

PROTO RESOURCES & INVESTMENTS LTD

ABN 35 108 507 517

INTERIM FINANCIAL REPORT

31 DECEMBER 2011

CORPORATE DIRECTORY

Proto Resources & Investments Ltd

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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 2011.

Directors

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

- Ian Campbell (Non-Executive Chairman)
- Andrew K Mortimer (Managing Director)
- Lia M Darby (Non-Executive Director)
- Aziz G Melick (Executive Director)
- Patricia K Philip (Non-Executive Director)

Review and results of operations

The net loss of the Group after income tax for the half year ended 31 December 2011 amounted to \$1,991,523 (31 December 2010: \$641,503).

Review of operations

1. INTRODUCTION

The second half of 2011 marked an important period for Proto Resources & Investments Ltd ("Proto") as the Barnes Hill project moved further through development. A pivotal milestone achieved during the period occurred with the appointment of Caterpillar Inc. (NYSE: CAT) as the equipment supplier and debt financier for the project. Caterpillar will provide mining equipment and Caterpillar Financial SÀRL ("Caterpillar Financial") in Zurich will manage the financing of the Barnes Hill project. Also during the period, the Development Application ("DA") and Development Proposal and Environmental Management Plan ("DPEMP") for the Barnes Hill project were lodged. In addition, an increased mining rate of 500,000 tonnes per annum was accepted by Proto and joint venture partners Metals Finance Limited ("Metals Finance", ASX: MFC) resulting in substantial enhancements to the project's economics. This revised throughput will be incorporated into the Definitive Feasibility Study ("DFS") currently underway and due for completion in Q2 2012. Meanwhile bulk sample leaching tests of Barnes Hill ore to confirm both the rate of nickel recovery and the acid consumption of the ore for incorporation into the DFS commenced.

Important advancements were also achieved during the latter half of 2011 with respect to the innovative Barrier Bay processing technology currently being developed by Proto's 51%-owned subsidiary, Barrier Bay Pty Ltd ("Barrier Bay"). The first commercial Barrier Bay pilot operated on a batch system, with the five-stage process broken down into five components. The design of an integrated cell was completed during the period to allow the reconstruction of the pilot plant to operate on a continuous production basis.

On the exploration front, Proto's Northern Territory assets were significantly advanced during the second half of 2011. Final processing and full 3D assessment of the ZTEM geophysical data from the airborne surveys conducted in late 2010 at the Lindeman's Bore and Wave Hill Projects was completed during the period. This work culminated in the commencement of a 600-800m diamond core hole (LBD-3) targeting a 500m by 500m bedrock conductor at the Lindeman's Bore project. At the Waterloo project, located in the Northern Territory approximately 350km southwest of Katherine, Proto and its joint venture partner, Peak Mining and Exploration Limited, completed a semi-regional gravity programme. The survey consisted of approximately 900 gravity stations at between 500-1000m spacing. Several discrete gravity anomalies of potential interest were identified along a major structure and are to be investigated further in 2012. In addition, Proto announced the finalisation of a research sponsorship including the linked professional secondment of leading volcanologist Dr Mike Widdowson.

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Proto's Doolgunna Projects in Western Australia also received a boost during the final half of 2011 with the granting of a number of projects. These projects, situated within the historical Glengarry Basin, build on Proto's belief that a significant portion of the broader region is prospective for Sandfire-style mineralisation. Four projects (Casey, Great Doolgunna, Mt Killara and Magellan North) were granted during the period. These projects will first be investigated through field mapping and geochemical sampling.

Proto did not conduct significant fieldwork across its other exploration projects, including the Barnes Hill West Project, Waite Kauri, Metal Rocks, Mt Veters, and Tibooburra during the reported period. As a result, these projects are not included in this review of work performed during the period. The market will be informed of the future work planned for these projects in due course.

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

2.1 Project Overview

Located in northern Tasmania, the Barnes Hill project contains three related laterite deposits known as Barnes Hill, Mt Vulcan and Scott's Hill. Barnes Hill is under a joint venture agreement with Metals Finance Limited, whereby Metals Finance will develop a working flowsheet and complete a definitive feasibility study and detailed engineering plan in return for a 50% stake in the project. After the grant of the mining licence, and subject to the required mining and processing approvals from the Tasmanian authorities, Proto is on track for first product to be mined at Barnes Hill by 2013. Barnes Hill sits on granted mining lease 1872P/M which is over EL172006 that is also held by Proto. Figure 1 below sets-out the site plan determined for Barnes Hill.

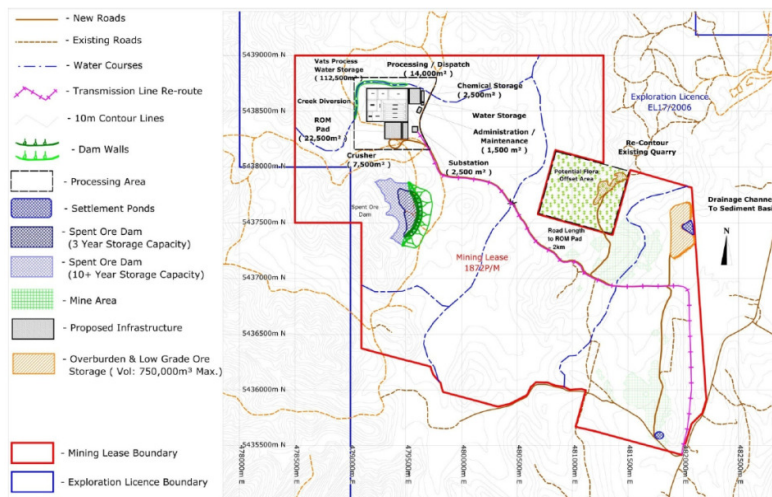


Figure1 – Site Plan for the Proposed Barnes Hill Mine

Proto is currently fine-tuning the processing route at Barnes Hill and expects to produce saleable nickel, cobalt, iron and magnesium products. Proto is applying an innovative processing technology to Barnes Hill which is being developed by Barrier Bay – a company in which Proto is the major shareholder. The technology will reduce the expected vehicle movements, reagent usage and the spent ore dam footprint. Testwork to date shows potential for significant savings through acid recycling alone. In addition to producing nickel, cobalt, iron and magnesium products from the Barnes Hill lateritic ore, Proto is also investigating the potential to monetise the iron rich overburden which 'caps' the limonite and saprolite ore. Iron results achieved at Barnes Hill include 16 m @ 43.1% Fe (from surface) and 10 m @ 42.1% Fe (from surface). These results compare favourably with Tasmania's two existing magnetite mines (Savage River and Kara) which operate at grades of 30-35% Fe.

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2.2 Activity July 2011 - December 2011

2.2.1 Exploration and Development

The latter half of 2011 was a pivotal period for the development of the Barnes Hill project with Proto achieving major milestones on the journey to production. Major achievements during the period include the appointment of Caterpillar Inc. as the equipment supplier to Barnes Hill and the conclusion of a financing arrangement with Caterpillar Financial in Zurich. The commitment letter is to deliver a debt finance facility consisting of a Senior Secured Project Loan (“Project Loan”) along with a Subordinated Loan (“Subloan”) that together will provide up to US\$36m in financing, being 60% of total project costs, as required to construct and commission operations.

On 29 September 2011, Proto announced that the DA and DPEMP to approve mining had been lodged. The DA will be assessed by the West Tamar Council who will consider planning impacts, while the DPEMP will be assessed by the Board of the Environment Protection Authority, Tasmania (“EPA”) under the Environmental Management and Pollution Control Act 1994 (Tas) and associated regulations. The EPA will also manage the assessment under the Environment Protection and Biodiversity Conservation Act 1999 (Cth) under referral from the Commonwealth Department of Sustainability, Environment, Water, Population and Communities (“SEWPAC”).

