

ASX Announcement

17 June 2014

CORPORATE UPDATE – PLUTON RESOURCES LIMITED

Further to the announcement of 3 June 2014, the Company wishes to provide an update of its continuing operations and its capital raising activities.

Review of Operations

Since the changes to the Company's board and the appointment of the interim chief financial officer, a comprehensive review of the Company's financial position has commenced as part of a broader review of the Company's operations.

The review remains ongoing however the Board has determined that a further capital raising is required to repair and restructure the Company's balance sheet. This action is required to address specifically the deterioration in the Company's financial position as a result of:

- (a) the continuing decline in revenue from trading. In particular the significant decline in the iron ore price and the limitations imposed under the existing offtake arrangements have contributed to a drop in revenues and a more challenging trading outlook for the balance of 2014;
- (b) the existing financial arrangements that have underpinned the Cockatoo Island Joint Venture (CIJV) for which the Company has continued to bear the whole of the expenditure for the Joint Venture whilst the joint venture parties have been negotiating a reorganisation of the CIJV; and
- (c) the Company's creditor position, which is larger than anticipated. The Company has engaged an independent accounting firm to provide an investigative accounting review as part of the preparation of a prospectus that will underpin the proposed capital raising.

Parallel with the structural review process the Company is engaging external consultants to review and advise on the Board and Management structure moving forward.

Capital Raising

The Company proposes to resolve the Company's balance sheet issues by adopting a capital raising strategy that deals with the Company's immediate needs within the CIJV whilst simultaneously repositioning its offtake arrangements to a more sustainable footing. Most importantly, this strategy will enable the Company sufficient time and resources to restructure both the CIJV and the iron ore prepayment structures governing the offtake arrangements.

The Company proposes to undertake an equity capital raising by way of a rights issue and has commenced negotiations with investors with a view to finalising this raising by the end of July 2014.

Subject to market conditions, the Board expects that the rights issue will be substantially underwritten. The Company's major shareholder, General Nice Resources (GNR) which has two representatives on the Board, has advised the Company of its intention to support a rights issue and will maintain its current interest in the Company at approximately 18%.

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The Company is working with all key stakeholders and anticipates finalising a prospectus for the equity capital raising shortly.

In addition to the equity raising, the Company is also negotiating a combined debt capital raising and offtake arrangement that will restructure the current prepayment and offtake arrangements. This will enable the company to better manage its trading activities in the current challenging market for its product.

The Company expects to make a further announcement in respect of its capital raising strategy by Monday 23 June 2104. It is the Company's intention to keep its shares suspended from trading until the completion of the Rights Issue.

June Quarter Production

The Company has shipped approximately 217,000 tonnes of iron ore this quarter and is forecasting a further one to two shipments for the quarter.

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