

ASX: PRW

*“Proto Resources & Investments Ltd (“Proto”), building a substantial resources company with a focus on three key areas”*

### 1. EXPLORE

#### Northern Territory

- Lindeman’s Bore
- Waterloo

#### Western Australia

- Mt Vettors
- Yerrida Basin
- Clara Hills

### 2. DEVELOP

#### Tasmania

- Barnes Hill

#### Germany

- Kiefernberg

### 3. INVEST

#### New South Wales

- Barrier Bay Pty Ltd

### CONTACT

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## PROTO RESOURCES & INVESTMENTS LTD

### Quarterly Activities Report for the quarter ended 31 March 2013

“We are pleased to provide Shareholders with the update on Proto’s 2013 progress to date. One of the highlights of the quarter was the completion of the final feasibility study on Proto’s Barnes Hill nickel cobalt project by MFC in the first quarter of 2013. Proto expects this project to generate the first earnings for the Company while the focus and energies now shift to the copper gold exploration at the Lindeman’s Bore project in the Northern Territory and the Yerrida Basin projects in Western Australia. Overall we are pleased with operational progress despite a challenging stock market environment and softer than expected commodity prices.” Andrew Mortimer

#### Explore

- Completion of a 1,119m Air Core drilling program at the **Mt Vetter’s Project**
- Reverse Circulation drilling at the **Mt Vetter’s Project** to 61m which was used as the pre-collar for the Diamond tail hole which was drilled to 375.5m
- Planning for the second hole at the **Mt Vetter’s Project** which is due to commence in Q2
- Finalising the Diamond drill hole LDB4 at **Lindeman’s Bore Project** following gold and copper intersections highlighted in the drilling results from LBD1, LBD2 and LBD3 as well as the ground geophysics results
- Geophysical program planned for Q2 at **Clara Hills Project** on the back of the nickel and copper sulphide discovery announced by Victory Mines on the 30<sup>th</sup> January 2013.

#### Develop

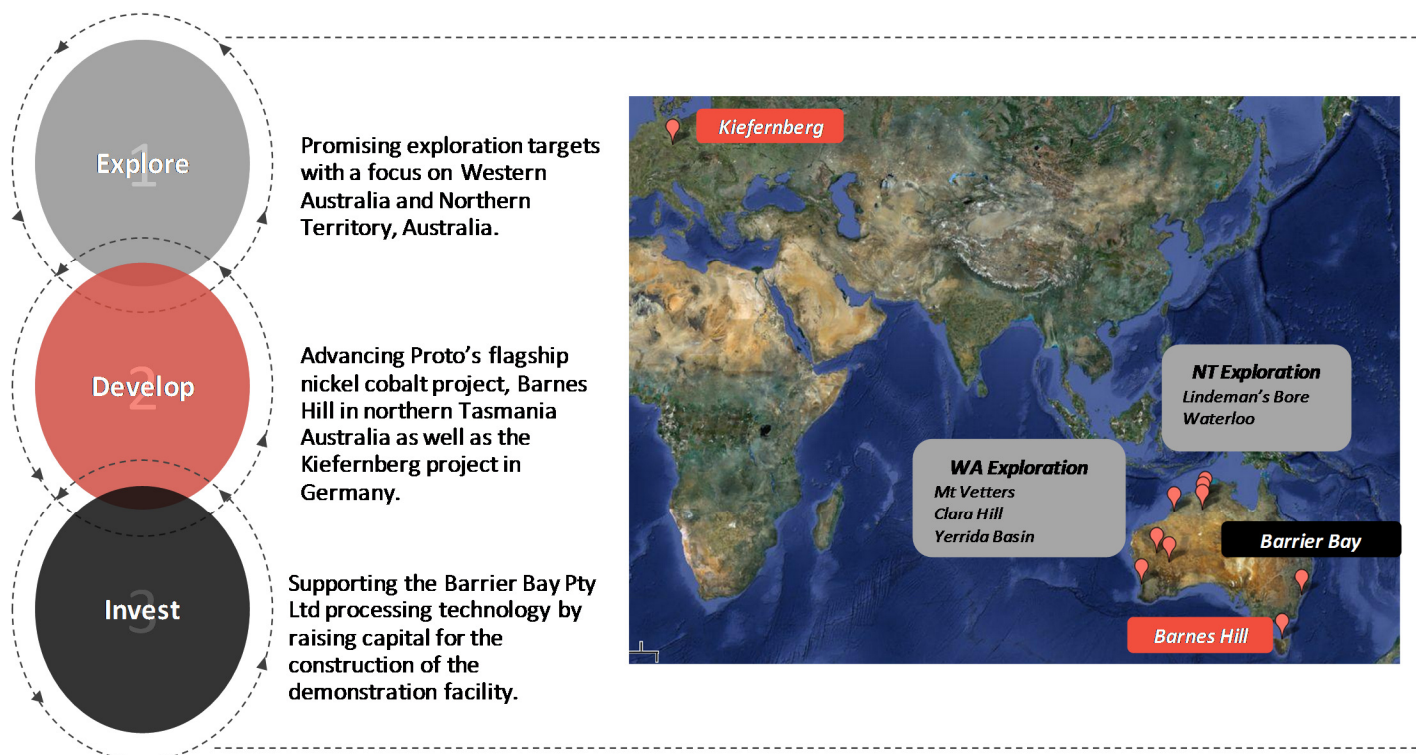
- Completion of the feasibility study highlights the economical robustness of the **Barnes Hills Project** and favourable returns to investors and shareholders.
- Encouraging advanced discussions with numerous financiers to fund the development of the **Barnes Hill Project**
- Discussions commenced with a potential long term buyer for the Iron Ore at the **Barnes Hill Project**