Proto has also acquired an option to purchase 105 ha of private land adjacent to the mine site to add to conservation reserves. This land includes 87 ha of native habitat to offset the impact of mining. This area is shown in Figure 2 below. Under the terms of the Mining Lease, only 65 ha of area will be being utilised for mining and processing at any point with ongoing rehabilitation of mined areas to be undertaken on a rolling basis. This will create a situation where the offsets surpass the impacted area at all times during the operation of the mine.

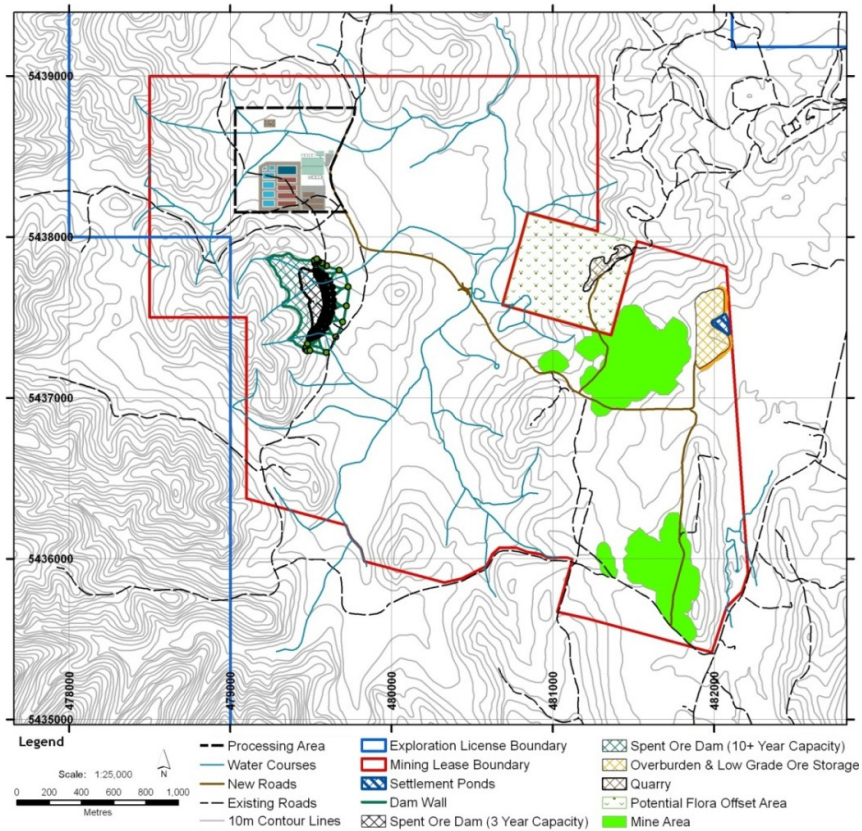


Figure 2 – Barnes Hill site layout with offset area marked

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In the period, Proto also advanced environmental management activities at Barnes Hill. The Company completed construction of the first of two enclosures to protect local populations of *Tetratheca gunnii* from wallaby grazing (see Figure 3 below). These enclosures were constructed with permission from the Department of Primary Industries, Parks, Water and Environment. The Board of Proto strongly support initiatives to propagate such populations, and considers the utilisation of Proto's extensive environmental surveys to support conservation activities an important benefit to flow from the project.



Figure 3 – Enclosure to protect *Tetratheca gunnii* from wallaby grazing

During the period Proto and joint venture partners Metals Finance agreed to substantially increase the feasibility study throughput for the Barnes Hill project. This work has demonstrated that an increased scale of 500,000tpa is desirable to optimise the economies of scale of the project's economics. Under the increased rate of throughput, project payback is expected to occur within three years. Desktop analysis has suggested that this increased throughput is practically achievable with additional leaching and feasibility study work now underway to confirm parameters. The DFS, based on this increased throughput and detailed engineering of a final flow sheet, is on target for completion by 30 June 2012.

This 500,000tpa flow sheet will be based on the Dow Chemical (Australia) ("Dow") Ion Exchange Resin ("IER") separation technology being pioneered by Metals Finance at their Lucky Break nickel laterite project in Queensland (see diagram 4 below). On 14 October 2011 Metals Finance announced completion of a letter of intent with Dow, a global leader in speciality chemicals and advanced materials. Dow is contributing technical know-how and process engineering input associated with the use of its IER technology that facilitates production of nickel under lower cost atmospheric operating conditions. Metals Finance is using this same resin technology on the Barnes Hill feasibility studies. Indeed, the draft feasibility study at the 250,000tpa level was based on the same IER approach developed for Lucky Break.



Figure 4 – Dow Chemical selective nickel low-pH Ion Exchange Resin

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Proto also continued work on the ironstone cap at Barnes Hill, with bulk metallurgical samples collected in the period. This ironstone cap was already drilled during the Barnes Hill drill-out and a resource will be easily estimated once beneficiation testing has been proven to a JORC-compliant standard. Also during the period, Proto completed the collection and transportation of bulk samples of Barnes Hill saprolite ore to the Australian BioRefining Pty Ltd facilities in northern New South Wales. In total 26 bulka bags were collected and shipped. The ore was collected through trench excavation and sampling of nickeliferous ultramafic (serpentinite) saprolite from selected sites at the north and south pit locations at Barnes Hill.

Proto continues to advance the Barnes Hill project towards production as a matter of priority. The project remains on target for first production by 2013.

2.2.2 Technology Commercialisation

Proto is pleased with the level of progress of the Barrier Bay processing technology. A significant amount of laboratory and bench scale test work on the technology has been completed, with the results now having been largely pulled together into a single interpretative study. The work to date has concluded as follows:

- Laboratory testwork shows clear advantages for the technology as an enabling technology for nickel laterite processing. While the primary function of the process is the regeneration and recovery of sulphuric acid, a range of significant benefits result from this.
- The process also favours recovery of the contained metals as oxide/hydroxide products that adhere to a cathode and hence facilitate solid liquid separation at very high solid: liquid ratios, hence minimising or removing conventional solid liquid separation processes. The incorporation of Ion Exchange into the circuit results in a high value nickel product and subsequently allows satisfactory recovery of a primarily iron component, and a second primarily magnesium component that represent a significant additional economic benefit.
- The laboratory work has provided a valid basis for Barrier Bay to commission a preliminary Independent Technical Review ("ITR") of the results to date, and the technology's potential for commercial application. This has been carried out by a widely regarded metallurgical consultant based in Tasmania, who will continue to perform an overview role as the technology progresses.

The Barrier Bay processing technology passed through several significant milestones during the second half of 2011, culminating in the completed design of an integrated cell allowing the pilot plant to operate on a continuous production basis. The first commercial Barrier Bay pilot was designed for the treatment of third party material from Western Australia and was consequently built with the five-stage process broken down into five distinct components that were operated under batch production methods, one for each stage as follows, that form part of the wider flow sheet shown in Figure 5:

- Stage 1 – Reduction of Fe³⁺ to Fe²⁺
- Stage 2 – Ion Exchange (extraction of nickel and cobalt)
- Stage 3 – Extraction of FeO and Fe₂O₃ (mixed iron oxide product)
- Stage 4 – Extraction of mixed hydroxide product ("MHP")
- Stage 5 – Extraction of Mg(OH)₂ (magnesium hydroxide)

