

3 August 2006

FACSIMILIE: (08) 8981 7106

Minerals & Energy Titles Division
Department of Primary Industry, Fisheries and Mines
GPO Box 3000
Darwin NT 0801

Attn: Denise Turnbull

Dear Denise,

RE: EXPLORATION LICENCE NO 23391

I refer to correspondence from the Department of Primary Industry, Fisheries and Mines ("DPIFM") dated 5 July 2006 regarding the abovementioned Exploration Licence ("the Exploration Licence"). On behalf of Proto Resources and Investments Ltd ("the Company"), it is requested that the reduction of the area of the Exploration Licence be waived in terms of Section 28 of the *Mining Act (NT) 1980*.

In this respect, I draw your attention to the following:

1. *The recent transfer of the Exploration Licence from Discovery Nickel Limited to the Company* – DPIFM registered the transfer of the Exploration Licence on 11 July 2006. Please refer to enclosed correspondence from DPIFM dated 11 July 2006, marked "Attachment A";
2. *The status of reporting requirements* – this office understands that the Company and Discovery Nickel Limited have complied with all reporting requirements to date;
3. *Expenditure for the current term* – please refer to the enclosed document marked, "Attachment B";
4. *Current Exploration* - please refer to the enclosed document marked, "Attachment B"; and
5. *Proposed exploration programme* - please refer to the enclosed document marked, "Attachment C".

Payment in the sum of \$2,772.00, being the prescribed annual fee for the Exploration Licence, is to be made by credit card. Details of which are as follows:

Hetherington Exploration
Mastercard No: 5313 5720 0017 6924

TRIM Registered	
Date 8.108.06	Time 9m AM/PM
Trim File No. MT 2003/9999	
Trim Doc No. MTDoc2006/1291	

Expiry Date: 06/09

Please contact me if you have any questions or require further information.

Yours faithfully,

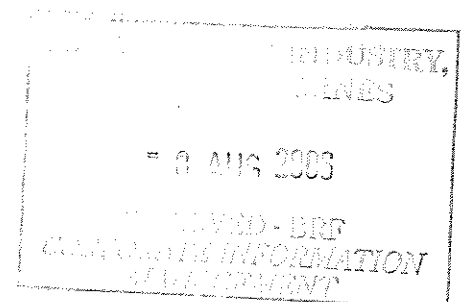


URVASHI SEOMANGAL
Sydney Office

Encl

cc *Mr Neil MacKenzie (Proto Resources and Investments Ltd)*

Mr Ashley Hood (Proto Resources and Investments Ltd)



DEPARTMENT OF
PRIMARY INDUSTRY, FISHERIES AND MINES

Our file ref: D92258

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Attn: Urvashi Seomangal
C/- Hetherington Exploration & Mining Title Services Pty
Ltd
P O Box 765
WILLOUGHBY NSW 2068

To Whom It May Concern:

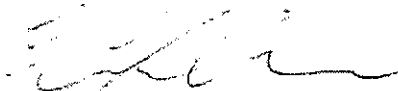
**SUBJECT: TRANSFER FROM DISCOVERY NICKEL LIMITED TO PROTO
RESOURCES AND INVESTMENTS LTD**

The abovementioned dealing has been approved by the Delegate of the Minister in accordance with Section 173 of the *Mining Act* and was registered on 11 July 2006 against Exploration Licences 23391, 23392, 23393, 23395, 23629 and 24357.

The registered holder is Proto Resources and Investments Ltd (100%).

The new holder will be responsible for fulfilling the reporting obligations for the tenement(s). Please ensure that all relevant material is forwarded to the new holder to enable this obligation to be fulfilled.

Yours sincerely



CHRISTINE CAKEBREAD
Mining Registrar

11 July 2006



Northern Territory Government

PROTO RESOURCES AND INVESTMENTS LIMITED

2005 WORK PROGRAM FOR EXPLORATION LICENCE 23391

Introduction

Exploration Licence 23391 is a part of Discovery Nickel Limited's (DNL) Arunta Project which comprises exploration tenements 23391, 23392, 23393, 23395, 23629, 23271 and tenement applications 23394, 23396, 23397, 23398 and 23399. Discovery Nickel is exploring the Palaeoproterozoic rocks of the Arunta Province for Voisey's Bay style nickel-copper deposits. Discovery Nickel acquired the Arunta Project from Falconbridge (Aust.) Pty Ltd following the successful listing of Discovery Nickel on the Australian Stock Exchange on 17th December 2003.

