

PROTO



RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

June 8, 2011

Mining Lease and Letter of Recommendation received and Security Deposit submitted to Tasmanian Govt.

ASX: PRW

The Directors of Proto Resources & Investments Ltd (“Proto”, “the Company”) are pleased to announce that the Company has received Mining Lease 1872P/M from the Tasmanian Government for the company’s flagship Barnes Hill project near Launceston. Proto has signed the lease deed and is providing the required security deposit to Mineral Resources Tasmania (“MRT”).

Proto will now further accelerate the development of Barnes Hill. In particular, the grant of the ML by the Tasmanian Government will now enable the financing stage to be advanced. It is expected that the Government’s formal, signed granting of the Mining Lease will occur prior to June 30.

Metals Finance Limited (“Metals Finance”) will deliver the bankable detailed feasibility study for Barnes Hill in approximately seven weeks, at the end of July. Proto is also now finalising an indicative term sheet with a specialist project financing unit of a multinational equipment supplier lender for the financing of Barnes Hill.

Executive Summary

- Proto has received confirmation from the Tasmanian Government of the recommendation to grant Mining Lease (“ML”) 1872P/M over the Barnes Hill project area. Proto has completed the lease deed and has sent the A\$250,000 security deposit to Mineral Resources Tasmania.
- The security deposit levels have been staged to increase prior to the intensification of activities at Barnes Hill. The first stage A\$250,000 deposit will allow all necessary work for delivery of the detailed feasibility study. Proto’s joint venture partner, Metals Finance, is to deliver a detailed feasibility study based on its low-pH nickel recovery system in the middle of this year. The detailed feasibility on the Barrier Bay technology (that will recycle acid and produce saleable iron and magnesium products) will be delivered by the end of December this year.
- Proto is now able to advance financing of Barnes Hill. Following discussions over the last nine months with the specialist project financing unit of a multinational equipment supplier, Proto last week received an indicative term sheet for the financing of Barnes Hill. The term sheet would

**Proto Resources &
Investments Ltd**

ACN: 108 507 517

Suite 1901, Level 19, 109 Pitt St,
Sydney 2000 NSW Australia

PO Box R1870
Royal Exchange NSW 1225

p: +61 2 9225 4000

f: +61 2 9235 3889

e: info@protoresources.com.au

w: www.protoresources.com.au



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provide for the project financing unit to act as global arranger and senior lender to the Barnes Hill project.

Mining Lease Documentation Received

Proto has received the documentation for the grant of Mining Lease 1872P/M over the Barnes Hill project area. The ML has been recommended for grant by the Tasmanian Government's Mineral Resources Tasmania (MRT) and will take effect on its imminent endorsement by the state's Minister for Energy and Resources. The initial term would allow for mining for 15 years, through to 2026 once land permits are issued. The ML area, mining pits and placement of processing facilities in the now completed Development Proposal and Environmental Management Plan for Barnes Hill are shown in Figures 1 and 2 below.