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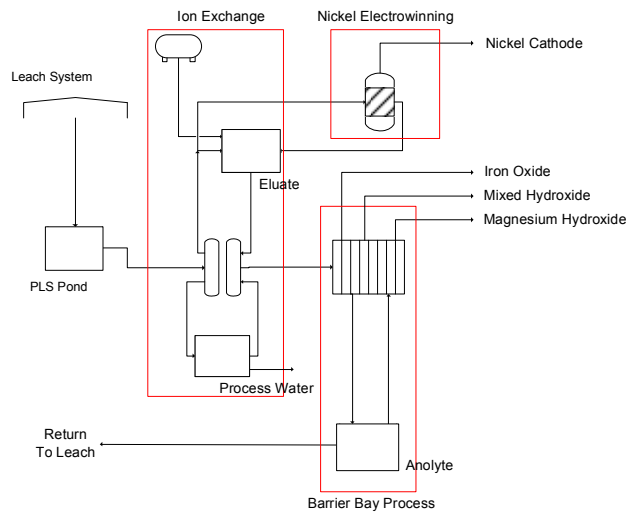


Figure 5 – Process flow diagram of the reconstructed pilot plant

As announced on 20 December 2011 the Barrier Bay technology comprising the four stages listed above (other than stage 2 which comprises the IER technology being developed by Metals Finance and Dow) will now take place in one integrated cell. This new cell (Figure 6 below), consisting of 22 individual cells, will allow the pilot plant to operate on a continuous production basis. With the completion of this reconfiguration, the pilot plant has, subsequent to the end of this reporting period, commenced operation.



Figure 6 – The new cell designed for the Barnes Hill flowsheet moving into position

Another key milestone completed during the period was the acceptance of the second batch of anion exchange membranes supplied by General Electric (“GE”, NYSE: GE) after extensive quality control testing. The membranes are of key importance to the Barrier Bay process as they provide a means for sulphuric acid to accumulate in one half of the cell (the anolyte), from where it can be recycled, and for water to accumulate in the other half of the cell (the catholyte), from where it can be recycled.

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3. LINDEMAN'S BORE, NT (NICKEL SULPHIDE, GOLD AND PGEs)

3.1 Project Overview

Proto holds strategic tenure in the Antrim Plateau Volcanics of the Northern Territory. This area is considered prospective for Noril'sk style mineralisation. The Noril'sk-Talnakh deposits, hosted within the intrusive structures which make-up the Continental Flood Basalts of the Siberian Traps Igneous Province of Russia, are the largest nickel-copper-palladium deposits in the world. Proto believes that the Continental Flood Basalts in the Antrim Plateau Volcanics of the Northern Territory of Australia may be an analogue to the Siberian Igneous Province of Russia and hence also prospective for a nickel-copper-palladium super system. Proto has engaged in research joint ventures with leading volcanologists from the Queensland University of Technology and The Open University, UK in advancing the geological understanding of this underexplored province.

The Lindeman's Bore project is located 380km south-west of Katherine, near the community of Kalkarindji. Proto holds 80% of EL25307, with 20% held by private prospectors. Proto earned its interest through the completion of two deep diamond drill holes in the vicinity of the bulls-eye magnetic anomaly. Prior to the reported period, Proto announced that it had entered upon a Joint Venture over its Lindeman's Bore project (and Waterloo project) with Peak Mining and Exploration Limited. Peak will earn a 10% stake in the Lindeman's Bore project under earn-in arrangements. The 10% interest in Lindeman's Bore will be earned by spending \$300,000 on exploration by the end of next year. This earn-in has already been initiated with the ZTEM airborne geophysical survey flown over the Lindeman's Bore project in December 2010.

The initial target identified at Lindeman's Bore was a circular bulls-eye magnetic anomaly located near the centre of an antiform. In June 2009 Proto drilled a first diamond hole aimed at this target, LBD-1, to a depth of 751 metres. Drill-hole LBD-1 provided new geological insight by intersecting the Inverway Metamorphics and identified mineralisation of 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. This was followed by LBD-2 that also intersected elevated levels of base metals.

3.2 Activity July 2011 - December 2011

In the second half of 2011, the Company returned to the Lindeman's Bore project in the Northern Territory to drill a third diamond drill hole into a large electromagnetic anomaly. Drilling of a 600-800m diamond core hole commenced on 13 December 2011. Proto is drilling this new third hole in joint venture with Peak Mining who is providing the funding for the drilling campaign. Proto is targeting a tabular 500m by 500m electromagnetic anomaly, the top of which is relatively close to surface. The Company believes that this electromagnetic ("EM") target is potentially sulphide bearing and that its prospectivity is suggested by the minor base metal mineralisation uncovered during Proto's previous exploration at Lindeman's Bore.

This drilling followed the released on 4 November 2011 of the results of ground electromagnetic surveys completed on Lindeman's Bore. Two FLTEM ground surveys were completed at the Lindeman's Bore project area during September-October 2011 by Outer Rim Exploration Services Pty Ltd. Assessment of the FLTEM survey data confirmed the presence of the broad, deep bedrock type anomaly. Initial modelling of this FLTEM anomalism indicated that the associated bedrock source had a large area (size >500x500m), and was situated at a reasonably significant depth (~250-400m from surface). Figure 7 shows the location of FLTEM surveying completed and the locations of the ZTEM priority target, previous drill holes LBD-01 and LBD-02 and the new LBD-03 hole.

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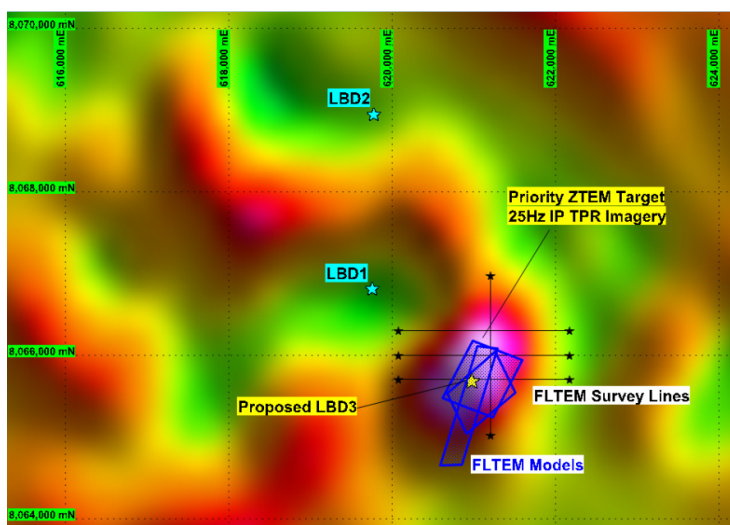


Figure 7 – Lindeman’s Bore FLTEM Surveying with proposed LBD03 location and ZTEM Imagery

Drilling of the third hole at Lindeman’s Bore is continuing subsequent to the end of the reported period and Proto looks forward to informing the market of the outcome.

4. WATERLOO, NT (NICKEL SULPHIDE, COPPER AND PGEs)

4.1 Project Overview

The Waterloo project is situated approximately 350km Southwest of Katherine, Northern Territory Australia. Like Lindeman’s Bore, Proto’s exploration target at Waterloo is for Noril’sk style Ni-Cu-PGE mineralisation within mafic feeders to the Antrim Plateau Volcanics. The Waterloo area contains substantial outcrop of the Antrim Plateau Volcanics that represents a Mid-Cambrian Large Igneous Province (“LIP”) consisting of a thick pile of tholeiitic lava flows and interbedded sedimentary material. This LIP is believed to be prospective for Noril’sk-style Ni-Cu-PGE mineralisations.

The Waterloo project area has been the subject of various exploration programmes since the 1960’s. The majority of this exploration has been for diamonds due to the areas close proximity to the Argyle Diamond Mine (located 75km west of the project) and the Bow River diamond mining area (located 40 km west of the project area). Historic exploration work completed by Metals Exploration NL & Freeport Australia Inc. between 1968 and 1970 included stream sediment samples were taken across the western part of the Waterloo project area that identified areas of anomalous copper. In addition, work completed by Australian Kimberley Diamonds in 1997 identified a circular feature that sampling indicated was unlikely to be a kimberlite but did contain large amounts of magnetite that distinguished it from the Antrim Basalt flows.

