

PROTO



RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

July 29, 2011

Quarterly Activity Report ending 30 June 2011

ASX Release: PRW

Proto Resources & Investments Ltd ("Proto", "the Company") has passed further milestones at its flagship nickel-cobalt-iron project at Barnes Hill near Beaconsfield in Tasmania. The Mining Lease ("ML") 1872P/M has now been granted over the area of the Barnes Hill project by the Tasmanian Government. The ML gives Proto the right to mine and sell the minerals located at Barnes Hill. The Company also completed a Development Proposal and Environmental Management Plan ("DPEMP") that would include the mining of nickel, cobalt, iron and magnesium at Barnes Hill to provide polymetallic revenue streams.

Proto also made advances across its exploration portfolio during the quarter, with the interpretation of results arising from the major electromagnetic airborne geophysical survey at Wave Hill and Lindeman's Bore, and follow-up ground gravity at Waterloo in the Northern Territory being focal activities.

Highlights

- Barnes Hill (Tasmania) – Proto was granted the Mining Lease over Barnes Hill. This followed finalisation of the terms of the environmental security bond for the Barnes Hill mining lease. Metals Finance Limited ("Metals Finance") has advised Proto that the Barnes Hill Feasibility and Detailed Engineering Study for the Barnes Hill Project is on schedule for completion early in Q3 2011.
- Wave Hill & Lindeman's Bore (NT) – During the quarter Proto and joint venture partner Peak Mining and Exploration Limited completed interpretation of the results of a Z-Axis Tipper Electromagnetic System ("ZTEM") airborne geophysical survey. Several promising anomalies were identified and detailed geochemical assessment for follow-up fieldwork commenced in July 2011. A final set of ground geophysical surveys are planned for late 2011 prior to drilling targets.
- Waterloo (NT) – Proto and Peak Mining and Exploration Limited also completed a semi-regional gravity programme at the Waterloo Project, NT. The survey consisted of approximately 900 gravity stations that were surveyed at between 500-1000m spacing. The programme mapped the Blackfellow Creek Fault, which is interpreted to have acted as a conduit for the Antrim Plateau Volcanics.

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Barnes Hill, Tasmania (Nickel Laterite, Cobalt and Iron Ore) **Grant of Mining Lease**

The Tasmanian Government has granted Proto Mining Lease 1872P/M over the Barnes Hill project located a few kilometres outside of Beaconsfield, Tasmania. The 902ha ML area includes the drilled-out area of the Barnes Hill nickel deposit as well as the planned processing area and haulage routes. This will allow Proto to submit its application for land and environmental authorities. The grant of the ML follows lodgement of the A\$250,000 security deposit required to allow the execution of work necessary for delivery of the detailed feasibility and engineering study in Q3 this year. The security deposit levels in the ML have been staged to increase prior to the intensification of activities at Barnes Hill. The security deposit will increase to \$1.5m on the granting of the land use permit for mining to allow minor construction and the clearing of vegetation. This will then increase to a third level for final construction and the commencement of mining. The ML area is shown in Figure 1. The initial term of the ML will allow for mining over 15 years, which is well matched to the longer mine life established under the Barnes Hill Reserve Statement released by Snowden Mining Industry Consultants on 23 November 2010.

