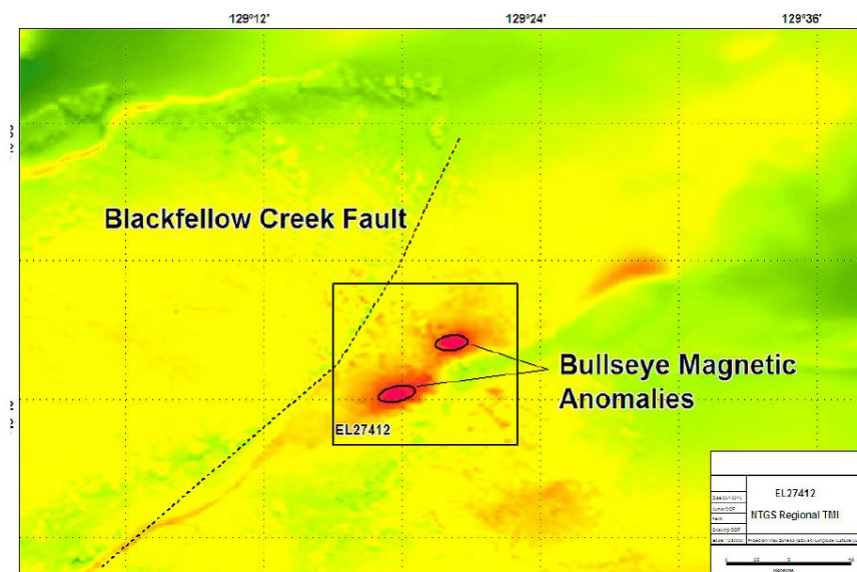
## **ROSEWOOD PROJECT, NORTHERN TERRITORY**

On 22 October 2013, Proto announced that an agreement had been completed with Bralich Holdings Pty Ltd and Riding Resources Pty Ltd giving Proto and/or its corporate nominee the right to earn up to 50% equity in the Rosewood Project (EL27412). Under the agreement, Proto is to spend a maximum of \$200,000 completing an airborne magnetic survey, site clearance, and a drill hole to a maximum depth of 600m including down hole geophysics. Proto can withdraw from the agreement at any time with no minimum expenditure requirement. Upon earning 50%, a formal Joint Venture arrangement will be entered into with the vendors.

EL27412 appears to host at least one magnetic-gravity bullseye anomaly alongside the north-east trending Blackfellow Creek Fault (Figure 1). The geological setting of EL27412 within the Cambrian Kalkarindji flood basalts suggests the anomaly could be a setting for Norilsk-style base metal mineralisation. Supporting evidence for this includes:

- Documented scientific evidence of strong levels of crustal contamination and fractional crystallisation within these flood basalts.
- Drilling samples of underlying older Proterozoic sediments of the Victoria Basin, in particular the Auvergne Group, have returned confirmed occurrences of evaporitic carbonates, black shales and ferruginous sediments. These rocks are required to assist in sulphide saturation within the uprising magma.
- The combined magnetic-gravity anomaly indicates that a denser, magnetite rich body exists at depth. This could sit within the underlying sediments.

The proposed magnetic survey is designed to model the anomaly at depth, a pre-requisite for the planned drilling as there has been no exploration drilling on EL27412 and the anomaly is an untested target.



**Figure 1.** Targeted bullseye magnetic anomalies on EL27412

During the Quarter, Proto also had an aeromagnetic survey undertaken to define the drilling targets at Rosewood. This allowed modelling of drilling targets, including the magnetic-gravity bullseye anomaly sitting alongside the northeast trending Blackfellow Creek Fault. The survey was flown by UTS Geophysics Pty Ltd of Perth, Western Australia using a Fletcher FU24 with the speed and terrain clearance usual for surveys of this type. It was undertaken on 100m spacing.

### **BARNES HILL (IRON ORE, NICKEL & COBALT), TASMANIA**

The iron ore potential of Barnes Hill is also being pursued, with discussions underway with potential off takers and logistic companies for mining and transport. The Company is working strenuously to crystallise the value of its projects in order to better build shareholder value. Ensuring the sustainability of business operations is an important aim and developing Barnes Hill to production remains an important driver of this.

Proto is focusing on the iron ore potential of Barnes Hill as the company is keen to get earnings from iron ore production without any more delays. The exceptional strength of iron ore prices and the recent improvements in the nickel price will immeasurably help to get the Barnes Hill project financed and into production.