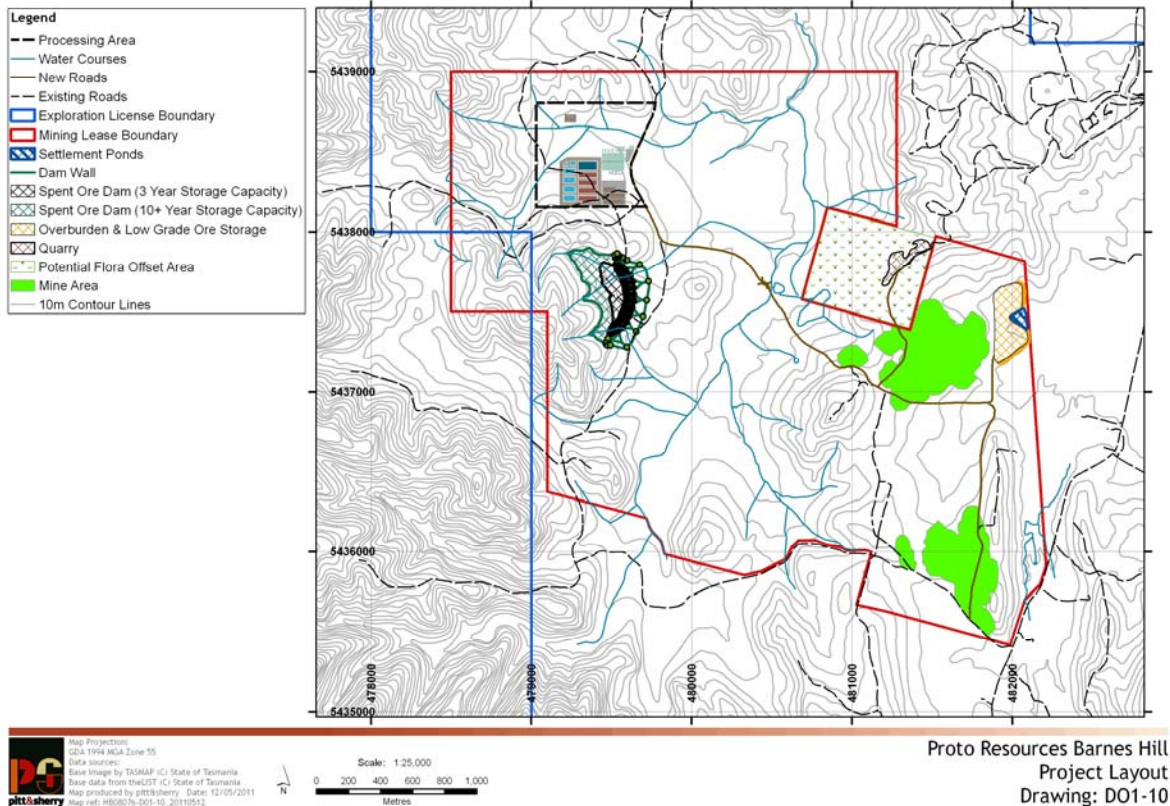


Figure 1 – Barnes Hill Project Layout

Proto has signed the mining lease deed and is today forwarding the A\$250,000 security deposit to MRT. All required insurance policies to support the granting of the ML have also been established. MRT will now submit this documentation with the letter of recommendation to the Minister for Energy and Resources, Tasmania for endorsement and signature.



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The security deposit levels in the ML have been staged to increase prior to the intensification of activities at Barnes Hill. The first stage security deposit of A\$250,000 will allow all necessary work for delivery of the detailed feasibility study at the end of July this year. The security deposit will increase to \$1.5m on the granting of the land use permit for mining and this second stage will allow minor construction and the clearing of vegetation. This will then increase to a third level to allow for major construction and the subsequent commencement of mining.

