

PROTO



RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

March 1, 2011

Company Update as Pilot Plant Commences

ASX Release Stock Code: PRW

The Directors of Proto Resources & Investments Ltd ("Proto", "the Company") are pleased to announce that substantial progress has been made over the past month on the Barnes Hill project.

This company update covers the revised independent research report from RB Milestone Group, the commencement of leaching at the Barrier Bay Pty Ltd technology pilot plant, and progress on the detailed feasibility and engineering study and approvals for Barnes Hill.

Macquarie Bank has agreed to purchase from Proto several series of privately placed moving strike and fixed strike options, which if fully exercised, would result in a capital injection of up to \$4 million.

Executive Summary

- RB Milestone Group ("RB Milestone") are currently producing an updated independent research report on the Company in light of the recent rise in the global price of nickel as well as Proto's increased holding in Metals Finance Limited ("Metals Finance", ASX: MFC).
- Barrier Bay Pty Ltd ("Barrier Bay"), the technology company part owned by Proto, has continued to strengthen its innovative technology, and it is now believed that the technology will be applicable to other metals apart from nickel including copper, zinc and potentially rare earths.
- The detailed feasibility and engineering study on the Barnes Hill nickel project is to be completed by the middle of this year. The approvals of the Mining License and Development Proposal and Environmental Management Plan ("DPEMP") continue to advance with further refinements having been made to deliver an even stronger economic project.
- Macquarie Bank has agreed to purchase from Proto several series of privately placed moving strike and fixed strike options, which if fully exercised, would result in a capital injection of up to \$4 million. This option issuance enhances Proto's ability to pursue its current projects, including its flagship Barnes Hill project, as world metal prices continue to move higher.

Revised Research Report from RB Milestone Group

The Company is pleased to announce that RB Milestone, a New York-based equity research group, will be producing an update to their November report which gave Proto a target share price of \$0.26. This follows the lift in the global price of nickel and Proto's further investment in the nickel sector in the last quarter.

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Proto now owns 9.5% of Metals Finance and is looking to acquire further nickel inventory to add to the Company's asset register. Further, Proto is looking to source further institutional investment as the Company draws nearer to emerging producer status. JP Morgan nominees now hold approximately 34.5% of the Proto share register. Proto looks forward to receiving the RB Milestone report and an updated share price target.

Barrier Bay Technology Update

Proto is pleased to announce further progress by Barrier Bay Pty Ltd, the technology company, part-owned by Proto. Barrier Bay has been working on technology to produce a saleable iron and magnesium product from nickel laterite ore while regenerating the vast majority of the sulphuric acid used in the nickel leach process. This process will produce saleable metal salts in addition to nickel metal. Importantly, it is now believed that the technology may apply to other metals such as copper, zinc and potentially rare earths. This would greatly increase the value of the technology and the applicability throughout the global mining industry. The leaching stage of the full-scale pilot plant to test the technology has commenced this week and the Company looks forward to updating the market on its production outputs.

With the commencement of leaching, the full bulk sample of Barnes Hill ore has now commenced the final trial for the definitive feasibility and engineering study. Once a suitable leach solution has been produced and measured this solution will be put through the pilot plant involving the Barrier Bay technology and the low pH nickel system developed by Metals Finance that uses a Dow Chemical Company resin. This low pH nickel system was recently purchased by a subsidiary of Rio Tinto in South Africa at the Palabora mine. Proto is extremely pleased with the progress achieved with the technology and the advancement of the Barnes Hill ore bulk sample as the Company believes that significant value will be created by these undertakings. The global nickel price currently stands at approximately US\$29,000 per tonne and Proto intends on targeting a cost per nickel pound of US\$2 utilising further processing efficiencies, with targeted annual production being 2,100 tonnes of nickel metal product.

Barnes Hill Feasibility and Detailed Engineering

Metals Finance has notified Proto that the detailed feasibility and engineering study currently underway on the Barnes Hill nickel project will be completed in the middle of this year. This definitive feasibility and engineering study will allow Metals Finance and Proto to finance the capital expenditure of the Barnes Hill project, which is expected to be approximately AU\$50 million. Proto has already entered into discussions with potential finance partners and has received strong indications that the approximate capital expenditure on the Barnes Hill project will be very achievable in the current economic climate.

Proto looks forward to further progressing the Barnes Hill nickel project along with the Barrier Bay processing technology. Metals Finance has made significant progress on the Barnes Hill joint venture with Proto and has incurred significant expense in commencing the Barnes Hill bulk sample programme. Metals Finance has costed the substantial expenditure that they will be making in the completion of the Barnes Hill detailed feasibility and engineering study. Proto very much looks forward to the results of these studies that Metals Finance is now undertaking.

Mining License Approval and DPEMP

Proto is currently in discussions with Mineral Resources Tasmania ("MRT") to lodge the security bond for the grant of the Mining License ("ML"). Proto expects the ML to be granted shortly after lodgement of the bond and this announcement will be made in conjunction with the Tasmanian authorities. Proto has been liaising closely in working to design a staged bond payment that aligns with the financing of Barnes Hill's construction. In relation to the DPEMP for the Barnes Hill project mine and processing facility, the

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Company is circulating an initial copy to the Tasmanian Government. The Company has received a great deal of support from the local community in Beaconsfield and the Tasmanian environmental consultants who have prepared the majority of Proto's DPEMP. This has helped to create a refined mining solution that better accommodates all stakeholders.

Placement of Options to Macquarie Bank

Proto is pleased to announce that Macquarie Bank has agreed to purchase from Proto several series of privately placed moving strike and fixed strike options.

Under the arrangement, Proto will issue moving strike options to Macquarie Bank, which if fully exercised, would result in a capital injection of up to \$3 million. The exercise price of the moving strike options will be 85% of the closing price of Proto shares immediately prior to any exercise. The moving strike options contain a floor price, whereby the options may not be exercised where Proto's closing price is below 4 cents per share. Proto may request the moving strike options be exercised at any time subject to certain liquidity conditions and providing each exercise direction is at least 10 business days apart. The dollar amount of an exercise notice from Proto shall not exceed 50% of the average daily trading volume of Proto shares traded on ASX during the 20 business days or 60 business days prior to the date of the exercise direction, whichever is lower, multiplied by the relevant exercise price. Macquarie may choose to exercise at any time, subject to the stock closing above the floor price.

Meanwhile 10,500,000 fixed price options will be issued, Series 1 (5,000,000) at an exercise price of \$0.08, Series 2 (3,500,000) at an exercise price of \$0.10 and Series 3 (2,000,000) at an exercise price of \$0.125. Full exercise of all options would result in a further capital injection of \$1 million. Proto is able to issue all of the fixed price options immediately under its 15% capacity to issue shares pursuant to Listing Rule 7.1, with 29,500,000 moving strike options also being able to be issued immediately, with the balance to be issued pursuant to shareholder approval being received at a General Meeting to be held shortly. The maximum number of moving strike options to be issued is 88,235,294.

Under the terms of the arrangement Proto can cancel any number of the moving strike options at any time by providing Macquarie with 20 business days notice of the intended cancellation.

This option issuance enhances Proto's ability to pursue its current projects as world metal prices continue to move higher, with the global economy recovering. Macquarie Bank is purchasing the options as principal rather than for any of its institutional or retail clients.

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