

PROTO



RESOURCES & INVESTMENTS LTD

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December 20, 2010

Timeline Successfully Met with Barnes Hill Mine Plan and Environmental Reports Received

ASX Release Stock Code: PRW

The receipt this week of the Mine Plan and environmental assessment reports for the Barnes Hill nickel-cobalt deposit near Beaconsfield in Tasmania, has Proto Resources & Investments Ltd on track to lodge its Development Proposal and Environmental Management Plan for the project.

The delivery to the Company of these reports is in line with Proto's previously announced mid-December timeline, and has enabled the company to now be in possession of the comprehensive draft Development Proposal and Environmental Management Plan for the Barnes Hill project.

To enable the relevant authorities to comment and to avoid the completed plan being submitted over the Christmas/New Year holiday period, Proto will now provide the Tasmanian authorities with the draft of the substantially-complete Development Proposal and Environmental Management Plan.

Once any comments have been integrated, lodgement for formal assessment is now planned for early 2011, once the decision authorities' comments have been integrated into the final document.

Executive Summary

- As planned Proto is now in possession of the comprehensive draft Development Proposal and Environmental Management Plan ("DPEMP") for the Barnes Hill nickel-cobalt deposit with the receipt this week of the Mine Plan and Terrestrial Botanical Survey and Fauna Habitat Assessment. These reports have been successfully delivered in accordance with Proto's previously announced mid-December timeline.
- In response to requests to provide Tasmania's decision-making authorities with the opportunity to comment on the comprehensive draft DPEMP and to avoid submission over the Christmas/New Year period, Proto will now circulate the comprehensive draft DPEMP to these authorities. Final lodgement for formal assessment is now planned for early 2011 and will include any recommendations from the authorities.
- A Mine Plan for the mining of nickel and cobalt from the pit-shells used in the Barnes Hill Reserve Statement has been received. This plan presents the approach to mining and details progressive operations over time. The Mine Plan will now be provided to Mineral Resources Tasmania to

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allow the calculation of bonds needed to support the grant of the Mining Lease, which is currently under application.

- The environmental report assessing the presence and potential impact on flora and fauna at Barnes Hill has been received. The report concludes that the mine plan and processing layout have successfully avoided the highest value plant populations and have minimised the environmental impact.

Timeline Successfully Met

The Directors of Proto Resources & Investments Ltd ("Proto", the "Company") are pleased to advise that as planned, the Company is now in possession of the substantially complete DPEMP for the Barnes Hill nickel-cobalt deposit. This milestone was achieved with the receipt over the last two weeks of the Mine Plan and Terrestrial Botanical Survey and Fauna Habitat Assessment for Barnes Hill. These key reports have been delivered in accordance with Proto's previously announced mid-December timeline.

In response to requests for the Company to provide decision-making authorities with the opportunity to comment on the substantially complete DPEMP and in response to encouragement to provide the best opportunity for public exposure by avoiding submission over the Christmas/New Year period, Proto will now circulate the substantially complete draft of the DPEMP to decision authorities in Tasmania. Final lodgement for formal assessment is now planned in early 2011, once any comments from these parties have been integrated into a submission version.

Proto is also pleased to advise that the first set of bulk samples have arrived at the laboratory in Evans Head in order to meet the leaching and pilot plant schedule. Samples of iron-cap material are also now under analysis at ALS Laboratory Group in Perth. This analytical testwork will seek to identify beneficiation approaches and is beginning by assessing the magnetite content that is present in the iron mineralisation.

Mine Plan Received

A Mine Plan designed by Proto's consulting engineers Pitt & Sherry for the mining of nickel and cobalt at Barnes Hill has been received. The Mine Plan is based on the pit-shells and other modelling used in the Barnes Hill Reserve Statement as calculated by Snowden Mining Industry Consultants that was announced on 23 November 2010. This Mine Plan presents the approach to mining and details progressive operations over time. It will now be provided to Mineral Resources Tasmania to allow the calculation of bonds needed to support the grant of the Mining Lease.

The Mine Plan and associated layout have taken into account important environmental findings and included the removal of two small areas of identified ore that had a larger environmental impact. As shown in Figure 1, these more isolated pods of ore would have required additional haulage and involved mining closer to higher conservation value areas. Consequently, they have been removed from the Mine Plan and the application to mine at Barnes Hill will not address them.

The Mine Plan is based on a number of other engineering studies that contribute to the DPEMP planning undertaken. This includes assessment of how efficient access to and from the site can be provided and the processing layout. Figure 2 shows the updated layout which was designed to minimise environmental impacts including noise. The extensive geotechnical work undertaken, that included a comprehensive set of bore holes and geotechnical excavations by a local Tasmanian contractor, have provided confidence in the placement of the processing facilities and the spent ore dam.