Prior to the reported period, Proto announced that it had entered upon a Joint Venture over its Waterloo project (and Lindeman’s Bore project) with Peak Mining and Exploration Limited. Peak will acquire a 50% interest in the Waterloo Project under earn-in arrangements. The Waterloo interest will be acquired by spending \$1,500,000 over 5 years. During the period this was initiated with the ZTEM airborne geophysical survey over the Wave Hill flow in December 2010.

4.2 Activity July 2011 - December 2011

On 18 October 2011, Proto announced the finalisation of a research sponsorship including the linked professional secondment of leading volcanologist Dr Mike Widdowson to further exploration on Proto’s Northern Territory tenements. Dr Widdowson is to be seconded to Proto as part of an exploration collaboration that will include the funding of a dedicated PhD project focused on the Waterloo project

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area. The research project is entitled: "Architecture, chemostratigraphy, and economic prospectivity of the Central Kalkarindji flood basalt province, Australia".

In order to support the work that Dr Widdowson is undertaking, Proto agreed with The Open University ("OU") to jointly fund a postgraduate student in the period from 1 October 2011 to 30 September 2014. In addition to funding 50% of student costs, the OU will also fund 50% of analytical costs that will directly contribute to Proto's exploration of the Waterloo area. The PhD project will include two, month-long, field reconnaissance and sample collection expeditions, and extensive geochemical analyses to be performed at the OU (ICP-MS and Ar/Ar dating work), the Queensland University of Technology ("QUT") (XRF), and Leeds University (sulphur isotope analyses). These detailed analyses will aid in determining the economic potential of the flood basalt succession, the likelihood of crustal sill complexes, and the potential for the presence of associated mineralisation.

On 4 October 2011, Proto announced that a team from QUT led by Dr David Murphy had completed a research expedition over the Company's Waterloo project. As part of the winter 2011 field trip a series of stratigraphic traverses to the south of the previously mapped area in the vicinity of Riedel shears to the east and west of the Blackfellow Creek Fault were conducted. All stratigraphic traverses were extensively sampled for petrological and geochemical investigation.

Also in the second half of 2011, Proto completed an extensive ground gravity survey program over the Company's Waterloo project. The survey consisted of approximately 900 gravity stations acquired at between 500-1000m spacing by Atlas Geophysics Pty Ltd with preliminary results considered encouraging. The result clearly demarcate the major structural suture/conduit present at Waterloo. This structure, the Blackfellow Creek Fault, is orientated in a NE-SW direction and is considered a long lived structure that may possibly have acted as a vent for Cambrian aged basalt magmatism. Historical data shows copper mineral occurrences along or close to this structure and these copper occurrences may be due to structural remobilisation of copper from within the Antrim Plateau Basalts. Several discrete gravity anomalies are present along the Blackfellow Creek structure and are to be investigated further in 2012 (see Figure 8).

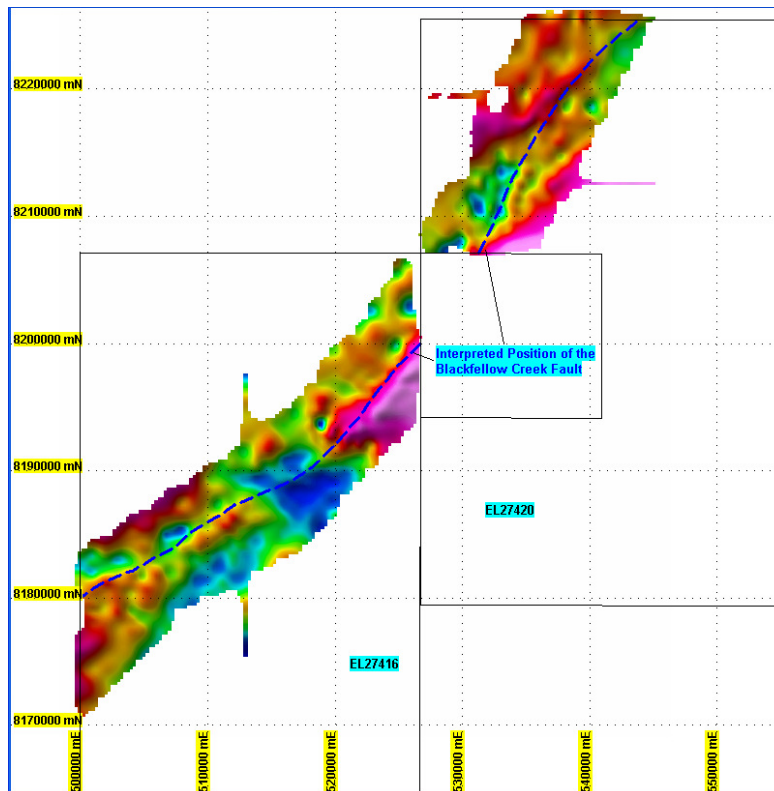


Figure 8 - Preliminary Gravity Survey Results for the Waterloo Project

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5. WAVE HILL, NT (NICKEL SULPHIDE AND PGEs)

5.1 Project Overview

The Wave Hill project is located to the east and southeast of the Lindeman's Bore project, approximately 380km south-west of Katherine in the Northern Territory. Previous work by Proto and joint venture partner Peak Mining and Exploration Limited at Wave Hill include a ZTEM airborne geophysical survey. The ZTEM survey was the first large scale commercial use of this new system in Australia. 918 line kilometres of ZTEM were flown over the project areas at line spacings of 1km with this program representing the first large scale commercial use of ZTEM in Australia.

Results from the ZTEM survey delineated several anomaly trends sub parallel and perpendicular to the flight lines. The most prominent anomaly (A-trend) correlated well with an elongated magnetic anomaly that is believed to be at relatively shallow depth (<200m) (Figure 9). 2D inversion relating to this A-trend showed weakly conductive features below this magnetic anomaly that could be responding to structural controls.

