

PROTO



RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

30 July 2010

Quarterly Activity Report ending 30 June 2010

ASX Release: PRW

Highlights

- Barnes Hill (Tasmania) – additional infill aircore drilling and a tightly targeted program of diamond drilling has completed the drill-out database needed to estimate an updated mineral resource. This resource estimation is currently underway. Final preparations for bulk sampling for metallurgical testwork purposes is nearing completion with collection planned. Work continues on the Development Proposal and Environmental Management Plan (“DPEMP”) to be submitted for the development of the Barnes Hill project. Recent efforts have focused on noise impact studies to cover proposed mining operations and vehicle movements. These studies are being used to establish a proposal with minimised impacts.
- Barnes Hill West (Tasmania) – following rock chip sampling conducted in the last quarter, Proto completed planning for a soils program at Barnes Hill West. This program was commenced shortly after the end of the quarter on 16 July 2010. Three separate prospect areas are being tested by the soil sampling program which will consist of approximately 375 samples. The prospect areas are: (1) the Barnes Hill Extension prospect located west of the Barnes Hill Nickel Deposit, (2) the Pandora prospect around the historic workings of the Pandora Copper Mine and a northwest striking fault interpreted to be the controlling structure to copper mineralisation at the mine, and (3) the Kelly’s Lookout prospect in an area with mapped small scale gold diggings located 12km to the South of the operating Beaconsfield Gold Mine. These include following-up on the earlier rock chip results that returned copper mineralisation up to 1.7% Cu from the historic Pandora copper mine to the west of the Barnes Hill nickel-cobalt deposit.
- Lindeman’s Bore (NT) – work has continued in the quarter in defining and evaluating an off-hole electromagnetic (“EM”) conductor 500m northwest of its second deep diamond drill-hole LBD-2 that was completed at Lindeman’s Bore in 2009. Proto believes that a third drill hole into this target may help to explain the copper mineralisation that was identified in assay results from drill hole LBD-2. LBD-2 also identified encouraging values of gold and palladium, and elevated levels of nickel and cobalt at the Lindeman’s Bore project. These previously announced results included encouraging gold intersection of 7m @ 1.1g/t Au from 424m to 431m included 1m @ 5.32g/t Au

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and also 1m @ 0.45g/t Pd (Palladium). Proto was also granted three new nearby exploration licenses during the quarter (EL27413, EL27617, and EL27618). These have added to Proto's exploration footprint and provided additional targets in pursuit of the geological model which has been pursued at Lindeman's Bore. Work has begun on prioritising targets on these new tenements and in establishing the best way to pursue further geological understanding in relation to them.

- Waterloo Project (NT) – Two exploration license applications were granted on 15 April 2010 and 13 May 2010 providing new ground across 2,369 km². The area covers portions of the Blackfellow Creek Fault which may have acted as conduits for basaltic magma during extrusion of the Antrim Plateau Volcanics. Historical data showing copper mineral occurrences along or close to the Blackfellow Creek Fault structure at Waterloo have since been confirmed by field work and it is interpreted that these copper occurrences may be due to structural remobilisation of copper from within the Antrim Plateau Volcanics. Work completed in the quarter has continued to support Proto's previously planned combined GT1a gravity and Z Axis Tipper Electromagnetic system ("ZTEM") airborne electromagnetic survey for Waterloo. This would provide testing of the prospective Blackfellow Creek Fault structure.

Barnes Hill, Tasmania (Nickel Laterite, Nickel Sulphide, Iron Ore)

On 19 May 2010 Proto Resources & Investments Ltd ("Proto", "the Company") announced the completion of an additional programme of 151 aircore drill holes to provide step-out coverage of extensions and close-space to confirm grade and width distributions within the deposit. With this milestone Proto completed resource and step-out drilling at the Company's flagship Barnes Hill nickel deposit in Tasmania. The drill hole data will be used to re-estimate the mineral resource at Barnes Hill.

The step-out drilling addressed areas where the existing resource was open for potential expansion. The close-spaced drilling programme consisted of two traverse lines of 10m spaced grade control drilling to confirm grade and width distributions within the deposit. Proto believes that the database of 625 aircore drill holes and 16 diamond drill holes that it has completed at Barnes Hill will provide the level of confidence needed for financing the mine development.