Engineering reports undertaken have also identified and costed necessary road improvements and the assessment has found that there will be no adverse affect on the operation of traffic in Beaconsfield as a result of traffic generated by the proposed development. Calculated traffic movements are dominated by

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the 40 light vehicles per day that are estimated to be needed, primarily for employees. Just 12 heavy vehicles per day are estimated to be needed due to the modest volume of high value products being produced onsite (nickel has recently passed US\$11/lbs trading at US\$24,785 on the London Metals Exchange overnight) and the recycling of reagents under the innovative nickel processing technology that will be used. Noise analysis on traffic and ambient noise levels was undertaken at five test sites carefully placed to assess maximal impacts (see Figure 3 for locations).

Noise levels for the proposed mine, mineral processing and transport operations will be compliant when compared to the levels listed in the *Tasmanian Environment Protection Policy (Noise) 2009*

Environmental Report Received

The Terrestrial Botanical Survey and Fauna Habitat Assessment on the presence and potential impact on flora and fauna of mining and processing activities at Barnes Hill has been received. The report concludes that the mining and processing layout have successfully avoided the highest conservation value plant populations and have further minimised the environmental impact. The layout also avoids all active Tasmanian devil dens in the Mining Lease area.

Extensive botanical surveys performed by an expert environmental consultancy on behalf of Proto have confirmed that the proposed mining pits and plant layout will have no direct impact on existing populations of the threatened *Tetratheca gunnii* or *Spyridium obcordatum*. The impact on *Epacris virgata* under the revised layout has also been vastly reduced. The impact on *Epacris virgata* is now estimated to be just 2% of the approximately 3,200,000 individual plants that the survey found to be within the Mining Lease area and adjacent reserves.

The recommendations of the report have also provided a strong scientific basis for the design of a compelling set of environmental practices and offsets. The Board of Proto held a meeting last week and voted unanimously to endorse the set of recommendation made in this environmental report. These include proposals to:

- Purchase 105 ha of private land to add to conservation reserves and provide 87 ha of native habitat;
- Active propagation of *Tetratheca gunnii* (known commonly as "Shy Susan") at five sites;
- A "recovery plan" for the threatened flora. The scope of the plan would include monitoring and active management. Proto has already completed background work on the benefits of fencing threatened population to reduce the impact of native animal grazing. This research suggests substantial benefits can be achieved through such measures; and to
- Implement a mitigation strategy on the control of *Phytophthora* which is active in Northern Tasmania.

The Board of Proto also strongly supported the financing of independent scientific research that could improve our understanding of threatened flora and improve the ability to support and propagate such populations.

Proto is very keen to make sure that income from the project are reinvested in the local ecosystem so that it is better understood and better preserved for future generations. Proto strongly believes that earnings from the mining of local resources can have a beneficial effect on nearby flora and fauna populations if those flora and fauna populations are preserved, researched and propagated with income from the nearby mineral project. Proto looks forward to engaging further with decision authorities and environmental and conservation groups prior to DPEMP lodgement in early 2011.

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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 this information in the form and context in which it appears.

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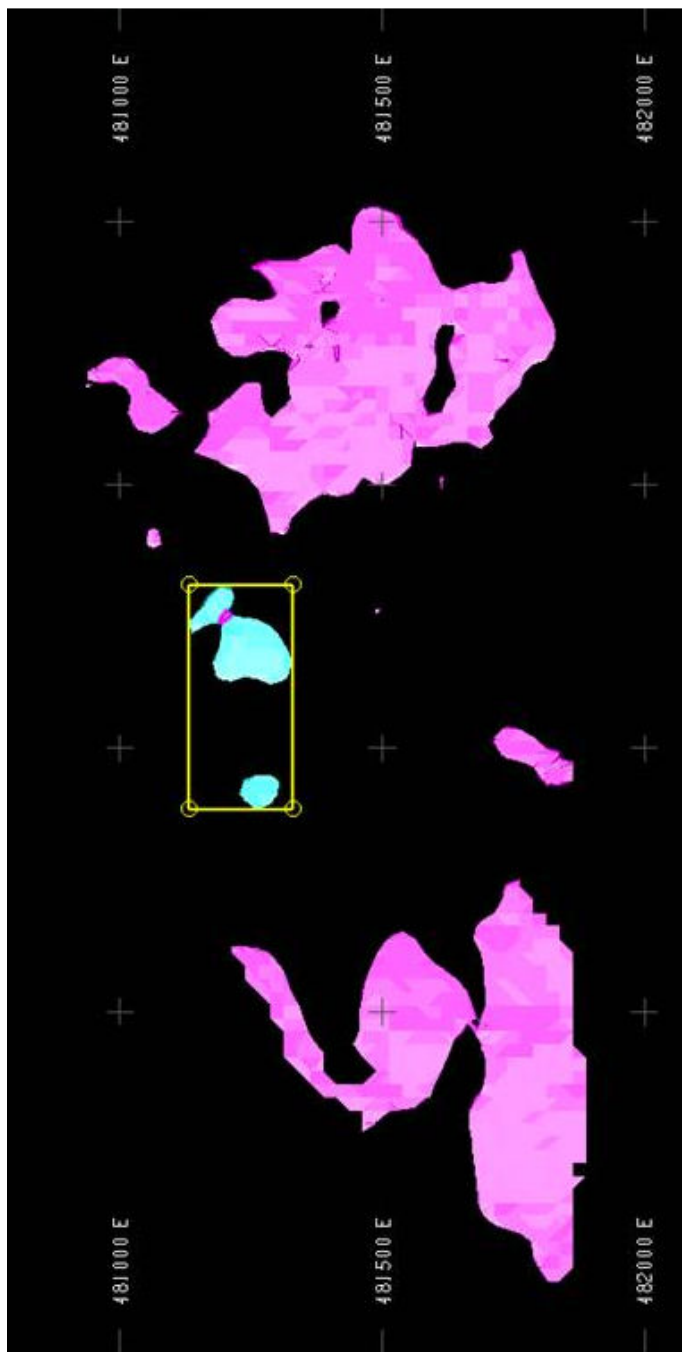