### **MOOLOGOOL (COPPER, GOLD & PURE SILICA, WESTERN AUSTRALIA)**

On 16 October 2013, Proto announced that it had made the second payment of \$25,000 required to allow the formation of the Mooloogool Project joint venture with Dourado Resources Limited (“Dourado”) (ASX: DUO). Proto is extremely pleased with this acquisition as it opens up strong copper-gold exploration located approximately 40 kilometres south of the DeGrussa Copper Gold Mine operated by Sandfire Resources Limited and approximately 85km North East of the regional centre of Meekatharra in Western Australia . With this, Proto has acquired a 51% interest in the Mooloogool Project, which is composed of eight exploration licenses (E51/1185, E51/1186, E51/1213, E51/1215, E51/1325, E51/1340, E51/1341 and E51/1342) covering 1,461 square kilometres. The licenses cover deformed Proterozoic metasediments arranged around the Goodin Dome, a large ellipsoidal granite that may have acted as a fluid source for mineralising solutions in the region (see Figure 2).

This final cash payment shows Proto’s ability to continue to make progress even in adverse market conditions. RM Corporate Finance (subject to certain Terms and Conditions) has agreed to provide up to A\$2.5 million in funding over three years that will allow Proto to undertake broad exploration at Mooloogool. During the first half of October Proto also conducted its first site visit to the Mooloogool

Project. Outcomes of the trip included the very encouraging results of first outcrop sampling on the Moolooool project.

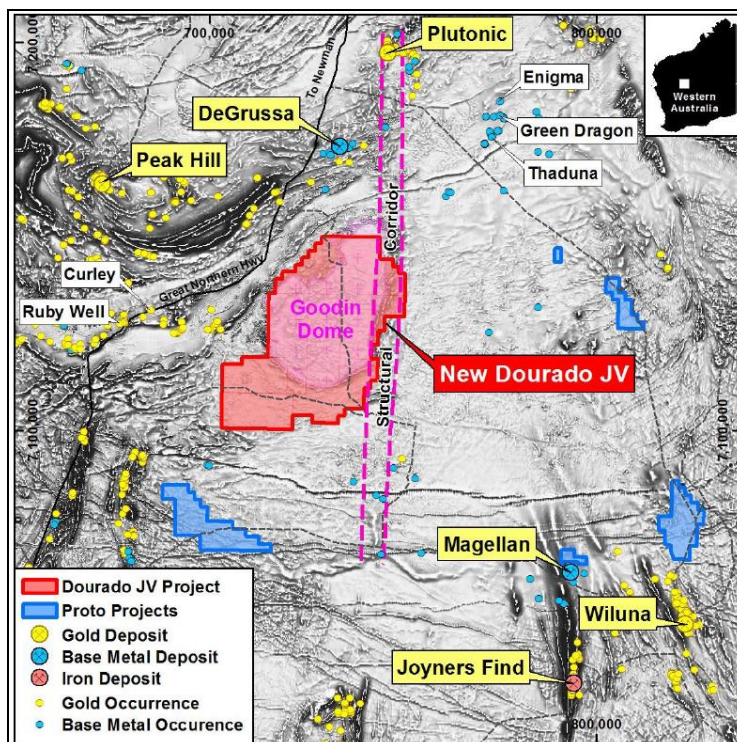


Figure 2. Joint Venture licenses and existing Proto licences in the Yerrida-Goodin Dome Region

From the 22nd of September 2013 to the 3rd of October 2013, walking traverses were conducted across the tenements in areas of expected outcrop and geological features of interest as identified from previous auger/soil samples, geophysics and landsat data sets. Waypoints for the reconnaissance trip are shown in Figure 3.

A number of interesting prospects (industrial, base metal and precious metal) were located during these walking traverses. These included breccia shear structures (Cu-Zn +- Au), magnetite pisolith laterite layers (Fe-Mg) and silica quartz sedimentary beds (Silica). Rock chip samples from features of interest were taken and submitted for lab assaying at the Genalysis Intertek facility in Perth.