The results of the 151 step-out and close-space aircore holes were subsequently released just after the end of the quarter on 1 July 2010. These assay results (holes BHA583 – BHA625) continued to return strong nickel and cobalt intercepts from shallow depths including:

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|---|-------------------|-----------------------------------|
| ○ | Drill hole BHA585 | 5m @ 0.91% Ni & 0.052% Co from 2m |
| ○ | Drill hole BHA606 | 6m @ 1.05% Ni & 0.088% Co from 3m |
| ○ | Drill hole BHA615 | 8m @ 1.04% Ni & 0.081% Co from 3m |
| ○ | Drill hole BHA616 | 7m @ 0.94% Ni & 0.079% Co from 3m |

At the same time on 19 May Proto announced final assay results from the 16 diamond drill holes previously completed at Barnes Hill for quality assurance/quality control in supporting the re-estimation of the resource that is now underway. These 16 drill holes for 461.3m also gathered material for bulk density testwork and form an important component of the upcoming resource estimate at Barnes Hill. The re-estimation is being completed by Snowden Mining Industry Consultants ("Snowdens"). Results successfully mirrored the earlier aircore drill holes with pleasing results including:



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- Drill hole BHD001 11m @ 0.95% Ni & 0.034% Co from 11m
- Drill hole BHD002 13.6m @ 0.93% Ni & 0.06% Co from 11m
- Drill hole BHD005 7.4m @ 1.06% Ni & 0.044% Co from 4.6m
- Drill hole BHD009 5m @ 0.84% Ni & 0.137% Co from 2m
- Drill hole BHD015 9m @ 0.85% Ni & 0.011% Co from 15m
- Drill hole BHD016 8.6m @ 1.22% Ni & 0.064% Co from 2m

In the quarter, Proto continued preparations for the collection of 60 tonnes of mineralised material for a large scale test of the process that would support commercial production at Barnes Hill. The Company will be taking three 20 tonne bulk samples of mineralised material in the short term for the final round of leach testing of the Barnes Hill ore as a part of the definitive engineering and feasibility study being conducted by Metals Finance Limited ("MFC"). Leaching of this material will be undertaken at a laboratory in New South Wales with subsequent processing tests to be undertaken in New South Wales and Queensland. Proto is currently progressing its Mining Licence application and hopes to have all of the documentation for the Mining Licence completed over the coming weeks.

Following the completion of the data-base in the June quarter, Proto appointed Snowdens to begin the estimation of an updated mineral resource based on the recently completed drill-out at Barnes Hill. The estimation is now underway and is expected to be completed in a few weeks time. The estimation will involve statistical and spatial analysis of nickel and cobalt horizons and resource estimation using kriging into a 3D block model. This will utilise the full database of 625 aircore drill holes and 16 diamond drill holes that have been completed at Barnes Hill by Proto in addition to historic drill hole data. Proto has also subsequently acted to engage a Tasmania-based consulting group to undertake noise studies related to the proposed mining operation at Barnes Hill. This represents another step in the delivery of a comprehensive DPEMP for Barnes Hill. This study will weigh the impact of the mining of the laterite clays, processing operations as well as traffic movements including those of the future workforce.

Barnes Hill West, Tasmania (Copper)

Proto completed planning for a soils program at Barnes Hill West (EL53/2008). This followed rock chip sampling conducted in the last quarter at Barnes Hill West. This program was commenced on 16 July 2010. Three separate prospect areas are being tested by the soil sampling program which will consist of approximately 375 samples. The prospect areas are: (1) the Barnes Hill Extension prospect located west of the Barnes Hill Nickel Deposit, (2) the Pandora prospect around the historic workings of the Pandora Copper Mine and a northwest striking fault interpreted to be the controlling structure to copper mineralisation at the mine, and (3) the Kelly's Lookout prospect in an area with mapped small scale gold diggings located 12km to the South of the operating Beaconsfield Gold Mine. The Barnes Hill Extension prospect will cover geologically mapped extensions of the Andersons Creek Ultramafic Complex (host to the Barnes Hill, Mt Vulcan and Scott's Hill nickel-cobalt deposits). The Pandora prospect specifically targets a follow-up on the rock chip results that returned copper mineralisation up to 1.7% Cu from the historic Pandora copper mine to the west of the Barnes Hill nickel-cobalt deposit. Two samples were taken on a reconnaissance trip to the site of the old Pandora mine adit and shaft with results returning copper values of between 0.8% copper to 1.7% copper.



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

Lindeman's Bore is located 380km southwest of Katherine, on Limbunya Station near the community of Kalkarindji. This second drill hole (LBD-2) was drilled in December 2009 to test a magnetic anomaly located 1.9km to the north of previously drilled hole LBD-1. 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. A second hole, LBD-2, further identified the presence of gold and palladium including 7m @ 1.1g/t Au and palladium grading between 0.009 to 0.453g/t from a down hole depth of 424m to 431m.

Proto believes that a third drill hole into an off-hole EM conductor 500m northwest of LBD-2 may help to explain this copper mineralisation. Work has continued in the quarter in defining and evaluating this potential target.

In the quarter, Proto also gained the grant of three new exploration licenses at Lindeman's Bore in the Northern Territory. The three granted licenses (EL27413, EL27617, and EL27618) are in the region around Lindeman's Bore and are a continuation of Proto's strong belief in the potential of the area to host Norilsk-style Ni-Cu-PGE mineralisation. The three granted licenses cover 3,551 km². Of the granted licenses, one covers an area located south of the Lindeman's Bore Project area (EL27413) while the other two occur in the Wave Hill area which is also south of Lindeman's Bore (EL27617 and EL27618).