Figure 1 – Barnes Hill proposed mine pit-shells (purple). Also shown are higher impact pit-shells (light blue) now removed from the Mine Plan.

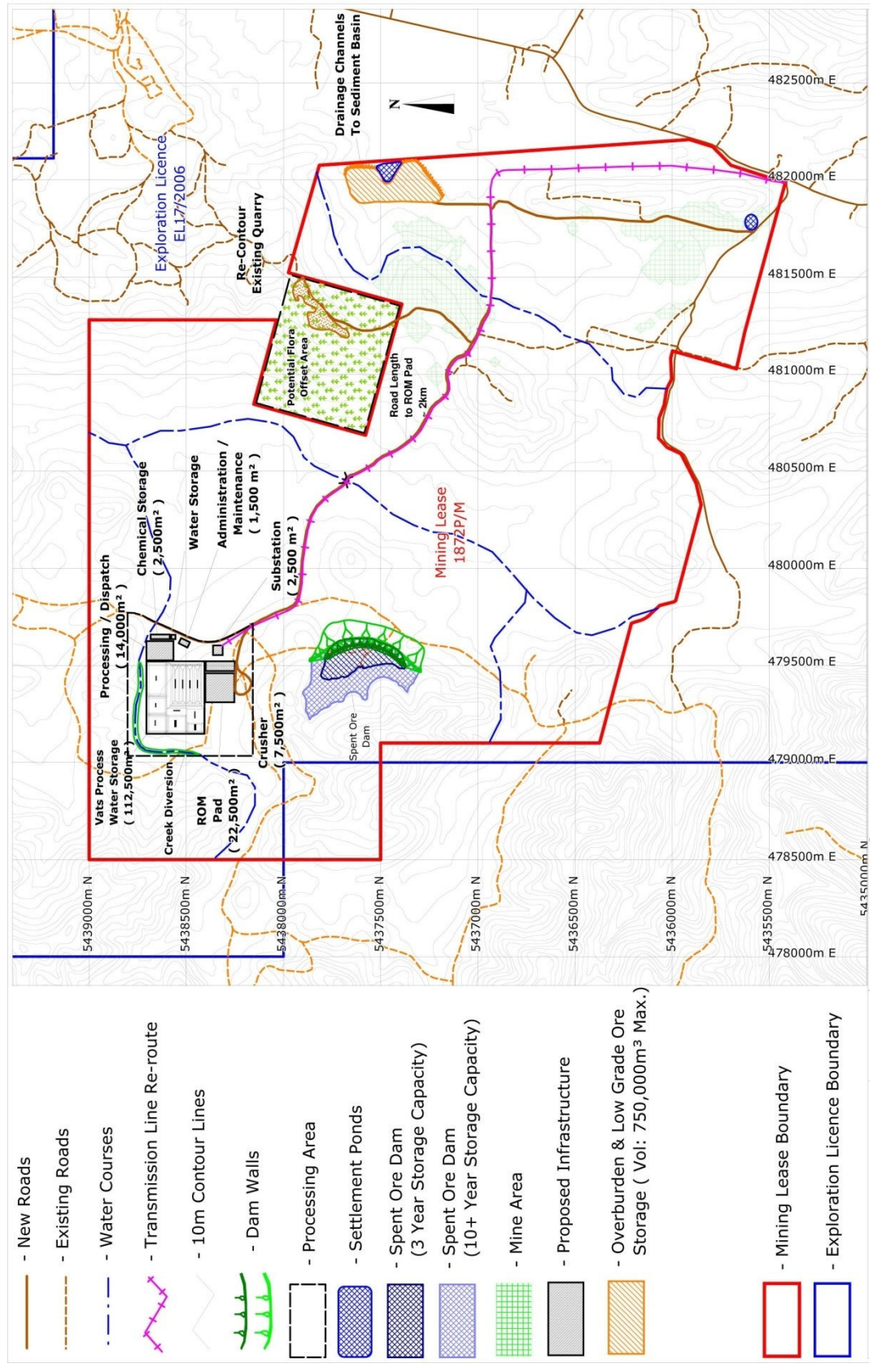