#### Invest

- Further steps taken to commercialize the **Barrier Bay** technology through the construction of the demonstration facility.

## COMPANY OVERVIEW

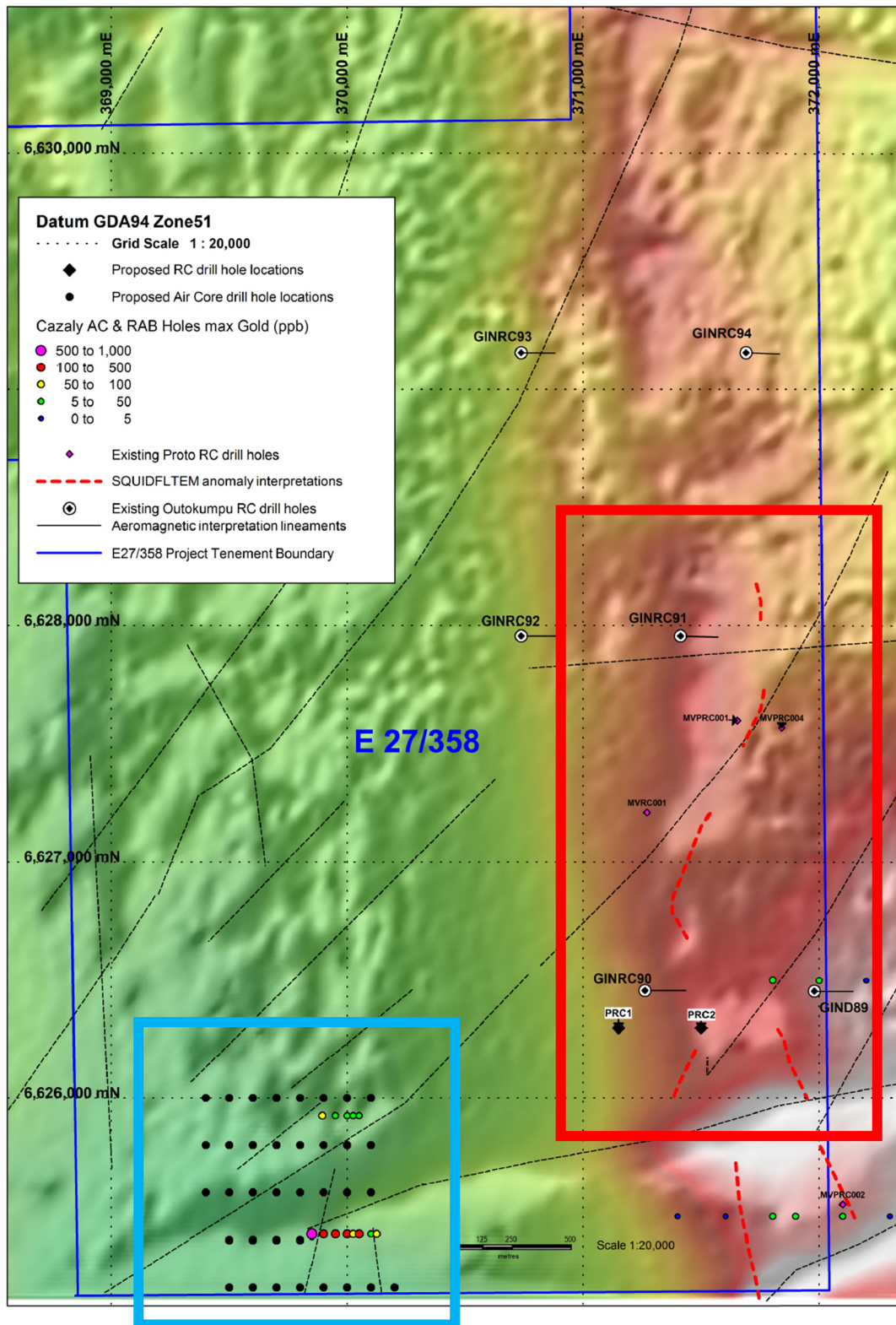
Proto Resources and Investments Limited ("Proto", the "Company") is please to present to Shareholders with an update on the exploration, development and investment progress for Quarter 1, 2013.