Waterloo, Northern Territory (Nickel Sulphide, Copper and PGEs)

The Waterloo project consists of two exploration licenses, being EL27416 and EL27420, that were both granted to the Company in the quarter. The two exploration licenses provide coverage of the Blackfellow Creek Fault at Waterloo and cover a total area of 2,369 km². The Company's Waterloo project covers the majority of the strike extent of the Blackfellow Creek fault in the Northern Territory. The Blackfellow Creek Fault runs northeast through the area as it is believed to be a long lived structure that may possibly have acted as a vent for Cambrian aged basalt magmatism or may have intrusions along it. 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.

As announced to the market on 18 May 2010, Proto has now completed the planning of a two-stage airborne ZTEM and gravity geophysical survey that will target potentially mineralised sulphide bodies at depth using a new electromagnetic surveying technique. The survey was designed in two stages, with the first to apply a combined GT1a gravity and ZTEM electromagnetic survey at a line spacing of 500m on Line Direction of 000-180 for a total Line-kms of 1,164kms (approx 600km²). This first prioritised airborne survey would seek to define the fault structures over EL27416 associated with the Blackfellow Creek Fault in the Northern Territory. The second stage would do an additional 380 line-kms (approx 192km²) to cover the northern extension of the Blackfellow Creek Fault onto EL27420. ZTEM is a new innovative airborne electromagnetic system which uses the natural or passive fields of the Earth as the source of transmitted energy.

The area covers portions of the Blackfellow Creek Fault which may have acted as conduits for basaltic magma during extrusion of the Antrim Plateau Volcanics. Historical data showing copper mineral occurrences along or close to the Blackfellow Creek Fault structure at Waterloo have since been strongly confirmed by field work. This involved a field visit to assess the presence of copper mineralisation. As subsequently announced on 6 July 2010, the rock chips returned copper assays of 8.8%, 1.02% and 1%. The copper in one sample also had coincident silver anomalism returning a value of 13g/t coincident with



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the 8.8% Cu assay. It is interpreted that these copper occurrences may be due to structural remobilisation of copper from within the Antrim Plateau Volcanics. Consequently, this work has continued to support Proto's previously planned combined GT1a gravity and ZTEM airborne electromagnetic survey for Waterloo. This would provide deep demarcation of the prospective Blackfellow Creek Fault structure.

The exploration concept is that the Blackfellow Creek Fault might have acted as a vent and feeder to the Antrim Plateau Basalts. Such vents and feeders are interpreted to have the potential to host "Norilsk-type" Ni-Cu-PGE targets under the geological model that the Company is following in the Northern Territory. The Waterloo Project area has been the subject of various exploration programs since the 1960's through to the present day. The majority of this exploration has been for diamonds due to the area's close proximity to the Argyle Diamond Mine (located 75 km west of the project area in Western Australia) and the Bow River diamond mining area (located 40 km west of the project area also in Western Australia).

Proto's plans for Waterloo build on an earlier exploration program at Lindeman's Bore (EL25307) near Kalkarindji. The location of Antrim basalt vents are difficult to establish. Based on vent locations in other continental flood basalt provinces these vents could be widely scattered. Proto has allowed for this in its exploration approach, which targets possible vents and feeders in this broad system.

Corporate Development

During the quarter, the Company undertook a non-renounceable entitlements issue on a two (2) for five (5) basis. The non-renounceable issue was announced on 16 April 2010. The issue closed on 25 May 2010 with the placement of shortfall being finalised on 13 July 2010. A total of \$1,886,528 was raised through the issue of up to 75,461,121 shares with attaching options. The attaching new options were duly quoted on the ASX and are exercisable at 5 cents each on or before 31 December 2011. In order to continue to minimise cash expenses several directors and executive elected to have payable salary and wages reinvested in their entitlement issue allowances. This led to higher than normal wages with Proto taking the opportunity of paying some wages in advance to fund entitlement rights and in turn reduce future payments that would have otherwise been payable from cash. This effect produced the materially higher administrative costs during the quarter, but will lead to lower administrative costs over the remaining second half of 2010. An issue of 1,672,500 was also made on 6 April to consultants in lieu of cash fees to cover services to the value of \$50,175.

During the quarter on 11 June 2010, Proto appointed Mr Kent Hunter as Company Secretary of the Company following the resignation of Ms Lia Darby. Ms Darby vacated the role in order to increase her focus on her role as Joint Managing Director. Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience and provides deep experience in capital raisings, ASX compliance and regulatory requirements. Mr Hunter is currently a director of Cazaly Resources Limited, Cauldron Energy Limited and Red Emperor Resources NL.

Appendix 5B

The attached Appendix 5B is Proto's quarterly statement of cashflows for the three months ended 30 June 2010. As noted above, administrative cashflows were impacted by the prepayment of directors fees to fund entitlement rights. The statement of cashflows reflects exploration and feasibility study work undertaken. There was no mining or development activity 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.