

# PROTO



RESOURCES & INVESTMENTS LTD

## STOCK EXCHANGE ANNOUNCEMENT

January 30, 2009

### Quarterly Activity Report ending 31 December 2008

ASX Release: PRW

#### Highlights

- Stage One of a resource drilling programme at the Barnes Hill nickel deposit completed. A total of 75 drill holes for 1,080 metres were drilled on a 50m x 50m grid pattern within the northern portion of the currently defined resource area.
- Recently completed resource drilling at Barnes Hill has intersected widespread iron-rich laterite at surface.
- Deep drill program at the Lindeman-Bore NT nickel-copper-platinum project receives \$100,000 funding grant with drilling scheduled for April 2009.
- Placements to the total of approximately \$850,000 completed over the last four months
- Project generation work on hold whilst company waits for stability in global markets; some exploration project areas rationalised
- Annual General Meeting of Shareholders held Friday, 28 November 2008 with all resolutions passed

#### Barnes Hill Project, Tasmania (Nickel Sulphide and Nickel Laterite)

During the quarter Proto Resources & Investments Ltd (Proto, the Company) completed the first stage of the drilling campaign at Barnes Hill. This programme was Stage One of a 700 hole 15,000m drilling campaign that will feed into the feasibility study currently underway. The resource drill-out is Proto's largest remaining commitment under the joint venture agreement with Metals Finance Corporation (MFC). Barnes Hill is located in northern Tasmania and contains a 12.1 Mt Australasian Joint Ore Reserves Committee (AJORC) indicated resource at 0.83% nickel and 0.07% cobalt. The Andersons Creek Ultramafic Complex, which hosts the Barnes Hill deposit, is believed to have additional exploration potential for further nickel laterite deposits as well as potential for nickel sulphide deposits.

A total of 75 aircore drill holes have been drilled for 1,080 metres. Individual samples have been taken from each metre drilled and have been dispatched to ALS Laboratory Group for analysis. Drilling during Stage One targeted the northern portion of the currently defined resource area with drilling completed along

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seven east-west traverse lines with 50m drill hole spacings along these lines. As anticipated this intersected a lateritised weathering profile above serpentinised ultramafic rocks of the Andersons Creek Ultramafic Complex.

Proto is also assessing the potential to develop a small-scale iron ore project to complement the Barnes Hill nickel-cobalt project. A number of synergies may exist between the projects. The Company is assessing the potential market for the mining of the iron-rich laterite layer that sits on or close to the surface above the nickel-cobalt bearing saprolitic clays and weathered ultramafic rocks at Barnes Hill. The iron-rich laterite includes haematite and magnetite mineralisation.

Assays from the Stage One drill programme will provide data to assess these options more fully. The new samples are in addition to those intercepts noted in drilling completed by Proto at Barnes Hill and Mt Vulcan in November 2007. That earlier drilling intersected some encouraging intercepts of iron with a peak value of 1m @ 49% Fe with broader results that included results running from the surface of 10m @ 35.4% Fe in Drill Hole 121, 9m @ 35.2% Fe in Drill Hole 63, 4m @ 33.4% Fe in Drill Hole 65 and 5m @ 37.3% Fe in Drill Hole 31. Two operations currently mining iron as magnetite in Tasmania, Savage River Mine and Kara Mine, have published resource grades of between 30-35% Fe so in a similar range to this assay data from Barnes Hill.

The regional soil sampling programme commenced in September for nickel sulphides was also completed in December. Assay results are pending.

### **Lindeman's Bore, Northern Territory (Nickel Sulphide, Copper and PGEs)**

As announced in October, the Northern Territory Geological Survey (NTGS), as part of its Bringing Forward Discovery initiative, is to fund \$100,000 of Proto's deep drilling programme at the Lindeman's Bore project. The Lindeman's Bore project, on granted exploration licence EL 25307, is 380km southwest of Katherine, situated on Limbunya Station near the community of Kalkarindji. This targets a large high definition bullseye magnetic anomaly that has been defined through earlier magnetic and gravity geophysical surveys.

Proto is currently seeking land clearance to commence the Lindeman's Bore deep drill programme. It is believed that Lindeman's Bore has the strong exploration potential to host a Norilsk style nickel-copper-platinum and PGE (platinum group element) massive sulphide ore body.

The nickel deposits of Norilsk-Talnakh are the world's largest nickel-copper-palladium deposits. They are hosted in the Siberian Traps Igneous Province which consists of Continental Flood Basalts and their associated intrusive structures and sills.