## MT VETTERS PROJECT, WESTERN AUSTRALIA

As announced to the market on the 19<sup>th</sup> February 2013, Proto completed a 1,119 m Air Core ("AC") drilling program in the south west of the Mt Veters tenement in Western Australia (see Figure 1) targeting the geochemical regolith gold anomaly previously identified by Cazaly Resources with AC drilling in 2003 (see photo 1). Proto's AC drilling program intersected gold up to **1.09 gram per tonne over 4 metres from 24 metre depth** and still remains open towards the north-north-west, west and south directions. These results indicate a possible underlying bedrock gold source in the vicinity of the south-west corner of the tenement.

**Next Steps** With these encouraging results, Proto is planning a further 35 AC extension drill holes on a 200m x 100m grid are planned and due to commence in Q2.



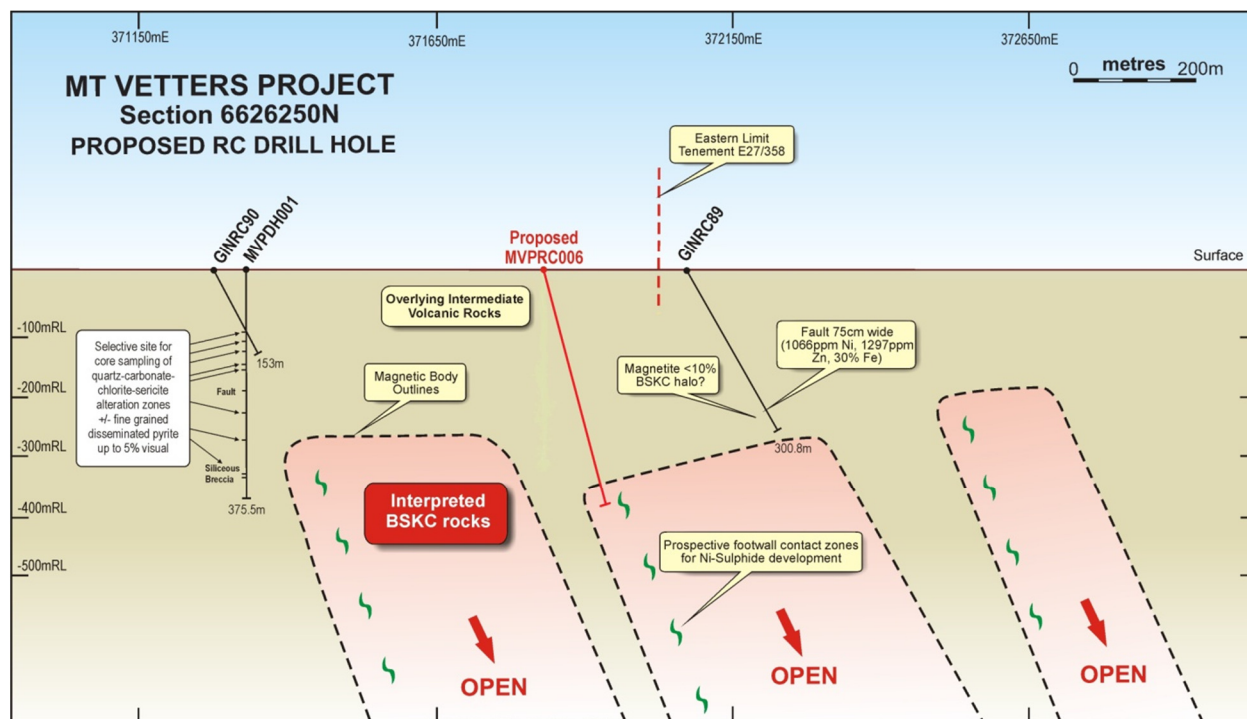
**Figure 1:** Mt Veters Project Western Australia highlighting the gold (blue) and nickel (red) targets



**Photo 1:** *Air Core drilling at the Mt Vettters Project*

As announced to the ASX on the 30<sup>th</sup> January 2013, Proto commenced drilling of the Nickel target in at the Mt Vetter Project. The Reverse Circulation ("RC") hole was terminated at 61 metres as the drill hole encountered unconsolidated paleochannel sands and high groundwater flows. Consequently the RC hole was used as a pre-collar for the Diamond tail hole which was drilled to 375.5 metres depth in intermediate felsic volcanic rocks and associated volcanoclastic rocks.

**Next Steps** Following the Kanowna Belle Gold Mine Model, which hosted similarities to the alterations and lithologies observed into drill hole MVPDH001, Proto is planning a second deep hole (see Figure 2), MVPRC006 in an attempt to intersect the interpreted Black Swan Komatiite Complex.