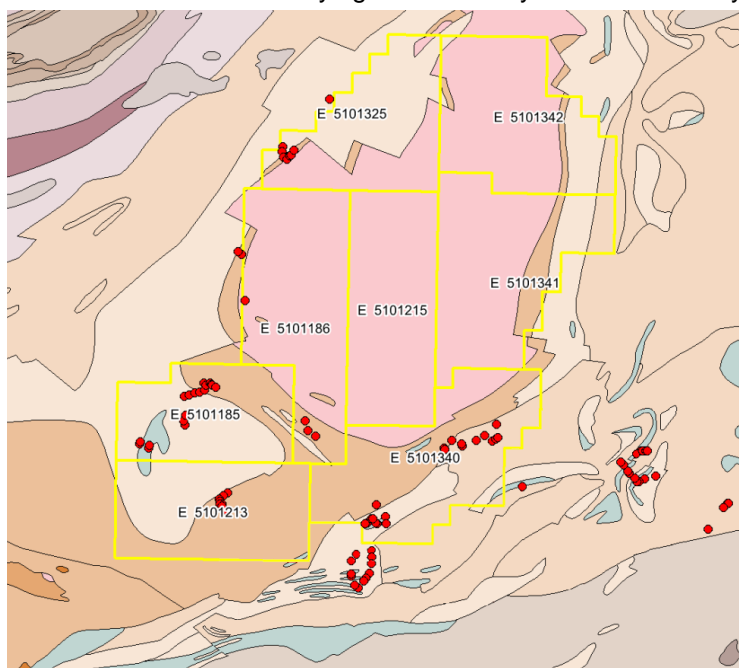


Figure 3. Tenement map with waypoint (red dots) localities over GSWA regional 1:500,000 scale geology map



Major findings of the reconnaissance field trip were:

- In the mid north of Tenement E51/1185 there are two features that have potential for anomalism in Cu ± Au and Fe-Mg. The second feature of note on E51/1185 is a broad flat layer of magnetite pisolith laterite concretions, with substantial magnetite composition. The area is roughly 500m x 250m x 2m thick, with its true extent not yet determined. A mafic intrusive was observed in close proximity to this feature (both on surface and at bottom-of-hole in historical Air-core drill chips): this may be a possible source for the laterite magnetite layer.
- In the mid-east of Tenement E51/1340 there are two features that have potential for anomalism in Cu-Zn ± Au. Here breccia/shear structures with quartz vein and ferruginous/gossan infill were observed. The breccia/shear systems extend approximately 800m to >1000m with portions of the trend being obscured by transported sediments and drainages. The structures are 0.2m to 1.5m wide and exist in high strain zones within carbonaceous fine grained bedded sediments.
- In the east of Tenement E51/1325 there are two parallel beds of coarse grain silica quartz rich sandstone that have potential for industrial quarrying of high purity silica product (i.e., as an exploration target for a quartz silica deposit). These beds are situated unconformable along the margin of the Archean Goodin Inlier.

Following these positive findings, work commenced designing systematic lag sampling over areas of identified prospective trends. Drilling would then will form part of the 2014 exploration strategy, subject to continued good results from this planned follow-up surface work. Proto intends on conducting another site visit in the coming weeks. This will take multiple infield samples for preliminary geochemical analysis with the company's XRF Niton Gun.

## **CAPITAL RAISING**

As a result of the Rights Issue offered to all shareholders, the Directors of Proto Resources & Investments Ltd were pleased to announce that 210,000,000 shares with attaching options have been issued, representing a portion of the shortfall, in accordance with Section 1.9 of the Prospectus dated 24 July 2013. A total of \$210,000 has been raised via these shortfall acceptances. The Company is pleased with the response to the entitlement issue and in particular the interest in shortfall. The Directors look forward to issuing the final 640,543,753 shortfall shares with attaching options.

In conclusion the company has continued to progress its assets and demonstrate exploration success in the area of nickel and copper. Proto's core focus is now iron ore and securing swift initial production exported out of Bell Bay, which is 20km's from the Barnes Hill project in Tasmania.

### **Competent Persons Statement**

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

### **Subsequent events**

On 7 January 2014 the Company issued 37,037,037 ordinary shares at an issue price of \$0.00081 and 14,814,815 \$0.001053 options exercisable on or before 7 January 2018 as conversion shares and options for investment financing.

On 17 February 2014 the Company issued a 27,160,494 ordinary shares at an issue price of \$0.00081 and 10,864,198 \$0.001053 options exercisable on or before 17 February 2018 as conversion shares and options for investment financing, 13,750,000 ordinary shares at an issue price of \$0.0008 as consideration for corporate advisory provided to the company and 64,000,000 ordinary shares at an issue price of \$0.0008 as a private placement.