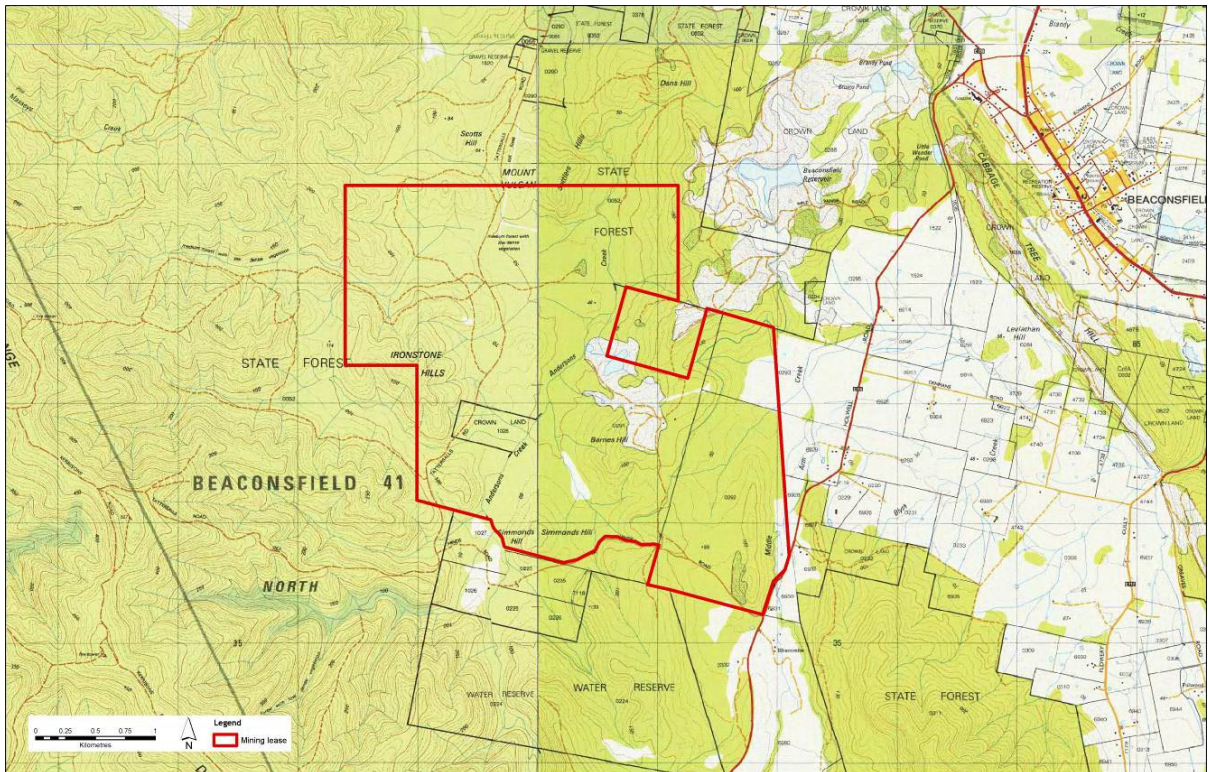


Figure 1 – The Barnes Hill Mining Lease.

The ML gives Proto authority to carry out mining operations on the area of land covered for the minerals, subject to receipt of environmental and planning clearances for the mine. As also announced, Proto is also



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undertaking analytical work on the beneficiation of ironstone that overlies the lateritic nickel bearing zones and expects these to provide an additional revenue stream.

The ML will now allow submission of further detail work programs to enable close definition drilling of the mine area for production planning. This further drilling will commence in Q3 and the data generated will also be used to support financing of the mine under the definitive feasibility study. The current timeline would see the first vat leach leaching commence in the second half of 2012 with first nickel metal on ship by June 30, 2013.

Barnes Hill Detailed Feasibility

Proto's joint venture partner Metals Finance is to deliver a detailed feasibility study based on its low-pH recovery system in Q3 2011. This processing system was successfully operated by Metals Finance at the Palabora Mine in South Africa. Metals Finance recently sold its share to a Rio Tinto subsidiary that had been its partner in that plant. Metals Finance has costed the full budget for the remaining parts of the detailed feasibility study and has formally committed the funds required to complete them. This includes detailed engineering, sourcing of reagents, and verification of processing recoveries and product characteristics. An extension of the detailed feasibility study applying the new Barrier Bay technology (that will recycle acid and produced saleable iron and magnesium products) will be delivered subsequently towards the end of the year. Results from the testing of that technology continue to surpass expectations, as this 10 tonne leach is continuing to deliver strong and consistent recoveries.

In the quarter, Proto has also been in contractual negotiations with the specialist project financing unit of a multinational equipment supplier. This is to produce an indicative term sheet whereby that firm will act as global arranger and senior lender to the Barnes Hill project backed by the integration of the usage of its equipment. Capital expenditure at Barnes Hill is expected to be no more than A\$50 million. In preparation for the operational stage, Proto has been actively seeking personnel including the appointment of a senior project manager to assist Metals Finance in the development implementation phase.

Wave Hill & Lindeman's Bore, NT (Nickel Sulphide, Copper and PGEs)

During the quarter Proto and joint venture partner Peak Mining and Exploration Limited announced the results of a ZTEM airborne geophysical survey at Lindeman's Bore (EL25307) and Wave Hill (EL27413, EL27617 & EL27618) located 380km south-west of Katherine in the Northern Territory. The ZTEM survey was the first large scale commercial use of this new system in Australia. 918 line kilometres of Z Axis Tipper Electromagnetic system ("ZTEM") were flown over the project areas at line spacings of 1km with this program representing the first large scale commercial use of ZTEM in Australia. ZTEM has the capacity to see to a depth of up to two kilometres in resistive environments.

At Lindeman's Bore the ZTEM survey results have outlined small anomalies and deeper resistivity breaks, particularly in the low frequencies that are associated with the main magnetic anomaly where previous deeper drilling efforts had been focussed (LBD-1 and LBD-2). The ZTEM data was evaluated in concert with geological information from surface work as well as the two exploratory drill holes.

At Wave Hill the results have outlined various anomaly trends sub parallel and perpendicular to the flight lines. The most prominent anomaly (A-trend) correlates well with an elongated magnetic anomaly that is believed to be at relatively shallow depth (<200m) (Figure 2). 2D inversion relating to this A-trend showed weakly conductive features below this magnetic anomaly that could be responding to structural controls.