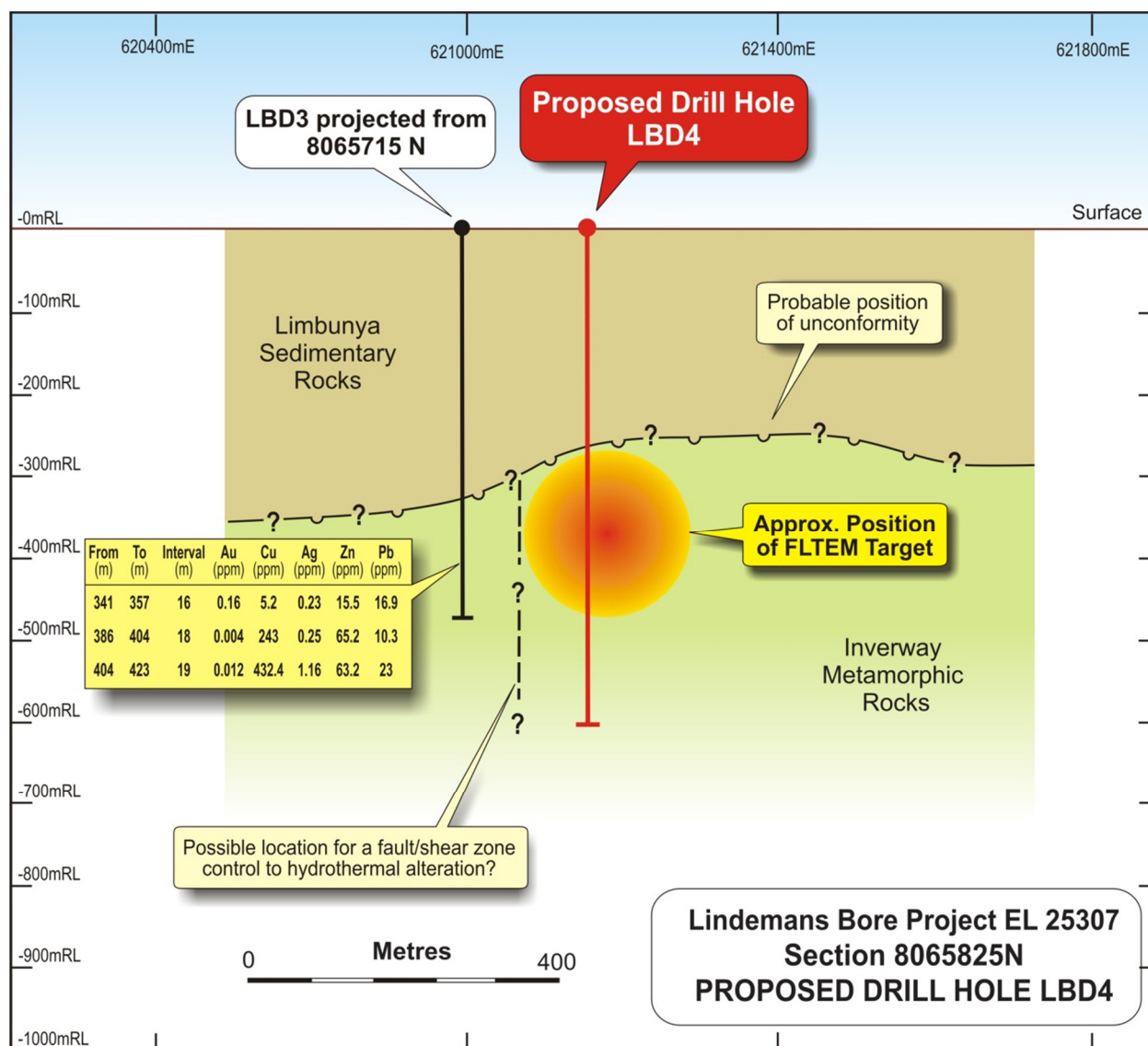
**Figure 2:** Proposed location of drill hole MVPRC006

## LINDEMAN'S BORE PROJECT, NORTHERN TERRITORY

During the quarter, Proto finalised details on the upcoming Diamond drill hole at Lindeman's Bore. Drill hole LDB4 is being planned on the back of the previous work completed by Proto on the tenement including; two deep Diamond holes in 2009, LDB1 (drilled to 751m) and LDB2 (drilled to 751.6m), 45 sample soil program and a fixed loop ground EM survey were completed over the two drill holes.

In March 2012, Proto completed drill hole LDB3 to a depth of 466.6m which returned anomalous assays for gold and copper. The assays and structural observation of LDB3 may well have intersected the edge of a mineralised hydrothermal alternation system (see Figure 3).

