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28 August 2007

The Manager
Company Announcement Office
Australian Stock Exchange Limited

$1.15M Joint Venture Agreement with Proto for Wertago

Graynic Metals Limited ("Graynic") (ASX code: GYN) has recently concluded a Farm-In and Joint Venture Agreement ("Agreement") with Proto Resources and Investments Limited ("Proto") (ASX Code: PRW) relating to Graynic's Wertago prospect in NSW.

The Wertago prospect is located 170 km north-east of Broken Hill in eastern New South Wales. The prospect contains historic copper mines of the Wertago Copper Field, and the Nutherungie Silver fields. The Wertago prospect is located along strike from Black Range's Grasmere project.

Under the terms of the Farm-In and Joint Venture agreement, Graynic will grant to Proto the exclusive rights to explore the Wertago prospect and Proto shall be entitled to earn up to an 80% interest in the Wertago prospect by spending a minimum of $1 million on exploration on the tenements within 42 months from the commencement date of the agreement. The agreement has been structured in three phases, and also allows for the issue of a minimum of 500,000 in Proto shares to Graynic.

Under the first phase of the agreement, Proto will be obliged to spend a minimum of $150,000 within six months of the commencement of the Agreement, which would include assessment and interpretation of airborne EM; design, collection and interpretation of ground EM follow up; and geochemistry over a number of historical prospects and/or EM anomalies. Proto is able to withdraw from the Agreement at the completion of the first phase with no beneficial interest being transferred from Graynic to Proto.

As part of the second phase, Proto commits to a minimum exploration investment commitment of $350,000 and a maximum exploration investment commitment of $500,000 over an 18 month period to earn a 60% interest in the Wertago prospect. At the completion of Phase Two any unused funds above $350,000 would be paid to Graynic as shares up to the maximum $500,000 amount.

As part of the third phase, Proto will furthermore commit to $500,000 of exploration investment expenditure within 18 months to earn 80% of the project and will issue Graynic with an additional 500,000 shares at completion of this phase.

Proto will act as Joint Venture Manager and have responsibility for design, implementation and interpretation of surveys and work programs during this time, including any land access negotiations or other requirements.

Graynic welcomes the involvement of Proto in the Wertago prospect. “We believe that Proto has the experience, focus and technical resources that this project requires, and that the Wertago prospect compliments Proto’s existing portfolio of projects,” said Managing Director, Bronwyn Barnes. “Our agreement with Proto ensures the best opportunity for success at the Wertago prospect whilst enabling Graynic to concentrate on its high interest projects at Quartz Circle and Gulf Creek”.

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About Graynic Metals Limited

Graynic Metals Ltd is committed to increasing shareholder wealth through the acquisition, exploration and development of base metal mineral resources throughout Australia.

Graynic’s Quartz Circle project, located 25km north-northeast of Nullagine in the East Pilbara District of Western Australia, has been historically prospected for gold and base metals, but has all the footprints of a large volcanic-hosted massive sulphide (VMS) deposit. Substantial exploration progress has been made with one of the highlights being an intersection of zinc mineralisation in RC drill hole GMRC021 at the Emperor Prospect, which contained 43m grading 4.4% Zn. Recent drill hole GM 58 produced the first significant base metal intersection (8m@1.26% Zn, 0.97% Pb and 458g\t Ag) ever achieved at the Imperial Prospect, confirming this area as a valid base metal target.

Gulf Creek, located near Broken Hill in NSW, contains three strong zones of copper mineralization within a broad shear system and has historically hosted mining operations over a number of years, but the area was never drilled. Records suggest that the remaining copper mineralization could be substantial.