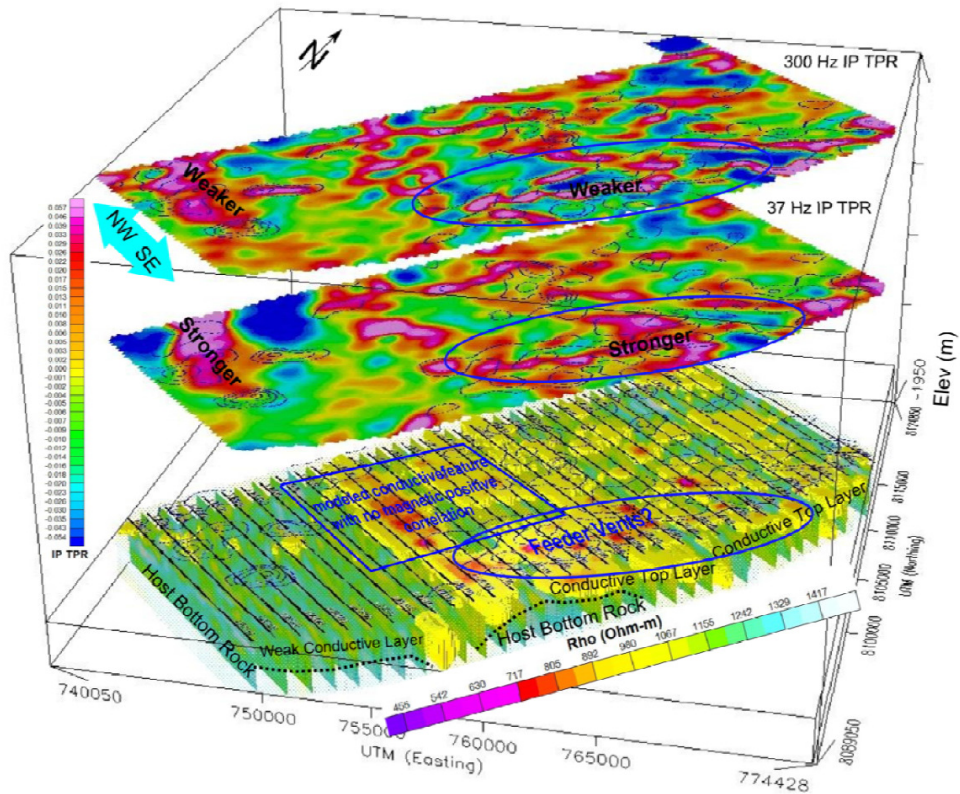


Figure 9 – Wave Hill 2D Resistivity Inversions in 3D View

5.2 Activity July 2011 - December 2011

As announced on the 12 July 2011, final processing and 3D compilation of ZTEM results obtained at Wave Hill have now been completed. The additional analysis was undertaken following the positive initial data announced on 20 April 2011, and has provided a clearer indication of the most promising targets. This work was followed up through ground geophysics prior to the end of 2011. Proto is eager to advance the project further in 2012 with a view, in particular, to test the potential of the A-trend anomaly.

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6. KIEFERNBERG, GERMANY (NICKEL LATERITE, COBALT AND IRON)

6.1 Project Overview

The Granulite Mountains area is situated in Saxony, Germany located approximately 50km west of Dresden (see Figure 10). The licence is considered prospective for nickel, cobalt, copper, chrome, silver and gold. Proto has applied for licenses covering known mineralisation within the area.



Figure 10 – Location of the Granulite Mountains Area

The application areas contain the Kiefernberg mineralisation, a brownfield former nickel mine as well as several already identified unexploited mineralised areas. The Kiefernberg mineralisation has had substantial drilling completed by the GDR's former Communist Government. Historical drill results were assayed at 0.5m intervals, with tight drill spacing of less than 30x30m. Indeed there have been over 1200 holes completed at the project to varying depths. Given the extensive previous work already conducted it should be possible to rapidly define a JORC compliant resource at Kiefernberg through the completion of the necessary confirmatory geological work.

6.2 Activity July 2011 - December 2011

On 2 November 2011 Proto announced it had entered an option to purchase the Granulite Mountains license in Saxony, Germany from Deutsche Rohstoff AG. However, under due diligence license standing did not meet requirements, and Proto was able to withdraw from the agreement. Instead, Proto has subsequently applied for licenses over the attractive areas of the Granulite Mountains in its own right. The Kiefernberg project in particular, is intended to become Proto's second nickel-cobalt development, as it would use the same technology as Proto's flagship Barnes Hill Project in Northern Tasmania. The processing circuit and engineering already completed are well suited to Kiefernberg, which shares similar characteristics to Barnes Hill in terms of proximity to roads, water and electricity. Indeed there are roads and electricity passing over the license just a few hundred metres from the mineralisation and a high intensity 220kV power line is located just 1.5km from the project area. Thus Proto considers that Kiefernberg represents an excellent opportunity to replicate the plant that has been designed for its flagship project at Barnes Hill.

In addition to the area at Kiefernberg, the Granulite Mountains area hosts several other small laterite bodies. Proto plans to use geophysical techniques and stream sediment sampling to test the wider mineral potential, including exploring for sulphide mineralisations associated with the rocks that were

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the source of the nickel that has weathered into the laterite profile. The areas of past exploration and mining in the area around Kiefenberg are shown in Figure 11 below.

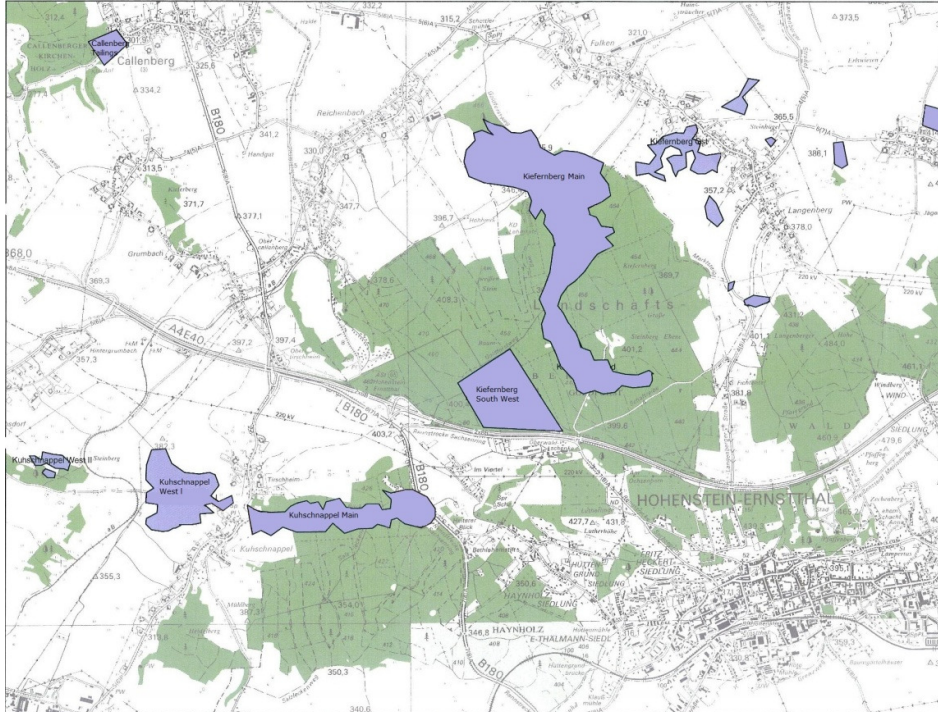


Figure 11 – Sites of Previous Exploration and Mining around Kiefenberg

The acquisition of the Kiefenberg project forms part of Proto's strategy of expanding nickel tonnage by rolling out the Barrier Bay process to other nickel laterite projects in Australia and around the world.

7. DOOLGUNNA PROJECT, WA

7.1 Project Overview

Proto's exploration holdings in the Doolgunna region consist of four granted licenses and an outstanding application that cover a combined area of 409km². All five licenses are within the Palaeoproterozoic-aged Yerrida Basin, which is known to host significant resources including Sandfire Resources NL's DeGrussa Deposit and Ivernia Inc's Magellan Lead Mine. The Company considers that the projects may contain rock units analogous to those that host known Cu-Au and Pb mineral deposits within the Yerrida Basin. In particular, Proto believes that a significant portion of the broader region is prospective for Sandfire-style mineralisation as other companies, such as Sipa Resources Limited (ASX: SRI), Ventnor Resources Ltd (ASX: VRX) and Dourado Resources Limited (ASX: DUO), have already returned promising results in nearby drilling. Proto is targeting copper as its secondary focus (after nickel) on the basis of its commercial potential and strong forward outlook.

7.2 Activity July 2011 - December 2011

Proto received grant of four of the five licenses it applied for in 2010 during the second half of 2011 within the historical Glengarry Basin. Projects granted during the period are as follows: Casey project E51/1457 (192 km²), Great Doolgunna license E51/1455 (6 km²), Mt Killara project E53/1580 (135.4 km²) and the Magellan North E53/1581 (18.44 km²) with the Station Bore application (ELA69/2872) still in process. The locations of these areas and of competitor's projects are shown in Figure 12 below.