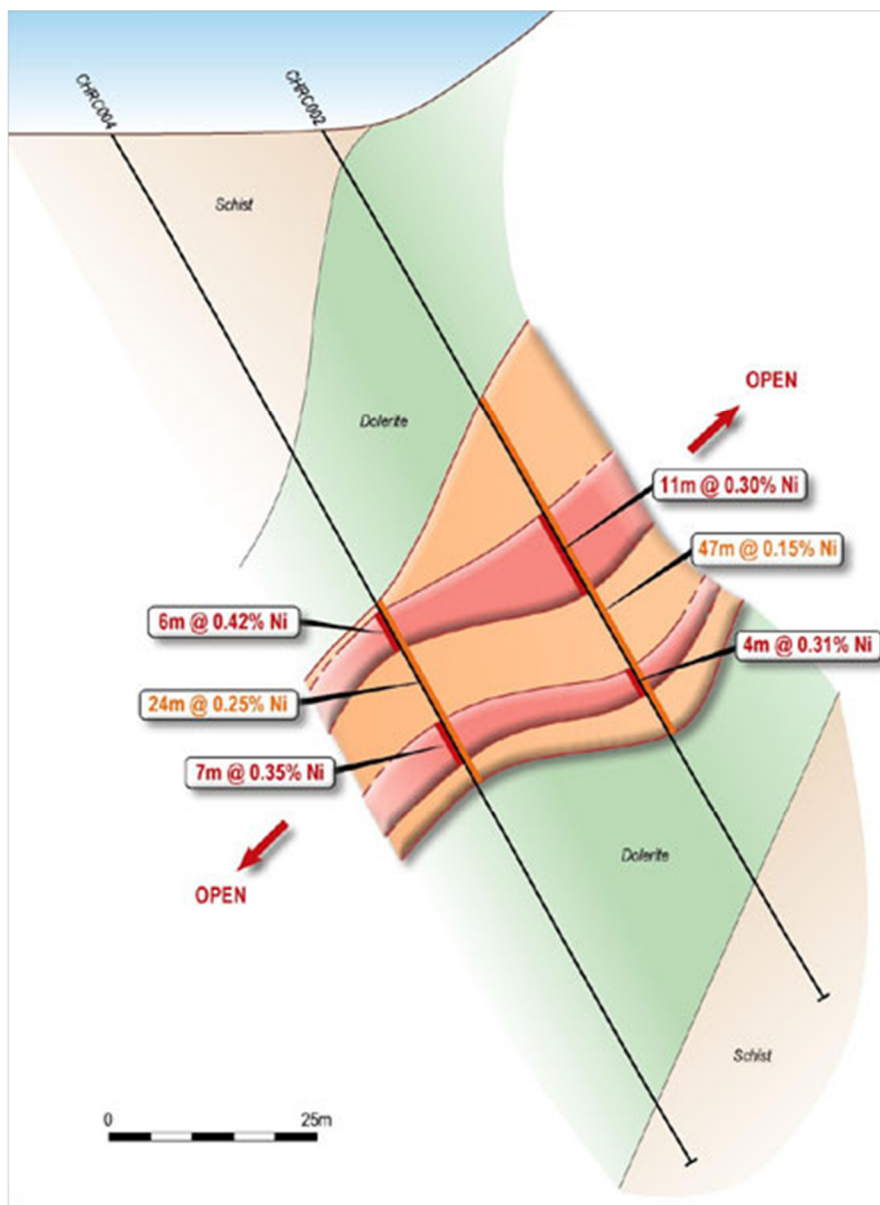
**Next Steps** Proto is due to commence drill hole LDB4 in the coming weeks and looks forward to updating the market shortly after.



**Figure 3:** Lindeman's Bore proposed Diamond drill hole (LBD4)

## CLARA HILL PROJECT

Joint Venture partners Victory Mines Limited (ASX:VIC) along with Proto released an announcement to the market on the 19<sup>th</sup> March 2013 about the upcoming geophysical program at the Western Australian Clara Hills Project. The announcement follows up on the recent nickel and copper sulphide discovery (see Figure 4) following the RC drilling program conducted by VIC. Proto expects to announce the results of the geophysical program in the coming weeks.



**Figure 4:** *Stylised Section from the Reverse Circulation Drill Program (holes CHRC002 & CHRC004)*

## BARNES HILL PROJECT

Proto and joint venture partner Metals Finance Limited, announced the completion of the Optimised Feasibility Study of the Barnes Hill nickel laterite project.

The report highlights that the Barnes Hill nickel laterite project is economically robust with the opportunity to provide favourable returns to investors and shareholders. The 5 year study highlights the **top line revenue of over \$1.05Billion over a 10 year period**, producing **4,800 tonnes of Ni equivalent per annum**.