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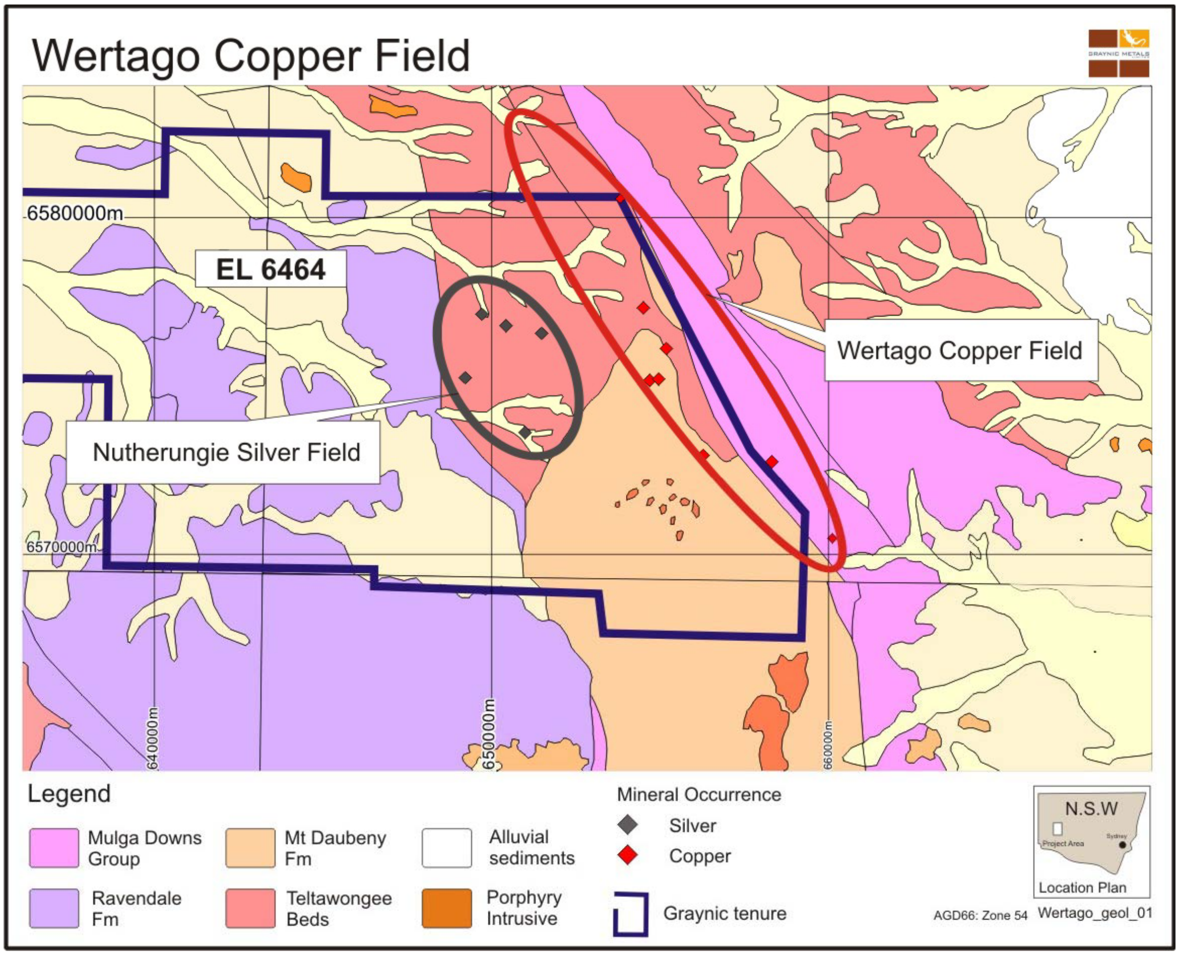
Wertago – Information Overview

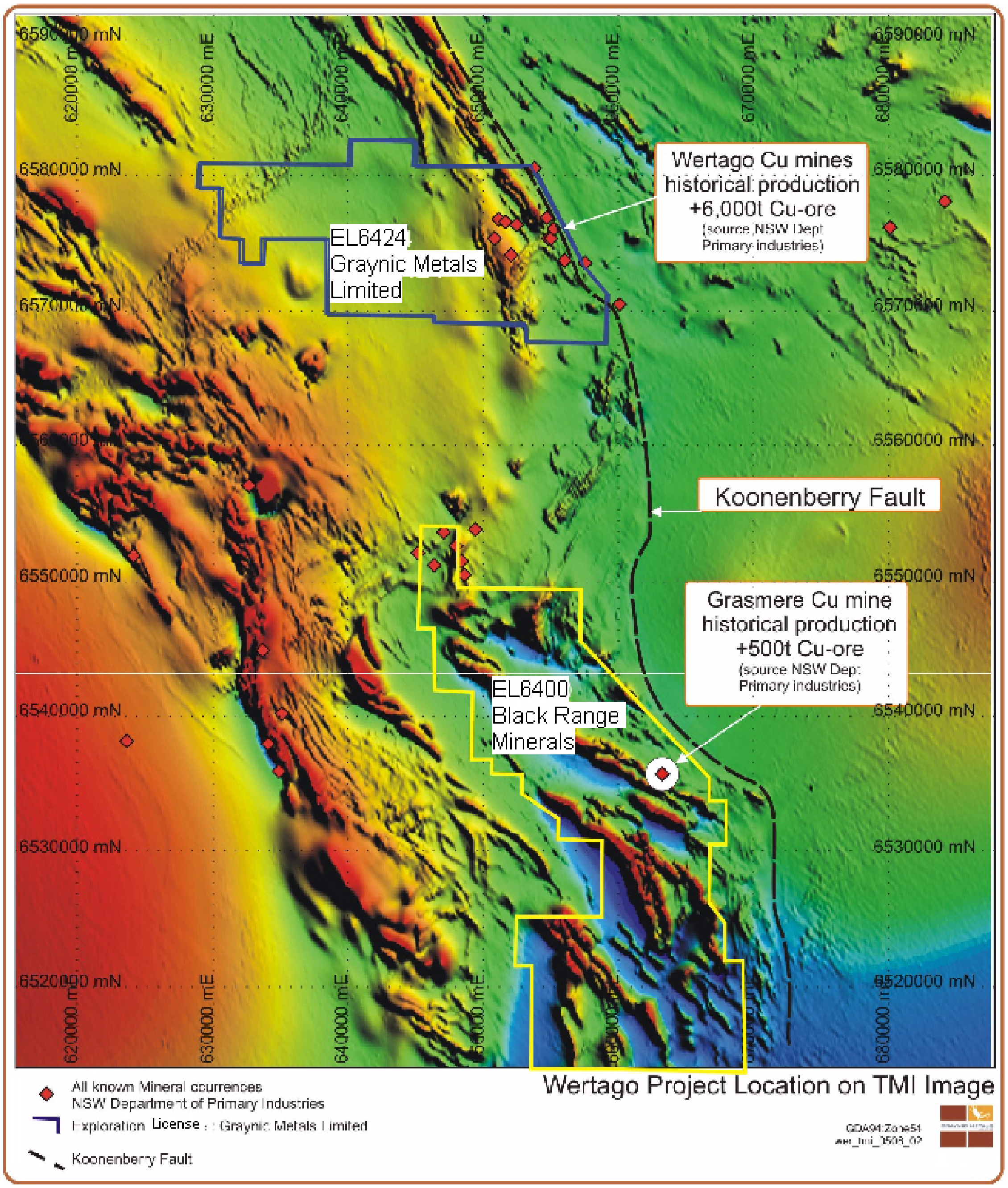
The Wertago prospect is located 170 km north-east of Broken Hill in eastern New South Wales. The prospect contains historic copper mines of the Wertago Copper Field, and the Nutherungie Silver fields. The prospect is located along strike from Black Range's Grasmere Project (500t historic copper ("Cu") production and their recently reported inferred resource estimate of 5.75mt@ 1.03% Cu, 0.35% zinc (Zn) and 2.3g/t Silver (Ag) and contains approximately 60,000 tonnes Cu).