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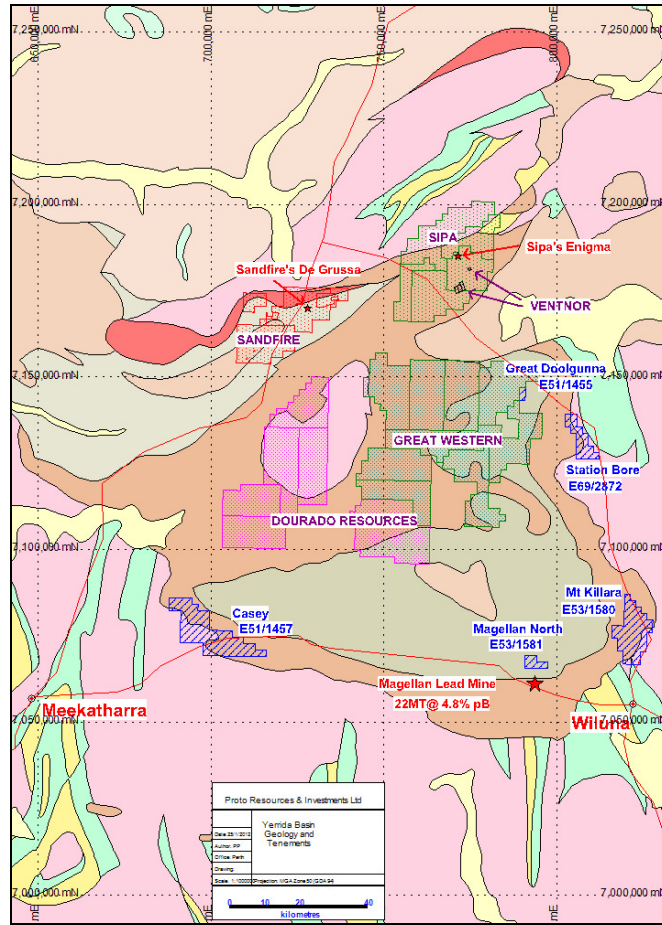


Figure 12 – Yerrida Basin Tenement Locations

Having received these project grants Proto will commence field studies in 2012. Work will commence with first-pass geophysics and will be followed by more targeted field studies that will include mapping and associated geochemical surveys (soil sampling/rock chip sampling).

Competent Persons Statement

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves, together with any related assessments and interpretations, is based on information reviewed by Mr Peter Peebles a full-time employee of Darlington Geological Services Pty Ltd. Mr Peebles is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation 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 Mineral Resources and Ore Reserves". Mr Peebles consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

**PROTO RESOURCES & INVESTMENTS LTD
& CONTROLLED ENTITIES
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Subsequent events

On 3 January 2012 the Company issued 44,189 ordinary shares at an issue price of \$0.05 on the conversion of options.

On 20 January 2012 the Company issued 500,000 ordinary shares at an issue price of \$0.022 to raise \$11,000 through a private placement.

On 20 January 2012 the Company issued 1,000,000 ordinary shares with 250,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.025 to raise \$25,000 through a private placement.

On 25 January 2012 the Company issued 10,090,908 ordinary shares with 5,045,454 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$222,000 through a private placement.

On 25 January 2012 the Company issued 2 ordinary shares at an issue price of \$0.250 on the conversion of options.

On 6 February 2012 the Company issued 16,800,000 ordinary shares with 8,400,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$369,600 through a private placement.

On 24 February 2012 the Company issued 61,436,260 listed options at an issue price of \$0.004 per option to raise \$245,745 before costs. The options are exercisable at \$0.05 on or before 1 September 2014.

On 9 March 2012 the Company issued 250,000 ordinary shares with 125,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$5,500.

On 13 March 2012 the Company issued 28,500,000 listed options at an issue price of \$0.004 per option to raise \$114,000 before costs. The options are exercisable at \$0.05 on or before 1 September 2014.

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 2011.

Signed in accordance with a resolution of the Board of Directors



Mr Andrew Mortimer, Managing Director

Dated at Perth this 15th day of March 2012

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(WA) Pty Ltd**

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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 and Controlled Entities for the half-year ended 31 December 2011 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; and
- 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 CA
Director

DATED at PERTH this 15th day of March 2012

PROTO RESOURCES & INVESTMENTS LTD
& CONTROLLED ENTITIES
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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2011

	31 Dec 2011	31 Dec 2010
	\$	\$
Revenues from continuing activities	458,162	121,980
Net fair value gain on financial assets	-	430,073
Interest received	15,431	24,084
Profit on sale of financial assets	-	17,637
	<u>473,593</u>	<u>593,774</u>
Expenses from ordinary activities		
Travel and accommodation	2 (199,080)	(75,473)
Director and employee benefits expenses	(387,780)	(227,702)
Brokers and consulting fees	(486,145)	(290,204)
Finance costs	(1,770)	(6,585)
Exploration expenditure written off	(30,725)	(148,875)
Occupancy expense	(52,545)	(48,789)
Compliance and regulatory expenses	(80,649)	(91,792)
Administration expenses	(418,628)	(345,857)
Share based payments	(175,689)	-
Net fair value loss on financial assets	(606,002)	-
Loss on sale of financial assets	(26,103)	-
Net loss before income tax expense	<u>(1,991,523)</u>	<u>(641,503)</u>
Income tax expense	-	-
Net loss from continuing operations	<u>(1,991,523)</u>	<u>(641,503)</u>
Other comprehensive income/(loss)		
Revaluation of available for sale financial assets	(82,028)	-
Total comprehensive income /(loss)	<u>(2,073,551)</u>	<u>(641,503)</u>
<i>Loss for the period attributable to:</i>		
Members of the parent entity	(1,987,688)	(641,503)
Non-controlling interest	(3,835)	-
	<u>(1,991,523)</u>	<u>(641,503)</u>
<i>Comprehensive income/(loss) for the period attributable to:</i>		
Members of the parent entity	(2,069,716)	(641,503)
Non-controlling interest	(3,835)	-
	<u>(2,073,551)</u>	<u>(641,503)</u>
Loss Per Share (cents per share)	(0.46)	(0.22)

The accompanying notes form part of this financial report.

**PROTO RESOURCES & INVESTMENTS LTD
& CONTROLLED ENTITIES
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**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 December 2011**

	Note	31 Dec 2011 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		668,136	688,537
Trade and other receivables		142,222	314,357
Financial assets at fair value through profit or loss		1,482,030	1,754,519
Available for sale financial assets		-	57,331
Other assets		18,574	202,513
TOTAL CURRENT ASSETS		2,310,962	3,017,257
NON-CURRENT ASSETS			
Trade and other receivables		141	45,000
Available for sale financial assets		330,279	447,667
Investments accounted for using the equity method		-	8,044
Exploration assets		7,053,159	6,149,847
Plant and equipment		56,865	62,759
Other assets		89,632	89,632
TOTAL NON-CURRENT ASSETS		7,530,076	6,802,949
TOTAL ASSETS		9,841,038	9,820,206
CURRENT LIABILITIES			
Trade and other payables		720,514	677,531
Deferred revenue		30,851	-
Provisions		8,627	3,289
TOTAL CURRENT LIABILITIES		759,992	680,820
TOTAL LIABILITIES		759,992	680,820
NET ASSETS		9,081,046	9,139,386
EQUITY			
Issued capital	3	26,752,315	24,761,149
Reserves		4,760,007	4,826,035
Accumulated losses		(22,435,485)	(20,447,798)
Equity attributable to member		9,076,837	-
Non-controlling interest	11	4,209	-
TOTAL EQUITY		9,081,046	9,139,386