### **Menzies Project, WA (Nickel Laterite, Nickel Sulphide and Gold) and Mt Vettors Project, WA (Gold and Nickel)**

Following drilling earlier in 2008, Proto has rationalized its tenement package to retain the identified mineralization on the Menzies tenements. This has seen a material reduction in holding to produce a lower holding cost targeted tenement package. Similar reductions have been made at Mt Vettors to target potential mineralization bearing ultramafic rocks.



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### **Arunta Project, Northern Territory (Nickel, PGEs and Gold)**

The change in market conditions led to a suitable joint venture partner being unavailable at Arunta. Given the size of the tenements, and that fact that this was the Company's most greenfields project, Proto took the necessary step of relinquishing these tenements in the quarter in order to focus on its more advanced projects.

### **Tibooburra Project, NSW (Gold)**

The Company's 100%-owned Tibooburra Project is comprised of three contiguous exploration licences and is situated within the historic Milparinka-Tibooburra goldfield. Both alluvial gold and primary mesothermal lode-gold have been mined within the district for more than 110 years. Known gold mineralisation within exploration licence EL6286 is associated with quartz reefs hosted in Precambrian sediments.

A new exploration approach has been defined to identify potential mesothermal lode-gold systems in the historic Tibooburra-Milparinka goldfield, 250 kilometres north of Broken Hill in far west New South Wales. Significantly, the campaign will initially be applied across the prospective Milparinka Zone almost wholly enclosed by EL6286. The campaign's main objective will be the definition of economic mesothermal lode-gold mineralisation.

The Company is looking at the best way of crystallising value for shareholders from this project.

### **Overseas Development**

As said above project generation work for Proto has halted whilst the current world financial crisis resolves itself; the company is focussing now on its domestic projects, particularly Barnes Hill and Lindeman's Bore. The Company continues to deal with issues and claims associated with operations in Turkey.

### **Share and Options Placement and Share Purchase Plan**

During the quarter on 7 October 2008 Proto announced the completion of a share placement of approximately 4 million fully paid ordinary shares and 4 million attaching options to fund ongoing exploration activities, with a priority focus on Barnes Hill and Lindeman's Bore. Additionally, in early January a small placement was made of approximately \$300,000 to sophisticated investors under s 708 of the Corporations Act. The placement is at 3 cents with a one for one attaching option, expiring at 5 cents in 2011.

Proto also provided all shareholders the opportunity to acquire additional shares under the same conditions as the October 7 placement under a Share Purchase Plan (SPP). This sought to allow shareholders to take advantage of prevailing market conditions and the current undervaluation of the junior mining sector.



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## **Corporate Development**

An AGM of shareholders held on Friday, 28 November 2008 approved all 20 resolutions presented. This included the re-election of Ms Kay Philip as a director and the election of Mr Greg Melick and Mr Ian Campbell following their appointment earlier in the year. The AGM also approved a number of issues of shares that reflected the substitution of script for cash remuneration of the senior management team. These issues have been used to confirm personnel needs across Proto's portfolio of projects, with a particular emphasis on the Barnes Hill nickel project.

Proto is continuing to economise on costs. This includes the rationalisation of management staff. Mr Toby Caddick, Head of Corporate and Mr Pierre Richard, the Chief Financial Officer have stepped down from their positions, retaining consulting roles within the company. Notably also Mr Gil Darby has formally stepped down from the position of Company Secretary with Ms Lia Darby taking on this role with the support of Accounting team Mining Corporate.

Despite this reduction in staffing, Mr Andrew Mortimer and Ms Lia Darby as Joint Managing Directors have ensured that Proto will continue its strong tradition of disclosure and careful strategic management. Remaining senior staff and the directors will be taking the majority of their remuneration in script to preserve cash.

Proto has appointed BBY as corporate advisers and brokers to the company. BBY has substantial capability in providing mining specific corporate advice on such matters as offtake and project financing agreements and arrangements, project acquisition, project development, and other business specific areas. BBY has a substantial track record in providing these services to a range of mining companies that have considerably benefited from these services.

## **Appendix 5B**

The attached Appendix 5B is Proto's quarterly statement of cashflows for the three months ended 31 December 2008.

There has been no mining or development activity or expenditure in the period.

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*The information in this report that relates to Exploration Results is based on information compiled by Andrew Jones, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Jones is a full-time employee of TasEx Geological Services Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*