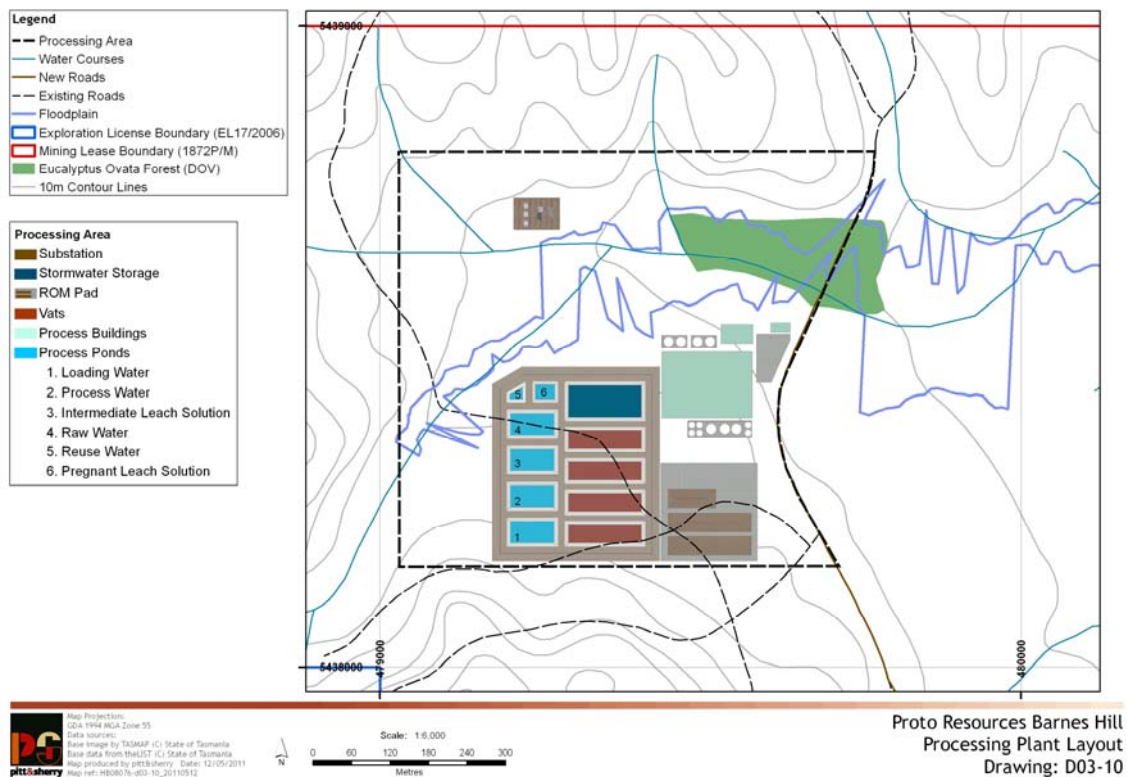


Figure 2 – Barnes Hill Processing Plant Layout

Barnes Hill Detailed Feasibility

Proto’s joint venture partner, Metals Finance, is to deliver a detailed feasibility study based on its low-pH nickel recovery system in July 2011. This established technology was successfully operated by Metals Finance at the Palabora Mine in South Africa, with Metals Finance recently selling out its share to a Rio Tinto subsidiary that had been its partner in that plant. An extension of the detailed feasibility study that includes the new technology portion covering the Barrier Bay technology (that will recycle acid and produce saleable iron and magnesium products) will be delivered subsequently towards the end of the year. This will include the data on the current Barnes Hill pilot plant testing that is underway. Results from this testing



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continue to surpass expectations, as the 10 tonne leach is continuing to deliver strong and consistent recoveries.

Having received the ML documentation, Proto is now finalising contractual terms with the specialist project financing unit of a multinational equipment supplier. This is in the form of an indicative term sheet whereby that firm will act as global arranger and senior lender to the Barnes Hill project, backed by the integration of the usage of its equipment. Capital expenditure at Barnes Hill is expected to be no more than A\$50 million.

Metals Finance has also agreed that the operational phase for Barnes Hill will commence 1 January 2012. During that phase, long lead-time items will be ordered, with installation to follow permitting approval which is expected early next year. Metals Finance has costed the full budget for the remaining parts of the bankable detailed feasibility study and has formally committed the funds required to complete them. This includes detailed engineering, sourcing of reagents, and verification of processing recoveries and product characteristics. This detailed feasibility and engineering study will allow Metals Finance and Proto to finalise the exact capital expenditure of the Barnes Hill project.

In preparation for the operational stage, Proto has been actively seeking personnel - including the appointment of a senior project manager - to assist Metals Finance in the implementation phase. The indicative timetable agreed between Metals Finance and Proto will see the first vat leaching commence in the second half of next year with first nickel metal on ship on or around 30 June 2013.

Chairman and Managing Director Andrew Mortimer said today, "These are great steps forward for us, as all parts of the Barnes Hill project are now coming together very well, and allowing us to now concentrate on the up and coming production phase. The Mining License has been in preparation for three years and it was a great pleasure to sign it and arrange for its return to the government's MRT. The progression in the project finance discussions is very pleasing and we eagerly await Metals Finance's definitive feasibility study late next month."

Enquiries:

Mr Andrew Mortimer
Chairman and Joint Managing Director
Proto Resources & Investments Ltd
Office: +61 (2) 9225 4000
Mobile: +61 (0)433 894 923



Base image by TASMAM (c) State of Tasmania
 Map produced by pitt&sherry (SG) 08-11-2010
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Legend
 Proposed Mining Lease Area

**Barnes Hill
 Location map**

Figure 3 – Barnes Hill Location Map