On 28 February 2014 the Company issued 32,000,000 ordinary shares with at an issue price of \$0.001 with 16,000,000 attaching options at \$0.055 exercisable on or before 26 March 2017 as a private placement and 58,310,000 ordinary shares with at an issue price of \$0.0008 with 29,155,000 attaching options at \$0.055 exercisable on or before 26 March 2017 as consideration for corporate advisory services.

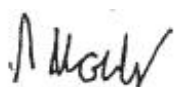
On 7 March 2014, the Directors of Proto Resources & Investments Ltd ("Proto Resources") lodged a prospectus for a one (1) for one (1) non-renounceable entitlements issue ("Entitlements Issue") to its shareholders to raise approximately \$741,793 (before expenses) through the issue of up 741,793,705 New Shares, an attaching option will be issued on the basis of one (1) New Option for every one (1) New Share subscribed for and issued under the offer. Each New Option is exercisable on or before 5:00pm (WST) 17 December 2017 at \$0.0013 (0.13 cents) into one ordinary Share.

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.

#### **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 2013.

Signed in accordance with a resolution of the Board of Directors



**Mr Andrew Mortimer, Managing Director**

Dated at Perth this 14<sup>th</sup> day of March 2014

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Proto Resources & Investments Ltd for the half year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



**RSM BIRD CAMERON PARTNERS**



**JS CROALL**  
Partner

Melbourne, VIC  
14 March 2014



**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2013**

	31 Dec 2013	31 Dec 2012
	\$	\$
Revenues from continuing activities	144,705	345,724
Net fair value gain on financial assets	-	1,900,000
Interest received	609	3,680
	<u>145,314</u>	<u>2,249,404</u>
<b>Expenses from ordinary activities</b>		
Travel and accommodation	(7,231)	(94,329)
Director and employee benefits expenses	(245,134)	(364,589)
Brokers and consulting fees	(762,809)	(1,064,970)
Finance costs	(18,377)	(349,045)
Exploration expenditure written off	(7,347)	(65,886)
Occupancy expense	(51,894)	(51,817)
Compliance and regulatory expenses	(108,202)	(131,039)
Administration expenses	(93,565)	(460,554)
Share based payments	(17,516)	-
Net fair value loss on financial assets	(11,610)	(1,390,739)
Loss on sale of financial assets	-	(122,585)
Impairment of financial asset	-	(85,000)
Other write off	(78,051)	(48,047)
<b>Net loss before income tax expense</b>	<u>(1,256,422)</u>	<u>(1,979,196)</u>
Income tax expense	-	-
<b>Net loss from continuing operations</b>	<u>(1,256,422)</u>	<u>(1,979,196)</u>
Other comprehensive income/(loss)		
<i>Items reclassified subsequently to profit and loss</i>		
Revaluation of available for sale financial assets	-	22,556
<b>Total comprehensive income /(loss)</b>	<u><b>(1,256,422)</b></u>	<u><b>(1,956,640)</b></u>
<i>Loss for the period attributable to:</i>		
Members of the parent entity	(1,283,189)	(1,893,504)
Non-controlling interest	26,767	(85,692)
	<u>(1,256,422)</u>	<u>(1,979,196)</u>
<i>Comprehensive income/(loss) for the period attributable to:</i>		
Members of the parent entity	(1,283,189)	(1,870,948)
Non-controlling interest	26,767	(85,692)
	<u>(1,256,422)</u>	<u>(1,956,640)</u>
<b>Loss Per Share</b> (cents per share)	(0.48)	(0.30)

The accompanying notes form part of this financial report.

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2013**

	Note	31 Dec 2013 \$	30 June 2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		(625)	165,453
Trade and other receivables		93,400	180,036
Held for trading financial assets		126,666	180,749
Other assets		-	2,327
<b>TOTAL CURRENT ASSETS</b>		<b>219,441</b>	<b>528,565</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale financial assets		252,483	252,483
Exploration assets		8,245,404	7,760,422
Plant and equipment		20,802	26,629
Other assets		98,457	98,596
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,617,146</b>	<b>8,138,130</b>
<b>TOTAL ASSETS</b>		<b>8,836,587</b>	<b>8,666,695</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		639,142	874,651
Provisions		-	8,626
Other liabilities		356,085	652,367
<b>TOTAL CURRENT LIABILITIES</b>		<b>995,227</b>	<b>1,535,644</b>
<b>TOTAL LIABILITIES</b>		<b>995,227</b>	<b>1,535,644</b>
<b>NET ASSETS</b>		<b>7,841,360</b>	<b>7,131,051</b>
<b>EQUITY</b>			
Issued capital	2	33,896,510	31,947,295
Reserves		4,375,006	4,357,490
Accumulated losses		(30,487,988)	(29,204,799)
Equity attributable to member		7,783,528	7,099,986
Non-controlling interest	8	57,832	31,065
<b>TOTAL EQUITY</b>		<b>7,841,360</b>	<b>7,131,051</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**For the half year ended 31 December 2013**