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 2011

	Issued Capital	Option Reserve	Share Based Payment Reserve	Financial Asset Reserve	Accumulated Losses	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	19,626,475	4,684,769	-	(12,713)	(16,529,531)	-	7,769,000
Loss for the period	-	-	-	-	(641,503)	-	(641,503)
Total comprehensive loss for the period	-	-	-	-	(641,503)	-	(641,503)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the half year	1,925,307	-	-	-	-	-	1,925,307
Less transaction costs arising from issue of shares, net of tax	(136,195)	-	-	-	-	-	(136,195)
Options issued during the half year	-	76,500	-	-	-	-	76,500
Balance at 31 December 2010	21,415,587	4,761,269	-	(12,713)	(17,171,034)	-	8,993,109
Balance at 1 July 2011	24,761,148	15,000	4,827,069	(16,034)	(20,447,797)	-	9,139,386
Loss for the period	-	-	-	-	(1,987,688)	(3,835)	(1,991,523)
Other comprehensive income/(loss) for the period	-	-	-	(82,028)	-	-	(82,028)
Total comprehensive income/(loss) for the period	-	-	-	(82,028)	(1,987,688)	(3,835)	(2,073,551)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the half year	2,052,167	-	-	-	-	-	2,052,167
Less transaction costs arising from issue of shares, net of tax	(61,000)	-	-	-	-	-	(61,000)
Options issued during the half year	-	-	16,000	-	-	-	16,000
Non-controlling interest on acquisition of Barrier Bay Pty Ltd	-	-	-	-	-	8,044	8,044
Balance at 31 December 2011	26,752,315	15,000	4,843,069	(98,062)	(22,435,485)	4,209	9,081,046

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 2011

	Note	31 Dec 2011	31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Research and development tax rebate		259,190	-
Interest received		15,431	21,614
Dividends received		24,829	-
Other income from operating activities		152,040	93,639
Finance costs		-	(6,585)
Payments for exploration expenditure		(881,586)	(869,015)
Payments to suppliers and employees		(1,322,435)	(1,076,249)
NET CASH USED IN OPERATING ACTIVITIES		(1,752,531)	(1,836,596)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the acquisition of areas of interest for exploration and evaluation		-	(60,000)
Proceeds from sale of tenements		100,000	-
Payments for purchase of shares held for investment		(390,265)	(744,183)
Proceeds from sale of investments		140,249	288,137
Purchase of plant and equipment		(8,542)	-
Payment for subsidiary, net of cash acquired	9	(826)	-
Loans advanced to other entities		(3,567)	(44,613)
Loan repaid by other entities		54,700	-
NET CASH USED IN INVESTING ACTIVITIES		(108,251)	(560,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of ordinary shares		1,901,381	1,841,196
Payments for transaction costs associated with capital raisings		(61,000)	(136,195)
Proceeds from the conversion of options to ordinary shares		-	1
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,840,381	1,705,002
Net decrease in cash held		(20,401)	(692,253)
Cash at 1 July		688,537	1,421,664
Cash at 31 December		668,136	729,411

The accompanying notes form part of this financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report of Proto Resources and Investments Limited (“Proto”) and its controlled entity (“the Group”) for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 15 March 2012. Proto Resources and Investments Limited is a company incorporated in Australia and limited by shares.

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standards AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of 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 half-year financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2011, as noted below.

Reporting Basis and Conventions

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

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.

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of \$1,991,523 for the half year ended 31 December 2011 (half year ended 31 December 2010: \$641,503). The net decrease in cash held during the half year was \$20,401 (half year to 31 December 2010: a decrease of \$692,253).

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:

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- The Company has raised \$873,345 through private placements and conversion of options subsequent to reporting date, as disclosed in note 6; and
- Included in the Statement of financial position at 31 December 2011 were financial assets of \$1,482,030 being the fair value of shares and options held in ASX listed entities. The directors are of the opinion that these investments can be liquidated as required to fund ongoing operations.

Although the Directors believe that they will be successful in these measures, if they are not, the Company may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Changes in Accounting Policies and Disclosures

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore no change is necessary to the Group's accounting policies.

Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under similar terms and conditions.

NOTE 2 – TRAVEL AND ACCOMMODATION EXPENSES

Proto saw an increase in travel and accommodation expenditure in the half-year period on account of the fact that extra expense was incurred by project financiers travelling to site and other locations in Australia to assess the project.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 3 – SHARE CAPITAL

	31 December	30 June
	2011	2011
	\$	\$
(a) Issued and paid up capital		
Fully paid ordinary shares	26,752,315	24,761,148

	2011	2011
	Number	\$
(b) Movement in fully paid ordinary shares on issue		
Balance at 1 July 2011	407,337,026	24,761,148
Issued for consulting services 22 July 2011	1,200,000	60,000
Option conversion 26 July 2011	750,000	30,000
Option conversion 28 July 2011	750,000	28,500
Option conversion 4 August 2011	3,000,000	102,000
Option conversion 17 August 2011	750,000	26,250
Option conversion 18 August 2011	1,000,000	36,000
Option conversion 22 August 2011	500,000	18,500
Option conversion 23 August 2011	1,000,000	36,000
Issued for cash 26 August 2011	14,285,714	500,000
Issued in lieu of wages 30 August 2011	199,624	8,584
Issued for consulting services 13 September 2011	1,428,571	50,000
Issued for cash 21 September 2011	20,000,000	700,000
Issued for consulting services 21 September 2011	1,000,000	35,000
Issued for consulting services 23 September 2011	1,400,000	70,000
Option conversion 12 December 2011	34,668	1,733
Issued for cash 30 December 2011	15,890,909	349,600
Transaction costs relating to share issues	-	(61,000)
Balance at 31 December 2011	470,526,512	26,752,315

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 3 – SHARE CAPITAL

(c) Share options

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

- 51,727,806 listed options expiring 31 December 2013 and exercisable at \$0.25 each.
- 39,998,591 unlisted options expiring 1 September 2014 and exercisable at \$0.05.
- 1,428,571 unlisted options expiring 12 September 2018 and exercisable at \$0.035.

NOTE 4 – SHARE BASED PAYMENTS

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

Share series	Number	Grant Date	Fair value at grant date \$
Issued 22 July 2011	1,200,000	22/7/2011	0.05
Issued 30 August 2011	199,624	30/8/2011	0.043
Issued 13 September 2011	1,428,571	26/8/2011	0.035
Issued 21 September 2011	1,000,000	21/9/2011	0.035
Issued 23 September 2011	1,400,000	23/9/2011	0.05

Options series	Number	Grant Date	Exercise Price \$	Fair value at grant date \$
Issued 23 September 2011	1,000,000	23/9/2011	0.05	0.002
Issued 23 September 2011	7,000,000	23/9/2011	0.05	0.002

The options issued during the period expired on 31 December 2011.

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

The aggregate value of share based payments for the financial period was \$239,583.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 5 – 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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 5 – OPERATING SEGMENTS

(a) Segment performance

Half Year Ended 31 December 2011	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
Revenue					
Interest revenue	-	-	-	15,431	15,431
Research & development rebate	259,190	-	-	-	259,190
Dividend income	-	-	-	2,551	2,551
Net gain on tenement disposal	-	-	100,000	-	100,000
Total segment revenue	259,190	-	100,000	17,982	377,172
<i>Reconciliation of segment result to net profit before tax</i>					
Office reimbursement					72,500
Unallocated revenue					23,921
Total group revenue					473,593
Segment net profit before tax	259,190	-	100,000	17,982	473,593
<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	-	-	-	(606,002)	(606,002)
- loss on share trading	-	-	-	(26,103)	(26,103)
- exploration expenditure written off	-	-	(30,725)	-	(30,725)
Unallocated items:					
- compliance and regulatory expense					(80,649)
- consultancy and brokers fees					(486,145)
- director and employee benefits expense					(387,780)
- occupancy expense					(52,545)
- share based payments					(175,689)
- travel and accommodation					(199,080)
- administration and other					(420,398)
Net loss before tax from continuing operations					(1,991,523)

