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PROTO
RESOURCES & INVESTMENTS LTD

STOCK EXCHANGE ANNOUNCEMENT

18 October 2012

Proto Extends Agreement with Caterpillar Financial

Stock Codes: ASX: PRW, OTCQX: POOOY

Proto Resources & Investments Ltd ("Proto", "the Company") is pleased to announce that Proto and Caterpillar Financial SARL ("Caterpillar Financial") have extended the debt arranging mandate agreement for the Barnes Hill nickel project in Tasmania. The extension comes as the rebounding nickel and iron ore prices bring renewed vigour to the nickel market.

Executive Summary

- Proto and Caterpillar Financial extend the debt arranging mandate agreement into the first half of 2013.
- Iron ore and nickel prices have rebounded strongly from recent lows. This reflects improving supply and demand characteristics, as demand absorbs lower priced commodities and uneconomic high cost supply contracts.

Proto Extends Mandate Agreement with Caterpillar Financial

Proto is pleased to announce that Proto and Caterpillar Financial have extended the debt arranging mandate agreement for the Barnes Hill nickel project in Tasmania. Proto is looking to develop the Barnes Hill nickel project in short order now that the project mining license has been granted and the development proposal lodged. Proto Resources signed the mandate agreement with Caterpillar Financial in August 2011 to arrange the debt finance for the Barnes Hill project. The Barnes Hill project is being developed in joint venture with Metals Finance Limited ("Metals Finance"), a specialist in nickel extraction. The extension of the agreement provides Proto and Metals Finance time to further refine the Barnes Hill feasibility study including ongoing ore leach optimisation. Proto and Metals Finance look forward to providing this material in early December, prior to Christmas this year.

Iron Ore and Nickel Prices Rebound

Proto is also pleased to note the swift re-appreciation of iron ore and nickel, after recent lows which saw the iron ore price dip to $86/t and nickel reach $15,000/t. Strong demand created by these lower prices has seen both commodities retreat their losses with iron ore now over $115/t and nickel at approximately $18,000/t. This swift retracement shows a healthy demand factor at work in global markets and underwrites the value of nickel and iron mining development, such as at Barnes Hill.

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The iron ore and nickel markets, which both are central to the steel-making value chain, are currently in the midst of a significant resurgence following a marked decline in previous months. Despite that fall in the market, which reflects present volatility, from a larger perspective nickel continues to sit on a positive trend. This trend, associated with the current global resource super cycle, has seen nickel double in price over the past decade as depicted below:

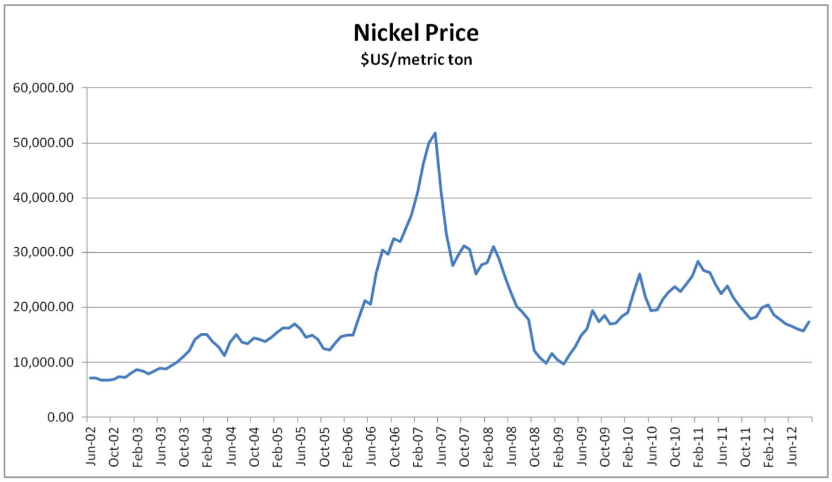

Figure 1: 10-Year Nickel Price (Source: World Bank)

The more recent run-up in the nickel price, from $15,000/t, to above $17,000/t, is depicted below. This suggests a return to the longer-term trend.

Figure 2: Nickel Cash Buyer Price in 2012 (Source: LME)

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This bottoming out of the nickel price is believed to reflect the cost pressures faced by producers. Indeed, it is estimated that at $16,000 a tonne 30% of nickel miners are unprofitable, while at $15,000 a tonne 45% of miners are unprofitable.[1] Thus, the rebound in nickel prices is well supported given that the marginal cost producers, such as nickel pig-iron, require higher prices to maintain profitability. The rise in the nickel price has also been bolstered by tightening requirements in nations that export raw ore, particularly Indonesia.

The iron ore market has also experienced a dramatic recovery from recent steep losses. However, once again, it is important to place the recent price gyrations in context with the large overall price appreciation as depicted below. The record price for iron ore was reached in February 16 last year at $US191.90 metric tonne, and at current levels is still highly attractive to potential producers.

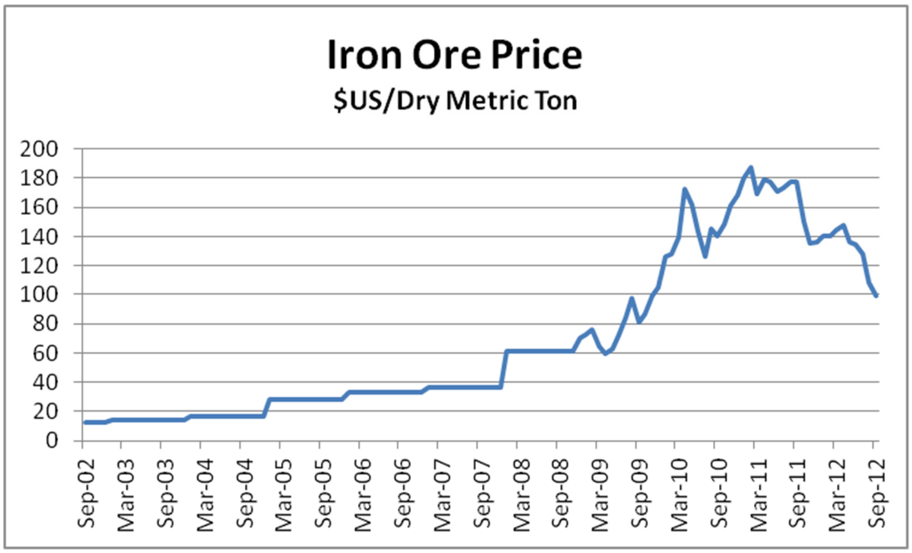

Figure 3: 10-Year Iron Ore Price (Source: The Steel Index)

[1] http://www.bloomberg.com/news/2012-09-18/norilsk-sees-nickel-at-16-000-making-30-of-output-unprofitable.html