	Issued Capital	Option Reserve	Share Based Payment Reserve	Financial Asset Reserve	Accumulated Losses	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2012</b>	<b>28,270,440</b>	<b>970,745</b>	<b>4,843,069</b>	<b>(98,061)</b>	<b>(24,898,789)</b>	<b>1,146</b>	<b>9,088,550</b>
Loss for the period	-	-	-	-	(1,893,504)	(85,692)	(1,979,196)
Other comprehensive income/(loss) for the period	-	-	-	22,556	-	-	22,556
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,556</b>	<b>(1,893,504)</b>	<b>(85,692)</b>	<b>(1,956,640)</b>
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the half year	2,529,895	-	-	-	-	-	2,529,895
Less transaction costs arising from issue of shares, net of tax	(322,232)	-	-	-	-	-	(322,232)
Options issued during the half year	42,550	-	-	-	-	-	42,550
Non-controlling interest on acquisition of Barrier Bay Pty Ltd	-	-	-	-	-	45,213	45,213
<b>Balance at 31 December 2012</b>	<b>30,520,653</b>	<b>970,745</b>	<b>4,843,069</b>	<b>(75,505)</b>	<b>(26,792,293)</b>	<b>(39,333)</b>	<b>9,427,338</b>
<b>Balance at 1 July 2013</b>	<b>31,947,295</b>	<b>-</b>	<b>4,357,490</b>	<b>-</b>	<b>(29,204,799)</b>	<b>31,065</b>	<b>7,131,051</b>
Loss for the period	-	-	-	-	(1,283,189)	26,767	(1,256,422)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,283,189)</b>	<b>26,767</b>	<b>(1,256,422)</b>
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the half year	1,949,215	-	-	-	-	-	1,949,215
Options issued during the half year	-	-	17,516	-	-	-	17,516
Non-controlling interest on acquisition of Barrier Bay Pty Ltd	-	-	-	-	-	-	-
<b>Balance at 31 December 2012</b>	<b>33,896,510</b>	<b>-</b>	<b>4,375,006</b>	<b>-</b>	<b>(30,487,988)</b>	<b>57,832</b>	<b>7,841,360</b>

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2013

	Note	31 Dec 2013	31 Dec 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>\$</b>	<b>\$</b>
Research and development tax rebate		131,020	174,518
Dividends received		7,077	4,141
Other income from operating activities		609	41,731
Payments to suppliers and employees		(540,193)	(614,087)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(401,487)</b>	<b>(393,697)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of shares held for investment		-	(484,558)
Payments for exploration expenditure		(304,981)	(575,888)
Proceeds from sale of investments		52,451	473,033
Loans advanced to other entities		-	(34,105)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(252,530)</b>	<b>(621,518)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of ordinary shares		487,939	1,259,000
Payments for transaction costs associated with capital raisings		-	(322,195)
Proceeds from borrowings		-	265,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>487,939</b>	<b>1,201,805</b>
Net increase/(decrease) in cash held		(166,078)	190,270
Cash at 1 July		165,453	175,916
Cash/(Overdraft) at 31 December		(625)	366,186

The accompanying notes form part of this financial report.



## **NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2013**

### **NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Proto Resources & Investments Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

#### **Basis of preparation**

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

#### **Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

As disclosed in the financial statements, the consolidated entity incurred a loss from ordinary activities of \$1,256,422 and had net cash outflows from operating activities of \$401,487 for the half year ended 31 December 2013 (half year ended 31 December 2012: loss of \$1,979,196 and cash outflows of \$393,697). As at that date the consolidated entity had a working capital deficiency of \$775,786 (30 June 2013 - working capital deficiency \$1,007,079).