Figure 2 – Updated Proposed Layout of the Barnes Hill Mine and Processing Facility.

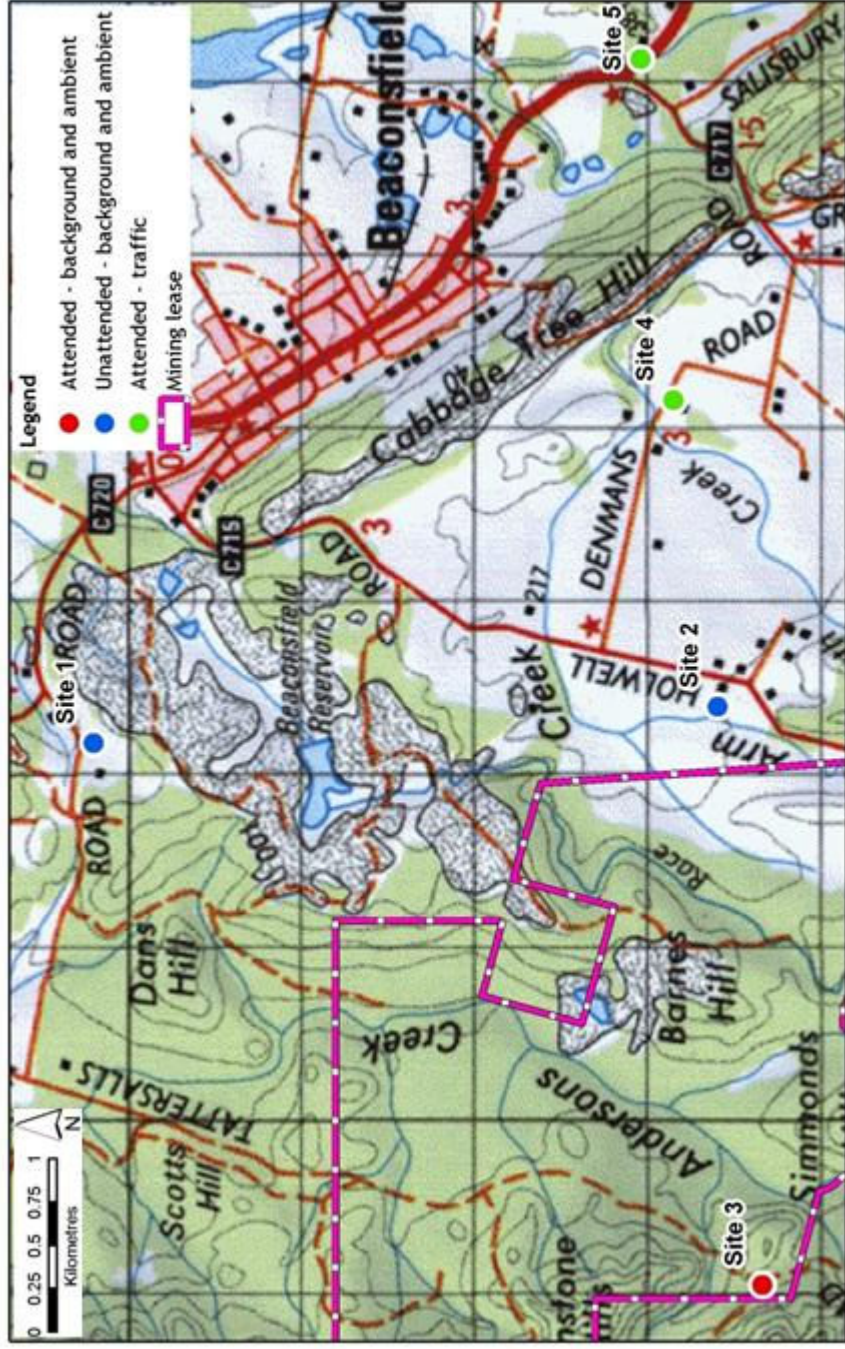


Figure 3 – Barnes Hill Noise Logger Sites.