Production History

Wertago Copper Field

Historical production totalling 6000t Cu-ore was derived from a large number of Cu workings. Several of these had a similar size to the Grasmere mine which is located on the same structural corridor to the south. Larger mines within the Wertago copper field include Copper Well, Bunker Hill, Eclipse and Brady's Open Cut. Several of these comprised extensive underground operations, delivering Cu-oxide, carbonates and primary ore – generally at approximately 30% Cu and smelters were constructed locally to smelt the ore.



Nutherungie Silver Field

The Nutherungie Silver Field comprises of several silver-lead mines that were worked up to 1886. Recorded tonnages are low (100's tonnes), but very high grade.

Geology

The Cu workings are hosted within a major faulted contact between Devonian sedimentary rocks. This fault zone is called the Koonenberry Fault and is intimately associated with significant Cu-mineralization in the area. Felsic intrusive rocks are also intimately associated with Cu-mineralization. Surface rock chipping and mapping identified lead (Pb) rich veins. Similarities with mineralisation at Nuntherungie and Thackaringa-style quartz-siderite veins were noted.

Exploration History

The most recent extensive exploration was conducted by Rio Tinto ("Rio") in 1997. Rio held the prospect area and identified its potential to host Century-style Zn mineralisation associated with the Koonenberry Fault and Porphyry copper gold (Cu-Au) mineralisation associated with felsic intrusive rocks in the eastern portion of the prospect. Rio noted that significant base metal mineralisation had been identified in previous drill core at Wertago, Eclipse and Bunker Hill, but most drill holes were not assayed and others were only assayed for Cu even though sphalerite and galena were observed and noted (Pb-Zn mineralisation).

The grade of some of the veins (**24% Pb, 1125 g/t Ag**) resulted in Rio claiming that the project has bulk open pit mining potential. Despite Rio's documented enthusiasm, no drilling was conducted in the economically depressed mineral exploration climate of the late 1990's.

Historic drilling beneath the Eclipse mine returned **2m @ 4.6% Cu**. Most of the historic drilling was never assayed, despite massive Zn sulphides being recorded. Rio declared their intention to locate the earlier diamond drill core and submit it for assay; however this does not seem to have occurred. Previous exploration had involved limited soil sampling, airborne geophysics and drilling around historical workings. Of this historical drilling DDH1 (Laurex Exploration, 1963) intersected **12.2m @ 4.6 g/t Au** along the Koonenberry Fault in the eastern portion of the project area. No further drilling has been conducted.

Target

The mining history of the area and the location adjacent to the Koonenbery Fault, which is considered as a major conduit of mineralised fluids, make the project an exciting opportunity to repeat the success at Grasmere. The area is interpreted as under-explored and worthy of a focused exploration effort (to enhance Rio's findings and to repeat previous drilling successes in the area). Recent geophysical surveys undertaken by Graynic have revealed significant conductors along the Koonenberry Fault trace that require follow up ground EM surveys.