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguished its liabilities in the normal course of business and at the amounts stated in the financial statements.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Directors have prepared a cash flow forecast, which indicates that the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.
- The ability to continue as a going concern is principally dependent upon the ability of the consolidated entity to secure funds by raising capital from equity markets and managing cashflow in line with available funds.
  - The consolidated entity has raised \$76,800 through private placements subsequent to reporting date, as disclosed in Note 6;
  - On 7 March 2014, the consolidated entity lodged a prospectus for a one (1) for one (1) non-renounceable entitlements issue (“Entitlements Issue”) to its shareholders to raise approximately \$741,793 before costs, through the issue of up 741,793,705 New Shares and attaching options; and
  - Proto has a long history of issuing shares to suppliers in part or whole payment of invoices. Proto will use this option as well as issuing shares for liquid funds.
- Included in the Statement of Financial Position at 31 December 2013 were financial assets of \$126,666 being the fair value of shares and options held in public listed entities. The Directors are of the opinion that these investments can be liquidated as required to fund ongoing operations.
- Proto is currently considering a convertible note issuance either through itself or a wholly owned subsidiary subject to final negotiation and documentation (this will occur no later than May 2014).

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2013**

**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Going Concern (Continued)**

Accordingly, based on the cash flow forecasts and other factors referred to above, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements. In particular, given the Proto's history of raising capital to date, the Directors are confident of the entity's ability to raise additional funds as and when they are required.

The financial statements do not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2013**

**NOTE 2 – SHARE CAPITAL**

	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Issued and paid up capital</b>		
Fully paid ordinary shares	35,681,553	33,708,989
Total capital raising costs	(1,785,043)	(1,761,694)
	<u>33,896,510</u>	<u>31,947,295</u>
	<b>2013</b>	<b>2013</b>
<b>(b) Movement in fully paid ordinary shares on issue</b>	<b>Number</b>	<b>\$</b>
Balance at 1 July 2013	1,395,137,571	33,708,989
Issued on conversion of convertible note 2 July 2013	60,000,000	48,600
Issued for consulting services 2 July 2013	7,000,000	5,600
Issued for cash 2 July 2013	125,000,000	100,000
Issued on conversion of convertible note 5 July 2013	60,000,000	48,600
Issued on conversion of convertible note 15 July 2013	82,098,765	66,500
Issued for cash from entitlement issue prospectus 15 August 2013	227,778,961	227,779
Issued for consulting services from entitlement issue prospectus 15 August 2013	19,769,000	19,769
Issued on conversion of convertible note 20 August 2013	74,074,074	60,000
Issued for cash from shortfall of entitlement issue prospectus 15 August 2013	210,000,000	210,000
Issued for cash 4 November 2013	50,000,000	50,000
Issued for consulting services 4 November 2013	507,500,000	507,500
Issued for consulting services 14 November 2013	82,216,322	82,216
Issued for consulting services and tenement acquisition 2 December 2013	300,000,000	300,000
10/1 Consolidation of capital	(2,880,517,224)	-
Issued for consulting services 18 December 2013	77,750,000	155,500
Issued on conversion of convertible note 18 December 2013	50,000,000	40,500
Issued on conversion of convertible note 27 December 2013	61,728,395	50,000
Balance at 31 December 2013	<u>509,535,864</u>	<u>35,681,553</u>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 3 – SHARE BASED PAYMENTS

#### Share options

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 153,734,807 listed options expiring 26 March 2017 and exercisable at \$0.055 each.
- 5,172,928 listed options expiring 31 December 2013 and exercisable at \$2.50 each.
- 67,392,135 listed options expiring 1 September 2014 and exercisable at \$0.50.
- 142,858 unlisted options expiring 12 September 2018 and exercisable at \$0.35.
- 1,400,000 unlisted options expiring 18 April 2017 and exercisable at \$0.026.
- 2,280,000 unlisted options expiring 20 May 2017 and exercisable at \$0.013.
- 3,500,000 unlisted options expiring 18 April 2017 and exercisable at \$0.026.
- 13,046,914 unlisted options expiring 2 December 2017 and exercisable at \$0.001053.
- 20,000,000 unlisted options expiring 17 December 2017 and exercisable at \$0.0013.
- 24,691,358 unlisted options expiring 27 December 2017 and exercisable at \$0.0013.

