

PROTO



RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

August 16, 2011

Financing Arrangement for Tasmanian Nickel Project

ASX Release: PRW

Executive Summary

- Proto Resources & Investments Ltd ("Proto", "the Company") has concluded and signed an arrangement for mining equipment giant Caterpillar to become the equipment supplier and debt financier for the Barnes Hill nickel-cobalt-iron-magnesium joint venture in northern Tasmania. Caterpillar Inc. (NYSE: CAT) will provide mining equipment and Caterpillar Financial SÀRL ("Caterpillar Financial") in Zurich will manage the financing of the Barnes Hill project.
- The agreement follows the recent grant by the Tasmanian Government of the Barnes Hill Mining Lease (1872P/M), granted by the Hon Bryan Green, Deputy Premier and Minister of Mines for Tasmania, on 24 June 2011. The final financing facility is due to be delivered by April 2012, when construction approvals are also planned for finalisation. On delivery the Project Loan and Subloan will together provide up to US\$36m in debt financing.
- Proto is looking to expand this relationship into its subsequent projects that will roll-out the Barrier Bay processing technology majority owned by Proto across other known nickel laterite projects. The financing package will be based on this new low temperature, low pressure nickel processing system.
- A full technical review has now been received showing the positive capability of the Barrier Bay process. Following this, an independent technical report has been commissioned and is now underway with a preliminary report expected by the end of August.
- Proto is also continuing work on the addition of iron ore as an additional revenue component at Barnes Hill. A field team has spent the last few weeks at site, cataloguing and preparing previously drilled samples so that the next phase of detailed iron beneficiation testing can be undertaken. Once this testing is completed, then Proto will act to have a maiden JORC-compliant iron ore resource estimated to supplement the existing lateritic nickel-cobalt resource.

Equipment Supply and the Financing of Barnes Hill

The Directors of Proto Resources & Investments Ltd ("Proto", "the Company") are pleased to announce that the Company has concluded a financing arrangement with Caterpillar Financial SÀRL ("Caterpillar Financial") in Zurich, on behalf of the Barnes Hill nickel project joint venture with Metals Finance

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Corporation Ltd (“Metals Finance”). This will see Caterpillar Financial deliver the debt financing of the Barnes Hill project by 31 April 2012, in time to meet the approvals timeline on the proposed nickel-cobalt-iron-magnesium mine located northwest of Launceston in Tasmania.

Caterpillar Financial is the financing arm of Caterpillar Inc. (NYSE: CAT), the world's largest manufacturer of construction and mining equipment, diesel and gas engines, and industrial gas turbines. Proto has signed with Caterpillar Financial on the basis of their unique combination of a first-class balance sheet and the ability to link this balance sheet to equipment supply. Caterpillar Inc.'s equipment is well suited to Barnes Hill and very well supported locally. Caterpillar Inc.'s market capitalisation is in excess of US\$50 billion and their other Australian clients have included Fortescue Metals Group Ltd and Minara Resources Ltd.

As above, Caterpillar Financial has entered into an agreement to deliver a fully underwritten financing package by 31 April 2012. The commitment letter is to deliver a debt finance facility consisting of a Senior Secured Project Loan (“Project Loan”) along with a Subordinated Loan (“Subloan”). These will together deliver up to US\$36m in financing as required to construct and commission operations.

Proto determined that Caterpillar's machinery was the best available for the project on the basis of the mine plan that identified the mixture of excavator, dozer and front end loaders required in conjunction with the haul truck fleet. Caterpillar Inc. has an unrivalled reputation for quality and service that has enabled it to become the world's largest manufacturer of construction and mining equipment. Operations will be based on CAT 972H loaders for the mining, moving, screening, stockpiling and loading of transport trucks. This will be supported by CAT D10 sized dozers engaged in ground clearance and top soil removal and also supported by smaller CAT D6 sized dozers in managing spent ore.



Figure 1 – 972H Wheel Loader (left) and D10 Dozer (right) for Mining at Barnes Hill

Financing Terms Agreed

The arrangement also included an Indicative Term Sheet of the terms of the financing. The facility amount will be up to US\$36m, and will cover 60% of total project costs. The remaining 40% of project construction and development costs are to be provided by equity funding from Metals Finance, off-takers and their associates. Both the Project Loan and Subloan would have a payback period of 5 years from the end of the availability period.

Conditions for the financial close include those customary for financings of this nature including governmental approvals and permits, and satisfactory off-take agreements. Importantly, the financing by



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Caterpillar Financial is to be under the new Barrier Bay Pty Ltd (“Barrier Bay”) technology flowsheet for the processing of nickel laterites to produce saleable iron and magnesium products as well as high value nickel and cobalt, where an independent evaluation is currently underway. The existing mine plan is to be updated on the basis of the findings of the feasibility study and technical and metallurgical work that is also currently underway.

The Managing Director of Proto, Mr Andrew Mortimer, stressed the importance of the agreement. “The agreement with Caterpillar represents the critical step forward towards breaking ground at Barnes Hill. With the Development Proposal and Environmental Management Plan already completed and an initial Mine Plan in hand, we are well on the way to meeting the financing conditions. We’ve been talking to Caterpillar for more than a year now, and are very pleased at reaching this level of accord and project understanding and intent to participate with them, which will provide us with the capital and equipment to build and operate the project. It’s also the case that we are looking for them to be heavily involved in Proto’s project pipeline as we seek to become a globally significant nickel company.”

Full Technical Report and Iron Beneficiation

The financing package will be based on the new low temperature, low pressure nickel processing system composed by Barrier Bay, of which Proto is the majority shareholder. A full technical review has now been received showing the positive capability of the Barrier Bay process. With goals having been met, Barrier Bay has engaged an independent technical report that is now underway. Proto is looking to leverage the already established relationships to its subsequent projects that will roll-out the Barrier Bay processing technology across other known nickel laterite projects in Australia and internationally.

The technical review has supported the process that combined new resin and membrane technology into an innovative low capex and low opex approach that contrasts strongly with existing High Pressure Acid Leach (“HPAL”) technologies that have been used in Australia previously. Testing results have also continued to reinforce the environmental credentials of the process. The Barrier Bay technology is inherently clean, as it further processes waste streams to deliver benign and inert waste and a reduced tailings footprint, while at the same time turning iron and magnesium into saleable products.

Proto is also continuing work on the addition of iron ore as an additional revenue component at Barnes Hill. A field team has spent the last few weeks at site, cataloguing and preparing previously drilled samples of the ironstone cap present over parts of Barnes Hill, so that the next phase of detailed iron beneficiation testing can be undertaken. Once this testing is complete, then Proto will act to have a maiden JORC-compliant iron ore resource estimated which would aim to significantly supplement the existing lateritic nickel-cobalt resource and the definitive feasibility study currently underway.

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