Most significant nickel-copper massive sulphide deposits are extremely good conductors. Discovery Nickel's exploration approach relies heavily on airborne electromagnetic (EM) surveying, followed by ground EM to define targets. Drilling on our Arunta tenements to date includes two diamond holes on adjacent tenement 23392 and 23074. Drilling at J1 on 23074 failed to intersect anything significant however drilling at prospect B1 on EL 23392 south east of EL 23391 intersected a significant new sulphide system. New Airborne EM (GEOTEM) was collected during October 04 over EL 23391 and part of EL 23395. Interpretation of the data over EL 23391 shows there are anomalies in the GEOTEM data that require further investigation.

Work Program

DNL plans to cover new bedrock conductors with ground EM. If ground EM confirms the conductive features as bedrock conductors then RC or diamond drill testing of these new targets will be undertaken.

The allocated budget for further work on EL 23274 including funds for ground EM follow up of airborne EM targets, followed by RC drilling is \$27083. Included in this budget are the following items:

- Additional interpretation of airborne GEOTEM data
- 2 days of ground EM surveying
- Interpretation and processing of the ground EM data
- Clearance of the proposed drill sites by the Traditional Owners
- 120m of RC drilling
- Contract geologist/geophysicist
- Field Support (vehicle hire, field technician, travel)
- Rehabilitation
- Tenement Fees

The detailed exploration Budget is shown in Table One.

Table One – Exploration Program Budget

Project	Arunta - 23391		AUD\$
Land Access			\$2,000.0
Airborne EM	0	line/km	\$0.0
Ground EM	2	days	\$6000.0
RC drilling	120	metres	\$12000.0
Geologist / Geophysicist	3	Days	\$1500.0
Geochemistry	25	Samples	\$1250.0
Field Tech	5	Days	\$1250.0
Vehicle Hire	5	Days	\$500.0
Travel			\$1000.0
Rehab	1	Days	\$1000.0
Tenement Fee			\$583.0
Total			\$27083

PROTO RESOURCES AND INVESTMENTS LIMITED

2006/2007 WORK PROGRAM FOR EXPLORATION LICENCE 23391

Introduction

Exploration Licence 23391 is a part of PROTO Resource and Investment Limited's (PROTO) Arunta Project which comprises exploration tenements 23391, 23392, 23393, 23395, 23629, 23271 and tenement applications 23394, 23396, 23397, 23398 and 23399. PROTO is exploring the Palaeoproterozoic rocks of the Arunta Province for Voisey's Bay style nickel-copper deposits. PROTO acquired the Arunta Project from Discovery Nickel Limited (DNL) in 30 June 2006.

Most significant nickel-copper massive sulphide deposits are extremely good conductors. Discovery Nickel's exploration approach relies heavily on airborne electromagnetic (EM) surveying, followed by ground EM to define targets. DNL Drilling on our Arunta tenements to date includes two diamond holes on adjacent tenement 23392 and 23074. At B1 on EL 23392 south east of EL 23391 drilling intersected a significant new sulphide system. New Airborne EM (GEOTEM) was collected by DNL during October 04 over EL 23391 and part of EL 23395. Interpretation of the data over EL 23391 shows there are anomalies in the GEOTEM data that require further investigation.

Work Program

PROTO plans to cover new bedrock conductors with ground EM. If ground EM confirms the conductive features as bedrock conductors then RC or diamond drill testing of these new targets will be undertaken.

The allocated budget for further work on EL 23274 including funds for ground EM follow up of airborne EM targets, followed by RC drilling is \$46083. Included in this budget are the following items:

- Additional interpretation of airborne GEOTEM data
- 4 days of ground EM surveying
- Interpretation and processing of the ground EM data
- Clearance of the proposed drill sites by the Traditional Owners
- 240m of RC drilling
- Contract geologist/geophysicist
- Field Support (vehicle hire, field technician, travel)
- Rehabilitation
- Tenement Fees

The detailed exploration Budget is shown in Table One.

Table One – Exploration Program Budget

Project	Arunta - 23391		AUD\$
Land Access			\$2,000.0
Airborne EM	0	line/km	\$0.0
Ground EM	4	days	\$12000.0
RC drilling	240	metres	\$24000.0
Geologist / Geophysicist	3	Days	\$1500.0
Geochemistry	25	Samples	\$1250.0
Field Tech	5	Days	\$1250.0
Vehicle Hire	5	Days	\$500.0
Travel			\$1000.0
Rehab	1	Days	\$1000.0
Tenement Fee			\$583.0
Total			\$45083