(a) The following share-based payments arrangements were issued during the period:

Share series	Number	Grant Date	Fair value at grant date \$
Issued 2 July 2013	7,000,000	2/7/13	5,600
Issued 15 August 2013	10,000,000	15/8/13	10,000
Issued 15 August 2013	9,769,000	15/8/13	9,769
Issued 4 November 2013	115,000,000	4/11/13	115,000
Issued 4 November 2013	85,000,000	4/11/13	85,000
Issued 4 November 2013	120,000,000	4/11/13	120,000
Issued 4 November 2013	110,000,000	4/11/13	110,000
Issued 4 November 2013	75,000,000	4/11/13	75,000
Issued 4 November 2013	2,500,000	4/11/13	2,500
Issued 14 November 2013	8,000,000	14/11/13	8,000
Issued 14 November 2013	66,000,000	14/11/13	66,000
Issued 14 November 2013	8,216,000	14/11/13	8,216
Issued 2 December 2013	180,000,000	2/12/13	180,000
Issued 2 December 2013	120,000,000	2/12/13	120,000
Issued 18 December 2013	55,250,000	18/12/13	110,500
Issued 18 December 2013	22,500,000	18/12/13	45,000

The fair value of all shares issued during the period as share based payments was determined by reference to the value of services received.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2013**

**NOTE 3 – SHARE BASED PAYMENTS**

Options to the value of \$17,516 were also issued during the period.

The aggregate value of share based payments for the financial period was \$1,070,585. They are recorded in the financial report within the following categories;

	\$
Brokers and consulting fees (profit and loss)	707,375
Capitalised Exploration (balance sheet)	180,000
Director Wages (profit and loss)	10,000
Trade and other payables (balance sheet)	173,210
<b>Total</b>	<b>1,070,585</b>

**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. Lindeman's Bore
  - c. Other
- (ii) Investing activities

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 5 – OPERATING SEGMENTS

#### (a) Segment performance

Half Year Ended 31 December 2013	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest revenue	-	-	-	609	609
Research & development rebate	101,133	-	-	-	101,133
Dividend income	-	-	-	7,077	7,077
<b>Total segment revenue</b>	<b>101,133</b>	<b>-</b>	<b>-</b>	<b>7,686</b>	<b>108,819</b>
<i>Reconciliation of segment result to net profit before tax</i>					
Office reimbursement					22,500
Unallocated revenue					13,995
<b>Total group revenue</b>					<b>36,495</b>
<b>Segment net profit before tax</b>	<b>101,133</b>	<b>-</b>	<b>-</b>	<b>7,686</b>	<b>145,314</b>
<i>Reconciliation of segment result to net loss before tax</i>					
Amounts not included in segment result but reviewed by the board:					
- loss on share trading	-	-	-	(11,610)	(11,610)
- exploration expenditure written off	-	-	(7,347)	-	(7,347)
Unallocated items:					
- compliance and regulatory expense					(108,202)
- consultancy and brokers fees					(762,809)
- director and employee benefits expense					(245,143)
- occupancy expense					(51,834)
- share based payments					(17,516)
- travel and accommodation					(7,231)
- administration and other					(190,044)
<b>Net loss before tax from continuing operations</b>					<b>(1,256,422)</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 5 – OPERATING SEGMENTS

Half Year Ended 31 December 2012	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest revenue	-	-	-	3,680	3,680
Research & development rebate	174,518	-	-	-	174,518
Dividend income	-	-	-	4,141	4,141
Net gain on tenement disposal	-	-	1,900,000	-	1,900,000
<b>Total segment revenue</b>	<b>174,518</b>	<b>-</b>	<b>1,900,000</b>	<b>7,821</b>	<b>2,082,339</b>
<i>Reconciliation of segment result to net profit before tax</i>					
Office reimbursement					75,000
Unallocated revenue					92,065
<b>Total group revenue</b>					<b>167,065</b>
<b>Segment net profit before tax</b>	<b>174,518</b>	<b>-</b>	<b>1,900,000</b>	<b>7,821</b>	<b>2,249,404</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 loss on financial assets	-	-	-	(1,390,739)	(1,390,739)
- loss on share trading	-	-	-	(122,584)	(122,584)
- exploration expenditure written off	-	-	(65,885)	-	(65,885)
Unallocated items:					
- compliance and regulatory expense					(131,039)
- consultancy and brokers fees					(1,064,970)
- director and employee benefits expense					(364,589)
- occupancy expense					(51,817)
- share based payments					-
- travel and accommodation					(94,329)
- administration and other					(942,648)
<b>Net loss before tax from continuing operations</b>					<b>(1,979,196)</b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 5 – OPERATING SEGMENTS