Key operational and financial highlights from the 5 year study include:

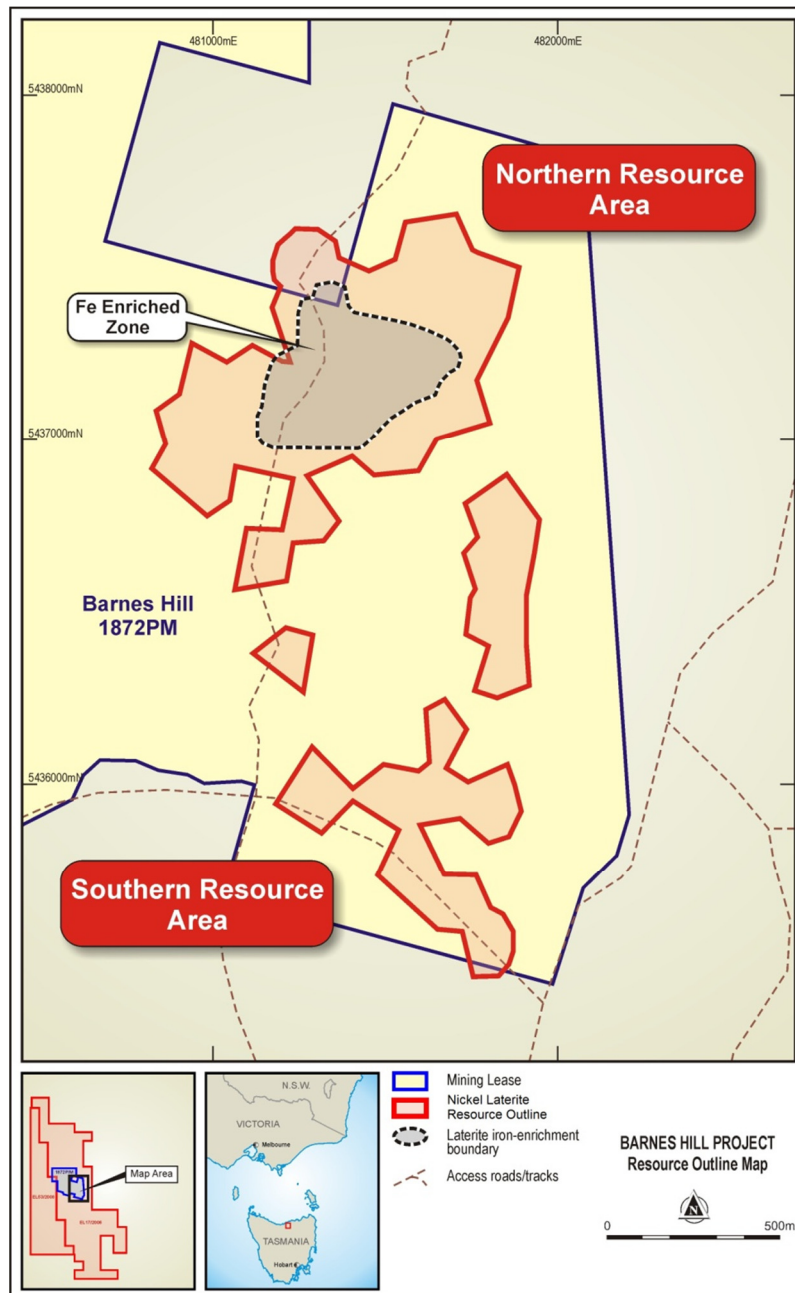
Barnes Hill Project	Base
Capital cost (\$ millions)	78.4
Project ROM tonne throughput (million t)	500,000
Nickel grade first 5 yrs (%)	1.01%
Nickel grade second 5 yrs (%)	0.73%
Nickel recovery (%)	90%
Life of mine nickel price US\$/lb	10.00
Foreign Exchange USD:AUD	1:1
Total revenue (\$ millions)	1,045
<b>Indicated NPV 12.5% (\$ millions)</b>	<b>143.7</b>
<b>Indicated IRR%</b>	<b>51%</b>

The optimisation study has confirmed the projects economic metrics with a capital intensity, equivalent to \$7.50/lb annual production, and operating costs of \$5.16/lb in the first 5 years and \$5.75/lb over the first 10 years.