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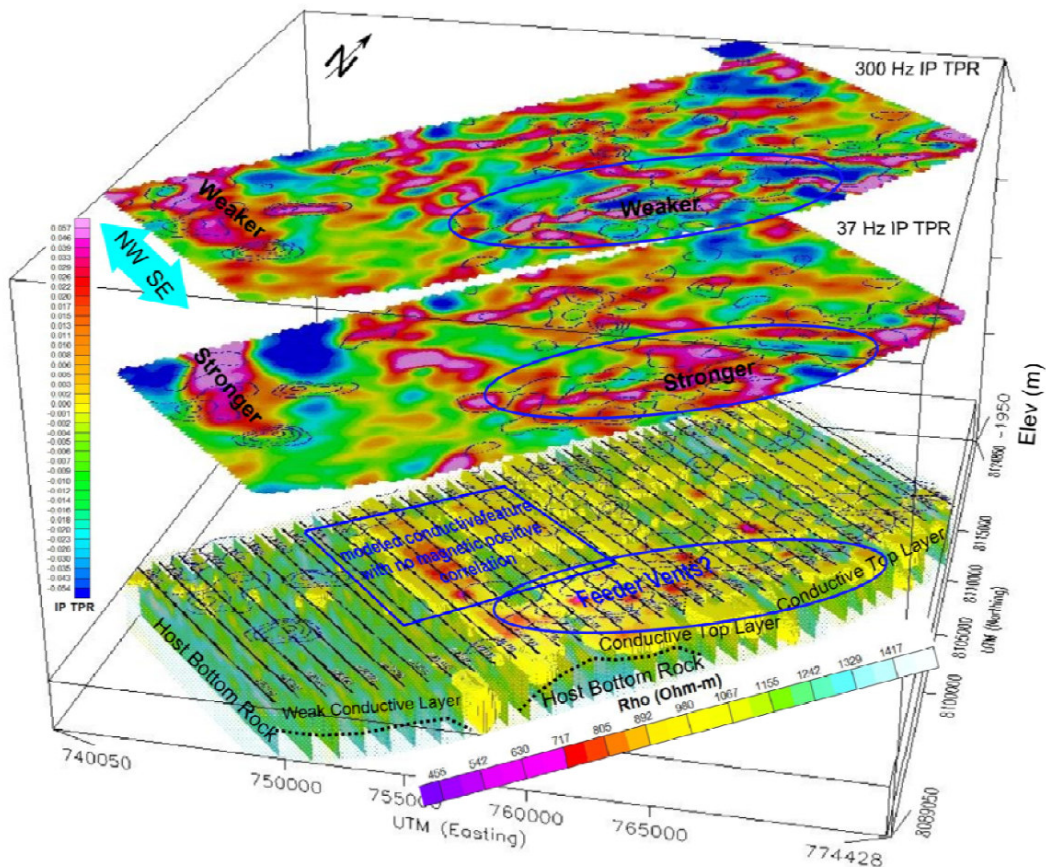


Figure 2 – Wave Hill 2D Resistivity Inversions in 3D View

Waterloo, NT (Nickel Sulphide, Copper and PGEs)

In the quarter, Proto also commenced a semi-regional ground gravity survey programme over the Company's Waterloo project. Waterloo is located in the NT approximately 350km southwest of Katherine, NT and 75km southeast of Kununurra, WA. Waterloo comprises two granted exploration licenses (EL27416 and EL27420) and two applications (EL28504 and EL28505). The Blackfellow Creek Fault runs northeast through the Waterloo Project and is considered a long lived structure that may possibly have acted as a vent for Cambrian aged basalt magmatism and consequently the structure may host intrusions. Previously announced historical data shows copper mineral occurrences along or close to this structure that may be due to structural remobilisation of copper from within the Antrim Plateau Basalts.

Preliminary gravity results received subsequently in July are encouraging and are clearly mapping the major structural suture/conduit present at Waterloo. This structure, the Blackfellow Creek Fault, is orientated in a ~NE-SW direction. Several discrete gravity anomalies of potential interest are present along this major structure and are to be investigated further (Figure 3).