(b) Segment assets

	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2013	\$	\$	\$	\$	\$
<b>Segment assets</b>	<b>4,989,548</b>	<b>1,959,996</b>	<b>2,195,860</b>	<b>348,967</b>	<b>8,594,371</b>
Segment asset increases/(decreases) for the half year:					
- capital expenditure	19,918	171,148	294,536	-	485,602
- financial assets	-	-	-	(11,610)	(11,610)
	19,918	171,148	294,536	(11,610)	473,991

*Reconciliation of segment  
assets to total assets*

Other assets

242,217

**Total asset from  
continuing operations**

**8,836,587**

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

*Reconciliation of segment  
assets to total assets*

Other assets

308,207

**Total asset from  
continuing operations**

**8,666,695**

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 5 – OPERATING SEGMENTS

#### (c) Segment liabilities

	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2013	\$	\$	\$	\$	\$
<b>Segment liabilities</b>	<b>11,816</b>	<b>39,502</b>	<b>127,243</b>	-	<b>178,561</b>
<i>Reconciliation of segment liabilities to total liabilities</i>					
Other liabilities					816,665
<b>Total liabilities from continuing operations</b>					<b>995,227</b>

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2013

### NOTE 6 – SUBSEQUENT EVENTS

On 7 January 2014 the Company issued 37,037,037 ordinary shares at an issue price of \$0.00081 and 14,814,815 \$0.001053 options exercisable on or before 7 January 2018 as conversion shares and options for investment financing.

On 17 February 2014 the Company issued a 27,160,494 ordinary shares at an issue price of \$0.00081 and 10,864,198 \$0.001053 options exercisable on or before 17 February 2018 as conversion shares and options for investment financing, 13,750,000 ordinary shares at an issue price of \$0.0008 as consideration for corporate advisory provided to the company and 64,000,000 ordinary shares at an issue price of \$0.0008 as a private placement.

On 28 February 2014 the Company issued 32,000,000 ordinary shares with at an issue price of \$0.001 with 16,000,000 attaching options at \$0.055 exercisable on or before 26 March 2017 as a private placement and 58,310,000 ordinary shares with at an issue price of \$0.0008 with 29,155,000 attaching options at \$0.055 exercisable on or before 26 March 2017 as consideration for corporate advisory services.

On 7 March 2014, the Directors of Proto Resources & Investments Ltd (“Proto Resources”) lodged a prospectus for a one (1) for one (1) non-renounceable entitlements issue (“Entitlements Issue”) to its shareholders to raise approximately \$741,793 (before costs) through the issue of up 741,793,705 New Shares, an attaching option will be issued on the basis of one (1) New Option for every one (1) New Share subscribed for and issued under the offer. Each New Option is exercisable on or before 5:00pm (WST) 17 December 2017 at \$0.0013 (0.13 cents) into one ordinary Share.

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 7 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At balance date the Directors identified 10 creditors amounting to \$331,552 which are in the view of the Directors, not legitimate creditors due to the entity receiving either duplicate invoices or invoices for which work was not performed. These amounts relate to invoices which are all, at a minimum, at least 12 months old. The Directors have resolved not to recognise these creditors on the Statement of Financial Position until such time as evidence can be obtained supporting the claim by the creditor.

### NOTE 8 – SUBSIDIARIES

Controlled Entities	Country of Incorporation	31 December	30 June
		2013	2013
		Percentage Owned	
Barrier Bay Pty Ltd*	Australia	51%	51%

\* The proportion of ownership interest is equal to the proportion of voting power held.

## **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 2013 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.



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**Mr Andrew Mortimer**  
**Managing Director**

**Perth**

Dated this 14th day of March 2014



**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF**  
**PROTO RESOURCES & INVESTMENTS LTD**

*Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Proto Resources & Investments Ltd which comprises the consolidated interim statement of financial position as at 31 December 2013, the consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year..

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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 Ltd, 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.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Proto Resources & Investments Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

### *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 Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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*.

### *Emphasis of Matter*

Without qualifying our conclusion expressed above, we draw attention to Note 1-Going Concern in the half-year financial report which indicates that the consolidated entity reported an operating loss after tax of \$1,256,422 and cash outflows from operating activities of \$401,487 for the six month period to 31 December 2013. As at that date the consolidated entity had a working capital deficiency of \$775,786.

These conditions, along with other matters as set forth in Note 1-Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



**RSM BIRD CAMERON PARTNERS**



**J S CROALL**  
Partner

Melbourne, VIC  
14 March 2014