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

For the half-year ended 31 December 2011

NOTE 5 – OPERATING SEGMENTS

Half Year Ended 31 December 2010	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
	\$	\$	\$	\$	\$
Revenue					
Interest revenue	-	-	-	24,084	24,084
Realised gain on sale of financial assets	-	-	-	17,637	17,637
Total segment revenue	-	-	-	41,721	41,721
<i>Reconciliation of segment result to net profit before tax</i>					
Unallocated revenue					121,980
Total group revenue					121,980
Segment net profit before tax	-	-	-	41,721	163,701
<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 on financial assets	-	-	-	430,073	430,073
- exploration expenditure written off	-	-	(148,875)	-	(148,875)
Unallocated items:					
- compliance and regulatory expense					(91,792)
- consultancy and brokers fees					(290,204)
- director and employee benefits expense					(227,702)
- occupancy expense					(48,789)
- share based payments					-
- travel and accommodation					(75,473)
- administration and other					(352,442)
Net loss before tax from continuing operations					(641,503)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 5 – OPERATING SEGMENTS

(b) Segment assets

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2011	\$	\$	\$	\$	\$
Segment assets	4,652,745	1,090,031	1,310,383	2,480,445	9,533,604
Segment asset increases/(decreases) for the half year:					
- capital expenditure	350,832	172,087	380,393	-	903,312
- financial assets	-	-	-	(272,489)	(272,489)
- held to maturity investments	-	-	-	(174,719)	(174,719)
	350,832	172,087	380,393	(447,208)	456,104
<i>Reconciliation of segment assets to total assets</i>					
Other assets					307,434
Total asset from continuing operations					9,841,038

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 5 – OPERATING SEGMENTS

	Exploration – Barnes Hill	Exploration – Lindeman's Bore	Exploration - Other	Treasury	Total Operations
As at 30 June 2011	\$	\$	\$	\$	\$
Segment assets	4,301,913	917,944	929,990	2,956,098	9,105,945
Segment asset increases/(decreases) for the year:					
- capital expenditure	1,359,533	70,179	446,965	-	1,876,677
- financial assets	-	-	-	482,779	482,779
- held to maturity investments				504,998	504,998
	<u>1,359,533</u>	<u>70,179</u>	<u>446,965</u>	<u>987,777</u>	<u>2,864,454</u>
<i>Reconciliation of segment assets to total assets</i>					
Other assets					714,261
Total asset from continuing operations					<u>9,820,206</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 5 – OPERATING SEGMENTS

(c) **Segment liabilities**

	Exploration – Barnes Hill	Exploration – Lindeman’s Bore	Exploration - Other	Treasury	Total Operations
As at 31 December 2011	\$	\$	\$	\$	\$
Segment liabilities	45,707	81,866	140,895	-	268,468
<i>Reconciliation of segment liabilities to total liabilities</i>					
Other liabilities					488,661
Total liabilities from continuing operations					757,129
					<hr/>
					<hr/>
As at 30 June 2011	\$	\$	\$	\$	\$
Segment liabilities	156,477	5,183	45,650	-	207,310
<i>Reconciliation of segment liabilities to total liabilities</i>					
Other liabilities					473,510
Total liabilities from continuing operations					680,820
					<hr/>
					<hr/>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 6 – SUBSEQUENT EVENTS

On 3 January 2012 the Company issued 44,189 ordinary shares at an issue price of \$0.05 on the conversion of options.

On 20 January 2012 the Company issued 500,000 ordinary shares at an issue price of \$0.022 to raise \$11,000 through a private placement.

On 20 January 2012 the Company issued 1,000,000 ordinary shares with 250,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.025 to raise \$25,000 through a private placement.

On 25 January 2012 the Company issued 10,090,908 ordinary shares with 5,045,454 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$222,000 through a private placement.

On 25 January 2012 the Company issued 2 ordinary shares at an issue price of \$0.250 on the conversion of options.

On 6 February 2012 the Company issued 16,800,000 ordinary shares with 8,400,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$369,600 through a private placement.

On 24 February 2012 the Company issued 61,436,260 listed options at an issue price of \$0.004 per option to raise \$245,745 before costs. The options are listed and exercisable at \$0.05 on or before 1 September 2014.

On 9 March 2012 the Company issued 250,000 ordinary shares with 125,000 attaching options exercisable at \$0.05 on or before 1 September 2014, at an issue price of \$0.022 to raise \$5,500.

On 13 March 2012 the Company issued 28,500,000 listed options at an issue price of \$0.004 per option to raise \$114,000 before costs. The options are exercisable at \$0.05 on or before 1 September 2014.

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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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 7 – RELATED PARTY TRANSACTIONS

Prepaid directors' fees to Andrew Mortimer and Lia Darby of \$55,139 and \$75,781 respectively were included as a prepayment within other current assets at 30 June 2011.

During the period ending 31 December 2011 Andrew Mortimer repaid the \$55,139 by transferring cash and shares with a total value of \$84,113 to the Group. The overpayment of \$28,974 is included within trade and other creditors at 31 December 2011.

Lia Darby repaid the \$75,781 in cash during the period, resulting in no balance outstanding at 31 December 2011.

NOTE 8 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The security deposit in relation to the Barnes Hill project in Tasmania will escalate as work intensifies in the area, increasing to \$1,500,000 upon the granting of the land use permit for mining to allow minor construction and the clearing of vegetation. The Group has paid \$250,000 of the \$1,500,000 as at 31 December 2011 and the date of this report, leaving a balance payable of \$1,250,000 contingent on the granting of the land use permit. The security deposit will then increase to a third level for final construction and commencement of mining.

Apart from the above, there have been no significant changes in the Group's contingent assets and liabilities since 30 June 2011.

NOTE 9 – BUSINESS COMBINATION

(a) Summary of acquisition

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

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

Purchase consideration (refer to (b) below):

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

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

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 9 – BUSINESS COMBINATION

Goodwill arising on acquisition is as follows (refer to (iv) below):

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

(i) Acquired receivables

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

(ii) Revenue and profit contribution

The acquired business contributed revenues of nil and losses of \$7,826 from acquisition date to 31 December 2011.

(iii) Non-controlling interests

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

(iv) Goodwill

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

(b) Purchase consideration – cash inflow

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2011

NOTE 10 – SUBSIDIARIES

Controlled Entities	Country of Incorporation	2011 Percentage Owned	2010
Barrier Bay Pty Ltd*	Australia	51%	35%
Matilda Resources Pty Ltd**	Australia	-	100%

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

** Matilda Resources Pty Ltd is a dormant company and was deregistered on 14 February 2011.

NOTE 11 – NON-CONTROLLING INTEREST

Transactions with non-controlling interests

On 26 August 2011, Proto Resources & Investments Limited acquired an additional 2% of the issued capital of Barrier Bay Pty Ltd, bringing its total shareholding in Barrier Bay to 51% as described at Note 9.

The carrying amount of the non-controlling interest in Barrier Bay Pty Ltd on the date of the acquisition was \$8,044.

At period end, the non-controlling interest's share of Barrier Bay equity is as follows:

	2011 \$	2010 \$
Share capital	250,341	-
Accumulated losses	(246,132)	-
Total	4,209	-

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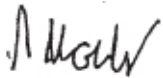
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DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The Financial Statements and Notes as set out from pages 18 to 36:
 - 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 2011 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.



**Mr Andrew Mortimer
Managing Director**

Perth

Dated this 15th day of March 2012

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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 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

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 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 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 Consolidated Entity's financial position as at 31 December 2011 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.

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 Consolidated Entity's financial position as at 31 December 2011 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, attention is drawn to the following matter. As a result of matters described in Note 1: Going Concern to the half-year 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 or 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 CA
Director

DATED at PERTH this 15th day of March 2012

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