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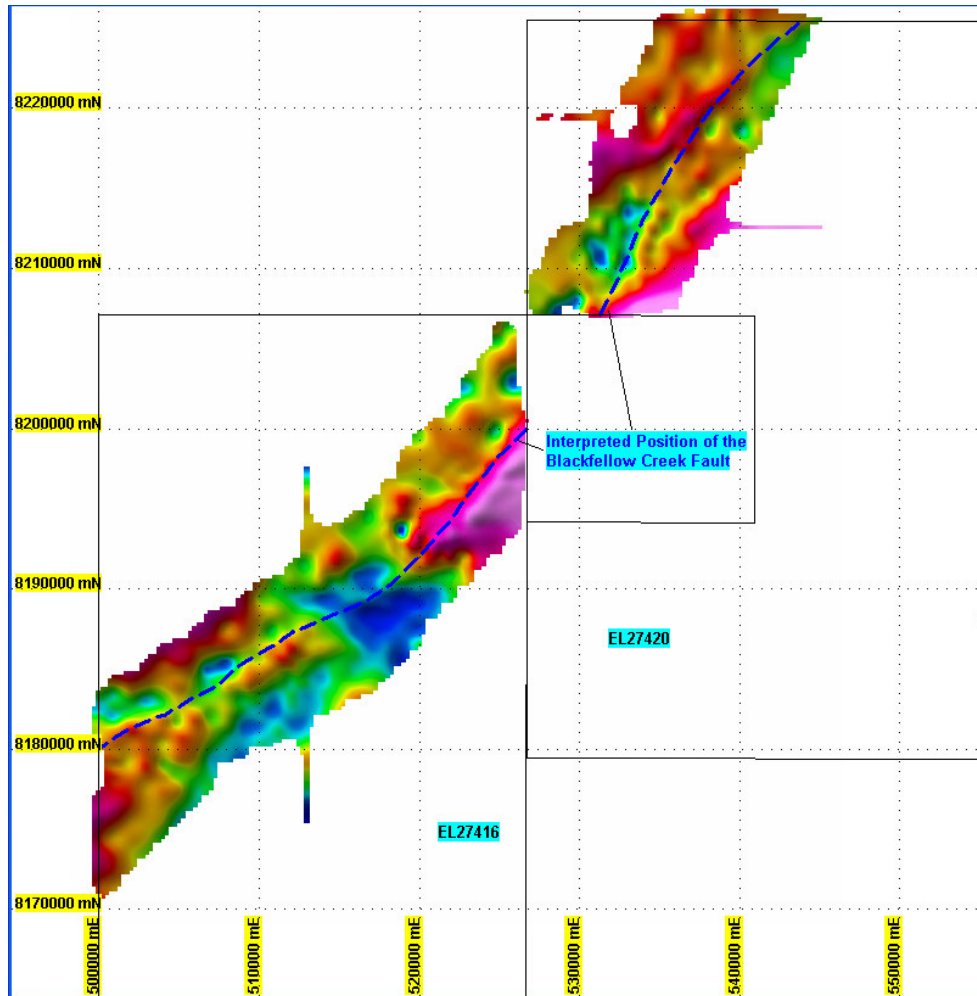


Figure 3 - Initial Gravity Survey Results from Waterloo

Following these results, Proto has now also commenced the next exploration program planned at Waterloo. A research team from the Queensland University of Technology is undertaking a field trip to conduct a series of stratigraphic traverses to the south of Riedel shears that have been identified to the east and west of the Blackfellow Creek Fault. The planned traverses are in the vicinity of two stratigraphic holes drilled by the Bureau of Mineral Resources, Geology and Geophysics in 1969. This will provide new insight into the stratigraphy in order to inform future exploration.

Granulite Mountains, Germany (Nickel Laterite, Cobalt and Iron Ore)

On 9 June 2011, Proto announced that it had executed an agreement with Deutsche Rohstoff AG that gave it the right to acquire the Granulite Mountains licence (No: 32-4741.1/649). This licence is in Saxony,



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Germany located approximately 50km west of Dresden. The licence covers over 600km² and encompasses known nickel-cobalt mineralisation where over 1200 drill holes have been completed with 0.5m assaying on a tight drill spacing of less than 30x30m. This should allow rapid completion of the necessary allow sufficient quality assurance/quality control (“QAQC”) to define a JORC-compliant resource using the historical data to support mine planning and plant engineering. Proto has identified the Kiefernberg mineralisation as the leading prospect and engaged a local geological and environmental consultancy to undertake preliminary analysis on the mineability of the area.

Proto considers that Kiefernberg represents an excellent opportunity to replicate the plant that has been designed for its flagship project at Barnes Hill in Tasmania. The economic potential of the project is reinforced by the proximity of infrastructure, with roads and electricity passing over the licence just a few hundred metres from the mineralisation. A high intensity 220kV power line is also just 1.5km from the project area. Proto’s processing technology is also well suited to the project, offering first-class environmental outcomes. The licence also contains a brownfield former nickel mine as well as several other known nickel mineralisations.

At the end of the quarter, the project to compile all historical geochemical results into a digital database was well advanced. Proto will then prepare and implement a programme of targeted drilling to provide the necessary confirmatory information to utilise this data in resource modelling.

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Competent Persons Statement

The information in this release that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Carl Swensson, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Swensson is a director of Swensson Integrated Resource Management Services 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 Swensson consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.