During Q2 2013, Proto along with Metals Finance Limited have begun encouraging discussions with various financiers to secure the funding to commence development on the Barnes Hill Project. Proto hopes to have the financing finalised and looks forward to updating the market in the coming months.

During the Quarter, Proto also escorted a team of metallurgists for a potential long term buyer to supply the iron ore during Proto's pre-strip mining phase at Barnes Hill. Proto is continuing with these discussions and looks forward to updating the market in the coming weeks.



**Figure 5:** Barnes Hill Project Nickel Laterite Resource and Iron Enrichment Outline

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## **CAPITAL RAISING**

During the quarter, Proto entered into a funding agreement with Bergen Global Opportunity Fund, LP ("Bergen"), managed by Bergen Asset Management, LLC to provide up to A\$4.35 million over the next two years.

The funds acquired are being used to advance the Company's projects including the upcoming Diamond drilling program at Lindeman's Bore as well as the drill programs at The Mt Vettors Projects.

## **NOTES TO APPENDIX 5B**

The Company would like to note that the amount outlined under Section 1.2(d) include various annual payments made as a lump sum as well as general administrative costs.

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Proto is looking forward to updating the market on our progress in the coming weeks. In the meantime, please feel free to contact our office for further information.

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More details are available on the company website [www.protoresources.com.au](http://www.protoresources.com.au)

## **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.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Proto Resources and Investments Ltd

ABN

35 108 507 517

Quarter ended ("current quarter")

31 March 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(236)	(812)
(b) development	-	-
(c) production	-	-
(d) administration	(332)	(946)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Tax refunds	-	42
- R&D rebate	-	175
<b>Net Operating Cash Flows</b>	<b>(568)</b>	<b>(1,537)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	(61)	(546)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	7	480
(c)other fixed assets	-	-
1.10 Loans to other entities	-	(34)
1.11 Loans repaid by other entities	2	2
1.12 Other – payments for investment in associate	-	-
<b>Net investing cash flows</b>	<b>(52)</b>	<b>(98)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(620)</b>	<b>(1,635)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(620)	(1,635)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	300	1,563
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	555	820
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – costs of share issues	(52)	(374)
	<b>Net financing cash flows</b>	803	2,009
	<b>Net increase (decrease) in cash held</b>	183	374
1.20	Cash at beginning of quarter/year to date	367	176
1.21	Exchange rate adjustments to item 1.20		-
1.22	<b>Cash at end of quarter *</b>	550	550

\* In addition to the total cash above, the Company has approximately \$89,000 held in term deposits as security bonds.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	78
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.2 includes payments for directors fees and salaries

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	<b>450</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	550	366
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (bank security deposits) *	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>550</b>	<b>366</b>

\* In addition to the total cash above, the Company has approximately \$89,000 held in term deposits as security bonds.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>			
7.2		Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions		
7.3	<b>*Ordinary securities</b>	1,049,561,709	1,049,561,709	
7.4	Changes during quarter; (a) Increase through issues (b) Decreases through returns of capital, buy-backs (c) Escrow release	73,417,667	73,417,667	
7.5	<b>*Convertible debt securities</b> <i>(description)</i>	1 Convertible Security with a face value of \$825,000	-	\$525,000

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	(a) 51,727,806 (b) 591,087,600 (c) 1,428,571 (d) 48,000,000	51,727,806 591,087,600 - -	Exercise price \$0.25 \$0.05 \$0.035 \$0.0055	Expiry date 31 <sup>st</sup> December 2013 1 <sup>st</sup> September 2014 12 <sup>th</sup> September 2018 26 <sup>th</sup> March 2017
7.8	Issued during quarter	(d) 48,000,000	-	\$0.0055	26 <sup>th</sup> March 2017
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	5,000,000 3,500,000 2,000,000	- - -	\$0.08 \$0.10 \$0.125	28 <sup>th</sup> February 2013 28 <sup>th</sup> February 2013 28 <sup>th</sup> February 2013
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- This statement does give a true and fair view of the matters disclosed.



Sign here:

Managing Director

Date: 30 April 2013

Print name: Andrew Mortimer

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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